



POLICY BRIEF MAY 2021

PACE: LOANS TO GREEN NYC BUILDINGS

New program helps finance efficiency and renewables.

New York City has launched a new clean energy loan program to help building owners pay for energy efficiency, electrification and onsite clean energy measures.

Retrofits that drive down energy use and cut carbon emissions will save money over time but can come with high upfront costs. Loans from NYC's new **Property Assessed Clean Energy (PACE) program** will cover up to 100 percent of those costs with

competitive rates, long timelines and payments that may be covered by savings from energy bills.

With PACE, building owners can finance a range of projects like heating system upgrades, envelope improvements and onsite solar PV. The loans are particularly important for buildings that have to meet **Local Law 97** carbon limits: eligible upgrades will help owners reduce energy use and carbon emissions while also improving building systems, air quality and occupant health and comfort.

NYC PACE loans are available for all privately owned buildings except one- to two-family homes and some condominiums, bringing most of the city's building owners a powerful new tool for practical, cost-effective decarbonization in the years ahead.

PACE BACKGROUND

PACE is a **mechanism** to provide low-cost, long-term financing for energy efficiency, renewable energy and related projects that are a permanent part of a property. PACE programs are first authorized by state law and then activated by local governments, with programs currently operating in **24 states and Washington, D.C.** Commercial PACE, which generally applies to commercial and multifamily properties, makes up the vast majority of PACE programs and has distributed over **\$2 billion** nationally through 2019.

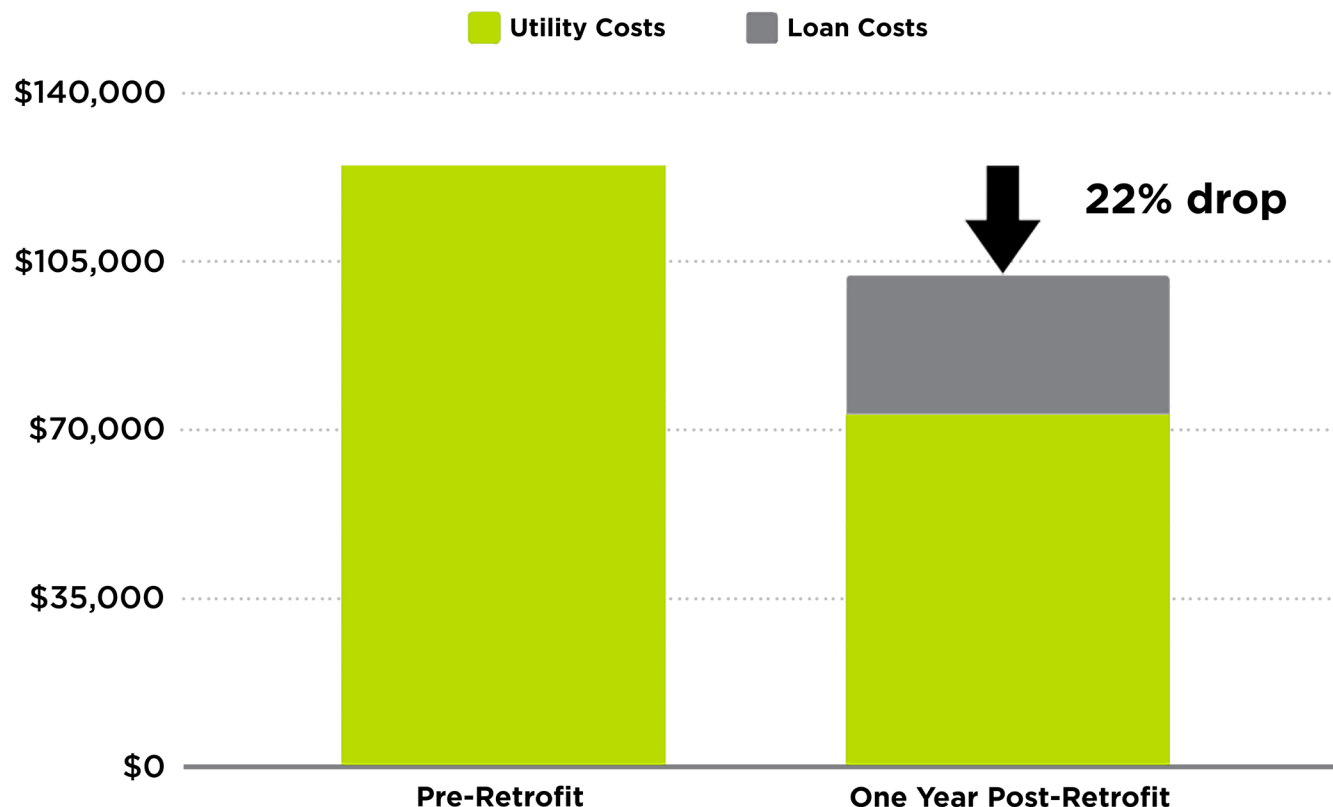
Unlike traditional financing, PACE loans are repaid through a charge on the property tax bill. Loans are attached to the property and automatically transfer to a new owner when a property is sold, which means owners only pay for the energy savings they receive. PACE loans have priority over other loans and don't accelerate if a building owner defaults. They also tend to have lower interest rates than other loans, except mortgages.

