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Seeing green: Co-ops, condos face high costs to meet looming climate goals

By Caroline Spivack

Warren Schreiber, president of his Queens cooperative, often lies awake at night worrying about how the 1950s complex can afford to comply with the city's green mandates. If the property, made up of 200 middle-income households, fails to comply, it could face hefty fines as soon as 2025.

Nearly 70% of the city's carbon emissions come from buildings. Local Law 97, approved by the City Council in 2019, imposes emissions caps on most buildings larger than 25,000 square feet.

Building owners must comply with the caps beginning in 2024.

Officers at cooperatives and condominiums are discovering now, through energy consultants, just how expensive that could be. One co-op's preliminary report amounts to $9,100 per household just to upgrade their boilers. Some cooperatives say they need greater resources so as not to push the expense on to residents through maintenance fees.

"Buildings on a finite budget should start with "the low-hanging fruit"—less expensive retrofits—and build up from there. The best thing to do is to sit back and kind of peel back where they are today, where their reserves are, where their capital repair budget is."

-Esther Toporovsky, President Housing Partnership Sustainability Solutions

"My concern," Schreiber said, "is that some of them would actually be forced to leave and look for more affordable housing."

Buildings' compliance includes submitting a report to city officials in May 2025, showing their emissions for the previous calendar year. Buildings that exceed their limit will be on the hook for annual penalties of $268 per metric ton over the cap. The fines could quickly climb into the thousands or millions.

The goal is to cut building emissions 40% by 2030 and 80% by 2050, at which point the city aims to reach carbon neutrality.

The law applies to some 50,000 buildings, 59% of which are residential, according to the Urban Green Council. The total cost for buildings to reach emissions limits solely through retrofits for the first and second compliance periods, UGC estimates, is $20 billion. To meet the initial 2024 cap, the UGC has estimated a cost of $2.2 billion.

Roughly 24% of affected buildings are not in compliance with 2024 limits and have work to do, according to the Citizens Budget Commission. The road to compliance is complex. Some rules to implement the law are still being worked out by the city, and owners have less than 20 months to comply with the initial limit or face fines.

Building concerns

Some in the co-op and condo industry are feeling the pressure to figure out financially feasible paths that will keep their housing affordable. Schreiber says his Bay Terrace Cooperative Section I in northeast Queens would fall into what the CBC says are the 25% of specifically residential properties that are above the 2024 limits, and the 76% that exceed 2030 restrictions.

If no changes are made at the property, the cooperative's shareholders could face an annual penalty of $45,000 starting in 2024, plus fines of up to $194,000 in 2030, Schreiber said.

One particularly labor-intensive upgrade, according to preliminary figures from contractors, would be to swap out equipment in the property's six boiler rooms to electric heat pumps, along with replacing electrical equipment in individual units to accommodate the upgrade. It would cost roughly $2 million to $2.5 million.

That's money Bay Terrace simply does not have, said Schreiber, and if that has to be passed on to shareholders in the form of maintenance increases, it could spike fees (which tend to start at $550 to $700 per month) by 15% to 25%.

"Does it make more sense to do the upgrades, go into really substantial debt, impose big maintenance increases on our shareholders?" Schreiber asked. "Or do we pay the penalties—which is counter-productive to what Local Law 97 is supposed to accomplish?"

Robert Friedrich, board president of Glen Oaks Village, another middle-income cooperative in Queens, said he and fellow board members are agonizing about how Glen Oaks will eventually finance more efficient equipment in the 47 boiler rooms that heat the complex's 134 2-story buildings.

Estimates from an energy consultant working with Glen Oaks put the price tag at about $24 million, which could turn into a roughly $9,100 cost per household. If that and other changes are not made, the cooperative says, it could face more than $1 million in annual fines by 2030.

Mary Ann Rothman, executive director of the Council of New York Cooperatives and Condominiums, said the city needs to explore “all the incentives humanly possible” for co-op and condo buildings to minimize shifting costs directly onto residents.

“There’s no other place than your shareholders or unit owners if there aren’t better incentives,” Rothman said.

Rothman, who is on two of six working groups submitting feedback to an advisory board of stakeholders offering recommendations to the city about Local Law 97, is sympathetic to how overwhelming the process can feel to owners. She says the focus should be to make the law more encouraging and less punishing.

Getting started

Emissions-reducing retrofits undoubtedly can be expensive, time-intensive undertakings for property owners. Add to the mix the recent spike in building material costs, supply-chain challenges, labor shortages and rising interest rates and you have what Jimmy Carchietta calls “a kick in the ass as a building owner.”

