

**New York City Department of Finance  
Sustainable Energy Loan Program**

**Notice of Public Hearing and Opportunity to Comment on Proposed Rules**

**What are we proposing?** The New York City Department of Finance (“DOF”) is proposing amendments to the rules implementing Local Law number 96 for the year 2019, which establishes the Sustainable Energy Loan Program (“Program”) within the City of New York (“City”). The Program is intended to encourage energy efficiency improvements and the installation of renewable energy systems that save energy and reduce utility costs in the City. The proposed amendments would set forth additional criteria for Program financing for major renovation and new construction projects, as well as additional criteria for owners of leasehold interests to receive Program financing.

**When and where is the hearing?** DOF will hold a public hearing on the proposed rule amendment. The public hearing will take place at **11:00 AM** on **July 10, 2023**. The hearing will be conducted remotely through Webex Event Center. To participate in the public hearing, enter the Webex URL <https://nycdof.webex.com> into a web browser. If prompted to provide a password or number, please enter the following: pace72023. You can also participate in the hearing via phone by calling 646-992-2010. The meeting access code is 2330 649 8227.

**How do I comment on the proposed rules?** Anyone can comment on the proposed rules by:

- **Website.** You can submit comments to NYC Department of Finance through the NYC rules website at <http://rules.cityofnewyork.us>.
- **Email.** You can email written comments to [DOFRules@finance.nyc.gov](mailto:DOFRules@finance.nyc.gov)
- **Mail.** You can mail comments to NYC Department of Finance, Legal Affairs Division, 375 Pearl Street, 30<sup>th</sup> Floor, New York, NY 10038, Attn: David Atik.
- **Fax.** You can fax comments to NYC Department of Finance, Attn: David Atik, at (212) 748-6982.
- **At the hearing.** Anyone who wants to comment on the proposed rule at the public hearing must sign up to speak prior to the date of the hearing. You can sign up by calling Joan Best at (212) 748-7214. You can speak for up to three minutes.

**Is there a deadline to submit comments?** The deadline for submitting written comments is July 14, 2023.

**What if I need assistance to participate in the hearing?** Please contact DOF’s Office of Legal Affairs if you need a reasonable accommodation of a disability to participate in the hearing. You must tell us if you need a sign language interpreter. You can make any accommodation request by mail at the address given above. You may also make such request by contacting Joan Best by telephone at (212) 748-7214; TTY (212) 504-4115, or by email at [bestj@finance.nyc.gov](mailto:bestj@finance.nyc.gov). Advance notice is requested to allow sufficient time to arrange the accommodation. Please provide at least five business days’ notice prior to the hearing to ensure availability.

The following accessibility options are available for this hearing: Simultaneous transcription for people who are deaf or hard of hearing and audio-only access; American Sign Language

interpretation on video. For audio-only access, call 646-992-2010. The meeting number is 2330 649 8227.

**Can I review the comments made on the proposed rules?** You can review the comments made on the proposed rules by going to the website at <http://rules.cityofnewyork.us/>.

**What authorizes DOF to make this rule?** Sections 1503, 1504 and 1043(a) of the New York City Charter (“Charter”), and Chapter 30 of Title 11 of the New York City Administrative Code authorize DOF to make these proposed rules.

**Where can I find DOF’s rules?** DOF’s rules are in Title 19 of the Rules of the City of New York.

**What rules govern the rulemaking process?** DOF must meet the requirements of Section 1043 of the Charter when creating or changing rules. This notice is made according to the requirements of Section 1043 of the Charter.

## **Statement of Basis and Purpose of Proposed Rule**

In 2009, the New York State Legislature enacted General Municipal Law Article 5-L, which authorizes municipalities within New York State to create and administer Property Assessed Clean Energy (“PACE”) financing programs. Such programs offer financing to property owners to fund energy efficiency and renewable energy projects on existing commercial properties, based upon a property owner’s agreement to have a separate charge placed on the annual tax bill for the subject property.

In April 2019, the New York City Council enacted Local Law number 96 for the year 2019 (“LL 96/2019”), codified at Chapter 30 of Title 11 of the Administrative Code of the City of New York (the “Administrative Code”), which established the Sustainable Energy Loan Program (“Program”) for the financing of energy efficiency improvements and renewable energy systems for existing commercial properties in New York City. The Office of Long-Term Planning and Sustainability coordinates the Program, and, in consultation with the New York City Department of Finance (“DOF”), a third-party administrator under contract with the City administers the Program. The Program is intended to help property owners reduce energy consumption and operating costs, create a healthier occupancy environment, increase the value of their buildings, and comply with City legislation establishing greenhouse gas emissions limits for buildings within the City.