PACE BENEFITS

- Covers up to 100 percent of project financing with no upfront costs to building owners
- Competitive, fixed interest rates (generally ranging from 4.75 to 7.5 percent)¹
- Long repayment terms based on the expected useful life of the project (often 20 to 30 years)
- Payments are typically sized so that energy savings cover the annual payments
- Loan remains with the property when sold
- Costs of loan may be shared with commercial tenants, who may also see utility savings
- Can finance projects that lead to significant energy and carbon savings, helping NYC buildings comply with Local Law 97
- Projects lead to more efficient, modern building systems that save owners money and may increase property values

Multifamily Savings Potential with PACE

The typical high-rise multifamily building can dramatically reduce utility costs with energy efficiency. By combining simple and moderate measures, this example shows a 22 percent annual cost savings, even with PACE loan interest at 6 percent over 25 years.



SOURCE: Community Preservation Corporation, Underwriting Efficiency, 2019. Assumptions explained in endnote 2.

ELIGIBLE NYC PROJECTS

All projects must fit in one of two categories. They must also meet criteria established in the **Program Guidelines** and by **NYSERDA** where specified.

ENERGY EFFICIENCY IMPROVEMENTS	RENEWABLE ENERGY SYSTEMS
<p>Any cost-effective renovation or retrofit of a building that reduces energy consumption*, including:</p> <ul style="list-style-type: none"> Window and door replacements Permanent lighting Caulking Weatherstripping Air sealing Insulation at wall and roofs Heating and cooling system upgrades Similar improvements approved by NYSERDA 	<p>Any practicable installation of a system that generates electric or thermal energy for use primarily onsite**, including:</p> <ul style="list-style-type: none"> Solar thermal and solar PV Small wind Geothermal Anaerobic digester gas systems Fuel cell technologies Air and ground source heat pumps Energy storage systems Other renewable technologies approved by NYSERDA

*Lighting measures or household appliances that are not permanently affixed to the property are not eligible, such as light bulbs or plug-in appliances.

**Technologies that include the combustion or pyrolysis of solid waste are not eligible.

HOW NYC PACE WORKS

The **NYC Accelerator PACE Financing Program** is administered by the New York City Energy Efficiency Corporation (**NYCEEC**) in partnership with the Department of Finance.

NYC PACE loans are:

- Available for renovations and new construction in all commercially owned real estate³ in NYC, covering about 300,000 buildings and 3.5 billion square feet citywide. PACE-eligible real estate includes offices, multifamily buildings of three or more units, as well as nonprofit, religious, healthcare and industrial properties.⁴
- Subject to project approval by the city (see eligible projects above).
- Provided by pre-qualified lenders.
- Repaid through a PACE charge on the property tax bill, which is collected by the Department of Finance, remitted to NYCEEC and repaid to the lender.

Full details can be found in the **Program Guidelines**.

GETTING STARTED

Lenders must provide all application materials to NYCEEC on behalf of each PACE applicant. To obtain a PACE loan, building owners need to work with pre-qualified lenders to:



1. Submit pre-application forms to NYCEEC's Online Application System for their project.
2. Document the results of an Energy Audit⁵ to determine energy savings for energy efficiency projects, or a Renewable Energy Feasibility Study to verify the practicability of renewable energy projects.⁶ Both must be conducted by contractors that meet **NYSERDA's criteria**.
3. Demonstrate the proposed project's cost-effectiveness by showing a savings-to-investment ratio of 1.0 or greater.⁷
4. Get approval from existing lenders, like a primary mortgage holder, if applicable.

Contact the NYC Accelerator to find pre-qualified lenders. NYC's **PACE Rules** and **Program Guidelines** provide more detail on application and reporting requirements. NYCEEC's **Request for Qualifications** gives lenders details on becoming pre-qualified.

Urban Green Council transforms buildings for a sustainable future in New York City and around the world.

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NOTES

¹ Interest rates will be determined on a case-by-case basis with the lender.

² Simple measures include common air sealing, domestic hot water (DHW) pipe insulation, heating system tune-up, installing DHW controls, leak repair, LED lighting and sensors, low-flow water fixtures, temperature controls and thermostats, and weather-stripping. Moderate measures include DHW heater replacement, boiler tuning and repair, heating system sensors and controls, high-efficiency pumps, submetering electricity and water, roof insulation, toilet replacement, upgrading motors or installing variable frequency drives, and ventilation upgrades. Estimates are from measures performed on a 10-story, 125,000 square foot multifamily building using a two-pipe steam heat system. Upgrades would cost roughly \$375,000, monthly loan payments were almost \$2,500 and monthly utility savings were \$4,300. Source: CPC, **Underwriting Efficiency, 2019**.

³ New York State has no residential PACE program.

⁴ 1-2 family homes, some condominiums, and public buildings are not eligible for NYC's PACE program.

⁵ Energy Audits prepared in accordance with NYC's Local Law 87 of 2009 are accepted.

⁶ Existing Energy Audits and Feasibility Studies are eligible if conducted within the 2 years preceding a signed financing agreement or the date on which project construction begins, whichever is earlier.

⁷ The savings-to-investment ratio, also referred to as the cost-benefit ratio, includes both energy savings and societal benefits as "savings." Accordingly, **NYSERDA notes** it should "not be assumed that the improvement will pay for itself through energy bill savings alone over the term of the PACE financing."

MORE INFO

[NYCEEC PACE Administration Website](#)
[NYC Accelerator PACE Financing Website](#)
[NYC PACE Program Rules](#)
[NYC PACE Financing Program Guidelines](#)
[NYCEEC Lender Request for Qualifications](#)
[NYSERDA Guidance for Commercial PACE](#)
[Case Studies from PACE Around the Country](#)

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This summary is for informational purposes only. For details and questions related to rules and requirements, please contact the New York City Energy Efficiency Corporation.

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