

NYC PACE Financing

Program Guidelines

New York City Mayor's Office of Climate & Environmental Justice
New York City Energy Efficiency Corporation

Original Release Date: April 22, 2021

Revised: June 26, 2026

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1. Executive Summary

The City of New York (the “City”) has set a target of reducing greenhouse gas emissions (“GHG”) by 80% by 2050 (also known as “80×50”). Two-thirds of the NYC’s GHG emissions come from buildings. NYC Property Assessed Clean Energy (“PACE”) is a voluntary financing mechanism that allows property owners to borrow money to improve their new or existing properties to reduce utility costs, energy consumption, and greenhouse gas emissions via energy efficiency improvements. Unlike conventional financings, loans provided through the PACE Financing Program (the “Program”) are repaid in installments through a charge on the properties’ tax bills. The Program is administered by New York City Energy Efficiency Corporation (NYCEEC) (the “Administrator”) on behalf of the City in close coordination with the New York City Mayor’s Office of Climate and Environmental Justice (“MOCEJ”).

The Program is a platform allowing qualified lenders to provide commercial PACE financing for eligible projects. (See “Eligible Improvements”). Property owners seeking PACE financing should visit the Program website at nyc.gov/pace (“Program Website”), to connect with a qualified lender or the NYC Accelerator. The NYC Accelerator is a free concierge service providing technical and financial guidance to facilitate building decarbonization.

The “Program Documents” are comprised of these Guidelines, the Master Lender Agreement, the Collection Agreement, the Program Fee Schedule, the Technical Guidance Supplement and other Program agreements, certificates and other legal instruments. The most recent version of this document and other Program Documents can be found on the Program Website.

The eligibility criteria for PACE financing adopted for the Program conforms to the criteria established by the New York State Energy Research and Development Authority (“NYSERDA”) in the [NYSERDA Commercial PACE Financing Guidance Documents](#) (in general, the “NYSERDA Guidance”), which includes NYSERDA’s *Municipal Sustainable Energy Loan Program - Commercial Property Assessed Clean Energy (PACE) Guidance Document*, dated August, 2024 (the “NYSERDA General Guidance”).

The legal foundations upon which the Program is based include the following laws and rules: Section 119-gg of the New York General Municipal Law (“GML-119gg” or the “State PACE Law”); Chapter 30 of Title 11 of the New York City Administrative Code (the “PACE Local Law”); and Chapter 58 of Title 19 of the Rules of the City of New York (the “Program Rules”). These guidelines replace all prior versions.

2. Qualified PACE Lenders

PACE loans may only be originated by qualified PACE lenders (“Lenders”). Any entity seeking to become a Lender should review the Lender Request for Qualifications (“RFQ”) which is available on the Program Website. To become a Lender, a party must (1) meet the “Qualification Requirements”; (2) enter into a Master Lender Agreement (the “MLA”); and if applicable, (3) enter into a Master Transfer and Remittance Agreement with the Administrator, the City and a City tax lien trust or other City designated entity.

A goal of the City’s Climate Mobilization Act is “to ensure equitable investment in environmental justice communities”.¹ As such, MOCEJ and the Administrator strongly encourage Lenders to offer PACE loans to Borrowers in environmental justice communities.

3. PACE Loan Requirements

Below is a summary of the main Program requirements, which are described in more detail later in these Guidelines. An applicant must demonstrate compliance with these Program requirements and the eligibility criteria described in the Program Rules.

Summary of Program Loan Requirements

1. The Borrower for a PACE loan must be the owner of the property or have an Eligible Lease (e.g. ground lease) on the property.
2. The subject property must be an Eligible Site, which includes all property types except for one and two-family residential properties.
3. Consent must be obtained from all holders of mortgages or deeds of trust on the subject property, and in cases where the PACE applicant has a long-term lease interest in the property (e.g. a “ground lease”), from the property owner.
4. The PACE loan must fund Eligible Improvements, which includes, but not limited to the following:
 - a. HVAC systems
 - b. Domestic Hot Water (DHW) systems, including related piping
 - c. Electrical service upgrades, including wiring
 - d. Building enclosure measures (e.g. windows, insulation, etc.)
 - e. Energy and heat recovery ventilators
 - f. Electric vehicle charging stations
5. All Energy Efficiency Improvements must be recommended by an Energy Audit, and all Renewable Energy Systems must be recommended by a Feasibility Study.
6. Projects that are classified as New Construction or a Major Renovation must be a [Low Carbon Building](#) and comply with all the criteria described in these Guidelines.
7. Retrofit projects that are Pre-Qualified Projects and projects that consist of entirely Pre-Qualified Energy Efficiency Improvements do not have to meet the Savings to Investment Ratio (“SIR”) requirement. All other retrofit projects must have an SIR of 1.0 or greater.
8. The PACE loan term must be less than or equal to the weighted average useful life of the improvements, measures or systems financed.

