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Meeting 'green' goals especially daunting for affordable housing

By BRIAN PASCUS

Esther Toporovsky spends her days advising affordable housing developers and landlords on how they can best comply with New York's greenhouse gas and carbon neutrality goals.

As president of Sustainability Solutions at the New York City Housing Partnership, Toporovsky has seen firsthand that none of her clients believe they are ready for the mandated transition to emissions-free buildings in a green economy, which begins in 18 months in the five boroughs.

Affordable housing developers are in a particular bind: They cannot raise rents on their tenants. With their rental income limited, there's a capital gap to completing the technology upgrades, Toporovsky explained, adding that high costs of construction materials have combined with rising interest rates, a strangled supply chain and surging inflation to further marginalize the transition to greener buildings.

"What we're seeing is there's a lot of uncertainty with building owners and landlords," Toporovsky said. "We're hearing from building owners that it's hard to meet a lot of these goals, they cost money, and the bigger thing we're hearing is the [renewable energy] sources in the market today aren't enough."

The clock is ticking for building owners and developers to begin complying with Local Law 97, the 2019 City Council legislation that intends to make New York City carbon neutral before 2050 by creating new greenhouse gas emission limits for most commercial and residential buildings of more than 25,000 square feet. The first emissions thresholds begin in 2024, with goals to reduce building carbon emissions 40% by 2030 and 80% by 2050.

Roughly 25% of eligible buildings are not complying with 2024 carbon emissions standards and need to work toward compliance, according to testimony delivered by the Citizens Budget Commission to the City Council in April. The noncompliance numbers increase to 75% once the stricter 2030 limits on emissions are considered.

"Decarbonization and getting carbon out of your building is inherently different from just energy efficiency," Toporovsky said. "It cost a lot more money to reach emissions targets."

Toporovsky knows a thing or two about the challenges that lie ahead for building owners and developers.

Since 2020 she has been executive vice president of the New York City Housing Partnership, a nonprofit that has served as a bridge between affordable housing developers, banks and public agencies since 1987. The Housing Partnership has facilitated the creation of more than 70,000 units and more than $7 billion in financing for affordable housing in the past 35 years.

Toporovsky's portfolio of clients includes Homes and Community Renewal, the state's affordable housing public-benefit corporation, and New York City's Department of Housing Preservation and Development, the city's chief affordable housing arm. She advises numerous private developers and owners of multifamily portfolios.

It's unclear if Toporovsky will seek leniency for affordable housing developers or lobby against the strict timelines imposed by the city under Local Law 97. She said the Housing Partnership has shared concerns and questions about compliance cost and timelines faced by multifamily building owners and developers.

At $1 per square foot per year for each building, penalties for noncompliance with Local Law 97 are severe. In addition, buildings above an established limit of greenhouse gases will be fined $268 per metric ton of emissions annually.

"A lot of what we're getting at is talking to owners and advising them that the clock is ticking and there will be fines and they have to meet these things," Toporovsky said.

Statewide mandates

The carbon emissions requirements for building owners go beyond city regulations. New York state passed the Climate Leadership and Community Protection Act in July 2019. This law requires New York to reduce economywide carbon emissions to 40% of 1990 levels by 2030 and 85% of 1990 levels by 2050.

Few industries will be affected quite as much as real estate. The phasing in of all-electric codes for new building construction is expected to start in 2027. By 2035 only zero-emission appliances will be sold in the state. Other industrywide changes will likely include costlier electricity use, integrating renewable energy sources, using heating and cooling systems without fossil fuels, and mandates on zero-emission transportation.

Unfortunately, the state hasn't held up its end of the bargain to hasten this green transition, said Alex Heil, vice president of research at the Citizens Budget Commission.

"It's worth noting that the state's carbon profile of its electricity grid has not been improving and moving in the right direction," Heil said. "Now you have a grid that's dirtier than before."

Toporovsky echoed this point and said the market simply isn't on pace to meet the aggressive timelines mandated by politicians.

"The bigger thing we're hearing is the [energy] sources in the market today aren't enough," she said. "There's only one-off financing sources from state energy agencies, some utility money, but it's not quite enough."

New solutions

As she waits for the state's renewable energy production to meet its ambitious emissions reduction goals, Toporovsky is advising her clients to find a way to monetize the transition into a green footprint.

Her team at Sustainability Solutions is guiding affordable housing landlords on how to place solar panels on buildings, renovate their heating systems into geothermal ones, and enact other renewable energy upgrades that can generate revenue for their portfolios.

"For owners, whether you do it now or do it later, it's going to be a capital cost to you," Toporovsky said. "We're advising them on how to do upgrades that include renewable and solar because it can generate another source of income for their balance sheet."

She said she believes owners will be more likely to make the green transition once they can see some dollar signs at the end of the tunnel.

"Doing some of these technology updates now will increase the stability of rising operating costs," she said. "We want them to meet carbon reduction targets, but we also want them to generate revenue from this stuff."