In April 2021, the New York City Council enacted Local Law number 42 for the year 2021 (“LL 42/2021”), amending Chapter 30 of Title 11 of the Administrative Code. LL 42/2021 authorized PACE financing for new construction, as well as for owners of leasehold interests.

These proposed amendments would implement LL 42/2021, setting forth additional criteria for Program financing for new construction projects, as well as additional criteria for owners of leasehold interests to receive Program financing. Specifically, these rules would extend the following Program financing criteria to new construction and major renovation projects and owners of leasehold interests:

- Eligibility criteria for PACE loans;
- The terms and conditions for the collection and remittance of loan payments;
- Reporting and filing requirements related to such loans; and
- Certification criteria for persons conducting energy audits and renewable energy system feasibility studies as required by Chapter 30 of Title 11 of the Administrative Code.

In addition, these rules would add new definitions of “low carbon building,” “major renovation,” and “new construction.”

DOF’s authority for these rules is found in sections 1503 and 1043(a) of the New York City Charter and Chapter 30 of Title 11 of the Administrative Code.

New material is underlined. Material to be removed is [bracketed].

“Shall” and “must” denote mandatory requirements and may be used interchangeably in these rules, unless otherwise specified or unless the context clearly indicates otherwise.

## **Proposed Rule Amendment**

Section 1. Section 58-02 of title 19 of the Rules of the City of New York is amended by adding new definitions of “low carbon building,” “major renovation,” and “new construction” in alphabetical order to read as follows:

**Low Carbon Building.** “Low Carbon Building” means a building that is designed, engineered, developed, constructed, operated and maintained such that any device, machinery, equipment, component, system or element installed or used in such building that causes or otherwise results in the combustion within or upon such building of any substance emits no more than 25 kilograms of carbon dioxide per million British thermal units of energy, as determined by the United States energy information administration, provided that such limitation shall not apply to any of the following:

a. Any device installed or used in such building that (1) has no connection to the gas supply line or fuel oil piping system of such building; (2) is used on an intermittent basis; and (3) is not used to supply such building, or any portion of such building, with heat or hot water; or

b. Any building in which the combustion within or upon such building of a substance that results in the emission of 25 kilograms or more of carbon dioxide per million British thermal units of energy, as determined by the United States energy information administration, is necessary: (1) for a manufacturing use or purpose; (2) for the operation of a laboratory, laundromat, hospital, crematorium, or commercial kitchen as defined in section 202 of the New York City fire code; (3) to provide emergency or standby power; or (4) for any use allowed pursuant to a rule promulgated by the Department of Buildings in accordance with exception 9 of section 28-506.1 of the Administrative Code, provided that any such emission in excess of 25 kilograms of carbon dioxide per million British thermal units of energy allowed pursuant to this subdivision be limited to the emission necessary for the use or purpose described in paragraphs 1 through 4 of this subdivision.

**Major Renovation.** “Major Renovation” means any renovation, retrofit or other capital improvement project involving construction in an existing building that: (a) increases the floor surface area of such building by more than 110% and (b) is consistent with criteria set forth in the Program Guidelines.

**New Construction.** “New Construction” means any project for which a new building permit is required pursuant to item 1 of section 28-105.2 of the Administrative Code. Any work subject to section 28-101.4.5 of the Administrative Code shall not be considered “New Construction”.

§ 2. Subdivision b of section 58-03 of title 19 of the Rules of the City of New York is amended to read as follows:

b. To be eligible for a Loan, an Applicant must:

1. Be the owner of [the real property, provided that such owner does not owe any civil penalties, taxes or other debt to the City, and provided further that if the Applicant is an owner of a leasehold interest in such real property, the owner of the freehold interest in such real property shall agree to the Applicant’s participation in the Program;

2.]:

i. A freehold interest in the subject real property; or

ii. A leasehold interest in the subject real property, where the following conditions are met:

(a) The owner of the freehold interest in such real property has agreed in writing to the Applicant’s participation in the Program, and has no outstanding civil penalties, taxes or other debt owed to the City or to the New York City Water Board at the time the PACE loan is made;

(b) The leased premises constitutes one or more Borough Block and Lots (BBLs) in their entirety and does not include a portion of any BBL;

(c) The remaining term of the agreement providing the Applicant with the leasehold interest in the subject real property is no less than the term of the PACE loan; and

(d) The leasehold interest has been recorded or is eligible to be recorded in the real property records for the subject property with the city register or the Richmond county clerk;

2. Enter into a Program Financing Agreement with a Lender; [and]

3. Comply with all project approval requirements and application requirements contained in the Program Guidelines and these rules;

4. Not be directly or indirectly affiliated with or owned or controlled by the Lender; and

5. Have no outstanding civil penalties, taxes or other debt owed to the City or to the New York City Water Board at the time the PACE Loan is made.