¹ See Section 4 of Local Law 97 of 2019.

Eligibility

The remainder of this section describes the eligibility requirements for a “Borrower” (as defined below) of a PACE loan, the property or “Site” on which the project will take place, as well as eligible project types and measures, and other requirements to receive a PACE loan through the Program.

Borrower Eligibility

As more fully described in the MLA, to be a “Borrower” a PACE applicant must:

- Not be directly or indirectly affiliated with, owned or controlled by the Lender;
- Own the Eligible Site (defined below); or
- If the applicant has an Eligible Lease, such as a ground lease, for the Eligible Site, it must meet the following criteria:
 - Obtain the owner’s written consent to participate in the Program on the Program’s form of owner consent (“Owner Consent”); Other forms of consent may be acceptable upon the Administrator’s approval;
 - The lease must be for the entire Borough Block and Lots (BBL), but cannot be for only a portion of a BBL (for example, if you lease a single building of a BBL on which there are also multiple other buildings that are not part of the same lease, then it is not an Eligible Site);
 - The remaining term of the applicant’s lease for the Eligible Site is not less than the term of the PACE loan; and
 - The Leasehold Interest has been recorded or is eligible to be recorded in the real property records for the property with the city register or the Richmond county clerk.
- The Borrower, and in the case of an Eligible Lease, also the owner, must not be delinquent in the payment of any taxes, civil penalties, or other debt to the City, or in any water or sewer charges to the New York City Water Board or the City’s Department of Environmental Protection at the time the PACE loan is closed; and
- Not be a “Prohibited Person” (as defined in the MLA).

Site Eligibility

“Eligible Site” means a property that is:

- Located in one of the five boroughs of New York City; and
- If a residential property, it has three or more units.

Eligible properties include but are not limited to:

- Commercial, industrial, and office properties;
- Properties owned by tax-exempt organizations including religious institutions;
- Residential properties containing three or more units; and
- Certain residential condominium buildings.

Condominium Buildings

Condominiums are eligible for PACE financing if they meet one of the following criteria:

1. If three or more units are owned in common by an entity, such as a sponsor, of an operating condominium building, or as developer of a new construction condominium building. In this scenario, the sponsor would be the Borrower of record for the PACE loan, and the PACE loan would be assessed on only the units it owns in common.

Note in scenario 1, when a unit owned in common is sold to an individual, that unit's portion of the PACE loan must be paid off in full and the unit removed from the PACE loan. At all times, there must be at least three units owned in common for the PACE loan to remain eligible in the Program. If units being sold to individuals brings the number of units owned in common to less than three, then the PACE loan must be paid in full; or

2. Condominium associations may take on a PACE loan on a building-wide basis.

Note in scenario 2, the condominium association would be the Borrower of record for the PACE loan. The PACE loan would be assessed on the New York City Department of Finance's ("DOF") common building tax lot for condominiums. The condominium association would be responsible for making payments to the PACE Lender.

Mortgage Holder Consent and DOF "Property Information Update" Form

The Program requires that all mortgage holders on the property must provide consent to the PACE loan using the most recent version of the mortgage holder consent form available on [Program Website](#) ("Mortgage Holder Consent"). Other forms of consent may be acceptable upon the Administrator's approval. For cooperative buildings, only mortgage holders for the related cooperative association must provide consent to the PACE loan and no consent is required from lenders financing individual cooperative units.

To facilitate market transparency and senior or mortgage lender acceptance, the Program requires all Borrowers to complete DOF's "Property Information Update" form with their mortgage lender's information, to make the mortgage lender an authorized third party to receive all DOF notices issued for their property. These notices include DOF property tax bills on which PACE Charges are listed as a separate line item, as well as any DOF past due notices that would be sent in the event of a delinquent PACE Charge. This requirement ensures that mortgage lenders are kept informed of the status of PACE loans on their properties throughout the entire loan term. DOF's "Property Information Update" form is available for download on DOF's website here: [DOF Property Information Update Form](#).

Benefits of PACE Loans to Senior Lenders

Mortgage lenders that consent to PACE loans on their properties recognize that the loans enable property owners to pay for improvements to their properties, often resulting in energy savings and increased net operating income, making the properties more attractive to current and potential tenants and future buyers.

In general, unlike mortgages, in the event of default on a PACE loan, the full amount of the PACE loan **can never** be accelerated. If a payment is missed for a PACE Charge, only the amount of the past due PACE Charge(s) and accrued interest is due; just like property taxes, future PACE loan payments are not owed until their due date. Furthermore, in the event of a

sale or transfer of the property, the PACE loan automatically transfers to the new property owner unless the buyer or seller decides to prepay the PACE loan.