Carchietta, chief executive of The Cotocon Group, a sustainability consulting business, said, “2024 is around the corner. It’s not that far away. And there’s a lot to do.” He works with property owners to assess how buildings are releasing greenhouse gases, and provides cost-effective recommendations.

“The bottom line is: The sooner buildings act the better chance they have of surviving,” he said.

The Department of Buildings encourages co-op and condo owners concerned with bringing their buildings into compliance to connect with the city’s NYC Accelerator program as soon as possible for free, personalized guidance on near- and long-term retrofit projects, along with information on financing options and incentives. Mayor Eric Adams’ administration last month launched the Building Action NYC campaign to raise awareness about the Accelerator.

One resource Accelerator staff can direct owners to is the Property Assessed Clean Energy program, or PACE. The program can fund up to 100% of a building’s retrofits through a long-term loan paid back in premiums added to property tax bills. To date, the tool has been used only twice: an $89 million refinancing at 111 Wall St. and a $28 million loan for 730 Third Ave.

For those just getting started, the New York State Energy Research and Development Authority’s Flexible Technical Assistance program shares the costs of an energy study to develop a road map for emissions-reducing changes at multifamily buildings.

In a statement, Rohit Aggarwala, the city's chief climate officer and commissioner of the Department of Environmental Protection, said the city is committed to mobilizing additional resources to help buildings reduce their carbon footprint, "including robust public engagement, additional funding opportunities and technical assistance."

Fine-tuning the law

The Department of Buildings said it will release rules and more guidance to comply with Local Law 97 "soon." The agency said it expects recommendations from the Local Law 97 Advisory Board that will inform rulemaking, before its law-imposed deadline of Jan. 1.

At a City Council hearing in April, Aggarwala said property owners who face particularly daunting challenges to comply with the law could potentially have their emissions caps adjusted or fines lightened if they can show they are doing all they can to meet the law's goals.

Penalties that owners do pay are to go into the city's general fund.

Local Law 97 allows building owners to purchase renewable energy credits from green projects—giving them another road to compliance aside from upgrades. But Aggarwala said the Adams administration intends to carefully limit the use of energy credits to ensure compliance.

Carbon trading, which would have enabled buildings to buy credits from those with less emissions, is one option Aggarwala said is off the table.

"We have no intention of giving anyone a free pass or letting anyone off the hook," he said during the hearing. "But we also see no benefit to the environment in punishing someone who is actually doing everything possible."

Esther Toporovsky, president of sustainability solutions at the New York City Housing Partnership, said buildings on a finite budget should start with "the low-hanging fruit"—less expensive retrofits—and build up from there.

"The best thing to do is to sit back and kind of peel back where they are today," Toporovsky said, "where their reserves are, where their capital repair budget is."

Carving out a path

In the South Bronx, that is the approach board members at the Sherman Terrace Co-op set out to embrace. Derek Jones, board president, joined in 2019 looking to mobilize the 66-unit, working-class cooperative to shrink its emissions.

That began with a refinancing of the mortgage at a lower interest rate, allowing the board to create a $665,000 fund to tap for retrofits, and from relentlessly chasing grants from NYSERDA and incentives from utility companies including Con Edison.

“You have to take advantage of the mortgage opportunities that are available to you, though now it’s terrible because the interest rates are going up—but what are you going to do?” Jones said. “Making a payment of a controlled amount is a much better choice than escalating violation costs.”

Then came the work: The cooperative installed roughly 600 LED bulbs, added equipment to allow the boiler to run on natural gas and set up 318 solar panels, which now generate 30% of its electricity. In the panels’ first year of full operation, they chopped $28,000 off the cooperative’s electric bill.

The board also embraced electric submeters, a controversial move that took away the perk of residents not paying an individual electric bill.

Persuading shareholders, Jones said, was the hardest part of the process, requiring frequent newsletters, meetings and outreach. But it paid off. Sherman Terrace’s Energy Star score, a snapshot of the building’s performance, jumped from 58 in 2017 to 94 in 2021, and the cooperative will not exceed Local Law 97 emission caps in 2024 or 2030, according to Jones.

“We really had to figure out ways to save money that make the shareholders more responsible for this cooperative living experience,” he said. “People would say: ‘Why do I have to pay for electricity? I’m losing all my benefits.’ And you have to help people realize that when the occupancy agreement was created in 1958, they weren’t taking into account 2022 challenges. You just have to work with people until finally you break through.”