§ 3. Subdivision c of section 58-03 of title 19 of the Rules of the City of New York is amended to read as follows:

c. A Loan may be provided to finance any of the following:

1. The installation of an Energy Efficiency Improvement that is:

i. Likely to result in savings in energy consumption, or are otherwise appropriate, as determined by an Energy Audit; and

ii. Demonstrated to be cost-effective according to the criteria set forth in the Program Guidelines;

2. The installation of Renewable Energy Systems that are practicable, or otherwise feasible, as determined by a Renewable Energy System Feasibility Study;

3. An Energy Audit;

4. A Renewable Energy System Feasibility Study; [or]

5. The verification of the installation of such Energy Efficiency Improvement and Renewable Energy System; or;

6. A New Construction or a Major Renovation when:

i. Such New Construction or Major Renovation constitutes the design, development or construction of a Low Carbon Building;

ii. Any Energy Efficiency Improvement installed in such Low Carbon Building is demonstrated to be cost-effective according to criteria set forth in the Program Guidelines; and

iii. Any Renewable Energy System installed in such Low Carbon Building is determined to be feasible according to criteria set forth in the Program Guidelines.

d. The Administrator, on behalf of OLTPS, will determine that an Applicant is eligible for a Loan, pursuant to subdivision b of this section, and that an Applicant seeks a Loan for one of the purposes described in subdivision c of this section. The Administering Agency shall not be responsible for determining eligibility of Applicants or for approving Loans.

§ 4. Section 58-06 of title 19 of the Rules of the City of New York is amended by adding new subdivisions j, k and l to read as follows:

j. The proceeds of the Loan shall be:

1. Disbursed on the closing date; or

2. Held in escrow or pursuant to a similar arrangement and disbursed in installments to the Borrower periodically as construction progresses.

k. Notwithstanding subdivision j of this section or any other rule to the contrary, the entirety of the Loan amount shall be deemed to have been disbursed as of the closing date for purposes of establishing a schedule for repayment of the Loan, including any interest or fees.

l. The Program Guidelines may require the payment of fees for the administration of the Program.

§ 5. Section 58-07 of title 19 of the Rules of the City of New York is amended by adding a new subdivision g to read as follows:

g. Notwithstanding any rule to the contrary, a Loan may not be accelerated, including upon the occurrence of an event of default or any other event. Upon transfer of the Borrower's freehold interest or leasehold interest in the subject real property, the transferee of such interest is obligated to continue making payments in accordance with the Program Financing Agreement until the Loan is repaid in full.

**NEW YORK CITY MAYOR'S OFFICE OF OPERATIONS  
253 BROADWAY, 10<sup>th</sup> FLOOR  
NEW YORK, NY 10007  
212-788-1400**

**CERTIFICATION / ANALYSIS  
PURSUANT TO CHARTER SECTION 1043(d)**

**RULE TITLE: Amendment of Sustainable Energy Loan Program Rules**

**REFERENCE NUMBER: DOF-62**

**RULEMAKING AGENCY: Department of Finance**

I certify that this office has analyzed the proposed rule referenced above as required by Section 1043(d) of the New York City Charter, and that the proposed rule referenced above:

- (i) Is understandable and written in plain language for the discrete regulated community or communities;
- (ii) Minimizes compliance costs for the discrete regulated community or communities consistent with achieving the stated purpose of the rule; and
- (iii) Does not provide a cure period because it does not establish a violation, modification of a violation, or modification of the penalties associated with a violation.

/s/ Francisco X. Navarro  
Mayor's Office of Operations

May 31, 2023  
Date

**NEW YORK CITY LAW DEPARTMENT  
DIVISION OF LEGAL COUNSEL  
100 CHURCH STREET  
NEW YORK, NY 10007  
212-356-4028**

**CERTIFICATION PURSUANT TO  
CHARTER §1043(d)**

**RULE TITLE: Amendment of Sustainable Energy Loan Program Rules**

**REFERENCE NUMBER: 2023 RG 037**

**RULEMAKING AGENCY: Department of Finance**

I certify that this office has reviewed the above-referenced proposed rule as required by section 1043(d) of the New York City Charter, and that the above-referenced proposed rule:

- (i) is drafted so as to accomplish the purpose of the authorizing provisions of law;
- (ii) is not in conflict with other applicable rules;
- (iii) to the extent practicable and appropriate, is narrowly drawn to achieve its stated purpose; and
- (iv) to the extent practicable and appropriate, contains a statement of basis and purpose that provides a clear explanation of the rule and the requirements imposed by the rule.

/s/ STEVEN GOULDEN  
Senior Counsel

Date: May 31, 2023