Borrower Acknowledgment

Certain risks are inherent in energy efficiency and renewable energy projects, such as the risk that the project (even if completed as designed, on time and on budget) may nonetheless end up resulting in smaller energy or cost savings than originally expected. In general, the Borrower bears these risks. As such, for each project the Lender should seek to ensure that the Borrower understands these risks and has the opportunity to ask questions. Each Lender will then be responsible for having the Borrower review and sign a Truth-in-PACE-Lending Acknowledgment or “TIPLA” and delivering the Borrower’s signed TIPLA to the Administrator and the City prior to closing the PACE loan. Lenders must use the most recent form of TIPLA available on the [Program Website](#).

Eligible Improvements

PACE loans may only be used to finance the following Eligible Improvements:

- “Energy Efficiency Improvement” is defined in the [State PACE Law](#) to mean “any improvement to real property, whether as a component of the new construction of a building or as the renovation or retrofitting of an existing building to reduce energy consumption...”² Energy Efficiency Improvement includes, but is not limited to, improvements such as:
 - building enclosure measures such as window or door replacement, and air sealing and insulation, amongst others;
 - heating, ventilation and cooling (HVAC) systems such as heat pumps, and related work, including electrical wiring and other electrical system upgrades;
 - domestic hot water (DHW) systems, such as electric DHW systems and related plumbing work;
 - electrical enabling upgrades, such as electrical service, panel, wiring, or infrastructure upgrades or replacements to support electric equipment in the building;
 - electric vehicle charging stations; and electric energy or heat recovery ventilators
- The term Energy Efficiency Improvement does not include “lighting measures or household appliances that are not permanently fixed to” the real property.³
 - “Embodied Carbon Reductions” Greenhouse gas emissions resulting from the energy used for building materials and construction (“Embodied Carbon”), are a substantial environmental consequence of New Construction, Major Renovation and “Adaptive Reuse” (as defined below) projects. As such, Embodied Carbon Reductions are considered by the Program to constitute a qualifying Energy Efficiency Improvement that may be financed under the Program, subject to the requirements in Section 5 below.

² See State PACE Law, §119-FF(4).

³ See State PACE Law, §119-FF(4).

- “Renewable Energy System” means an energy generating system for the generation of electric or thermal energy, to be used primarily at the real property where such system is installed, except when the owner of real property is a commercial entity, by means of a solar thermal, solar photovoltaic, wind, geothermal, anaerobic digester gas-to-electricity system, fuel cell technology, or other renewable energy technology approved by NYSERDA, not including the combustion or pyrolysis of solid waste. Please refer to Section 6 of the NYSERDA General Guidance and to other applicable NYSERDA Guidance for additional information. Renewable Energy Systems include, but are not limited to, the following:
 - solar photovoltaic (e.g. rooftop solar) systems
 - energy storage (e.g. battery storage) systems; and
 - fuel cell systems

Energy Audits and Renewable Energy Feasibility Studies

Energy Audit: If the proposed project includes an Energy Efficiency Improvement, the PACE applicant must provide an Energy Audit that meets all applicable NYSERDA requirements, including those specified in the NYSERDA Guidance. The Energy Audit must be performed by a contractor that meets the criteria contained in Section 3 of the NYSERDA General Guidance.

Note: On a case-by-case basis, affordable multifamily properties that are subject to, or will become subject to, a regulatory agreement with the NYC Department of Housing Preservation & Development (“HPD”), NYC Housing Development Corporation (“HDC”), or NYS Housing & Community Renewal (“HCR”) may obtain an Integrated Physical Needs Assessment (“IPNA”) in lieu of an American Society of Heating, Refrigerating and Air-Conditioning Engineers (“ASHRAE”) Level 2 or ASHRAE Level 3 Energy Audit.

Feasibility Study: Required when the proposed project includes a Renewable Energy System. The Feasibility Study must be provided by a contractor that meets the criteria described in Section 8 of the NYSERDA General Guidance and other applicable NYSERDA Guidance (“Certified Feasibility Study Contractor”).

The Program requires that an Energy Audit or Renewable Energy Feasibility Study must have been completed within 2 years prior to the date on which the PACE financing agreement between the Borrower and Lender is signed, or the date project construction commenced, whichever is earlier. An Energy Audit that is prepared within such 2-year time frame and in accordance with New York City Local Law of 2009 is an acceptable Energy Audit for the purposes of PACE financing.

Savings-to-Investment Ratio (SIR)

All projects financed under the Program that do not constitute Major Renovation (defined below) or New Construction (defined below) must have a Savings-to-Investment Ratio (“SIR”) of 1.0 or greater, except for Pre-Qualified Projects (defined below) and projects that consist of entirely Pre-Qualified Energy Efficiency Improvements (defined below).⁴ The SIR is referred to in the

⁴ The terms “Savings-to-Investment Ratio” and “SIR” are used in these Guidelines in the interest of seeking to be generally consistent with standard industry terminology and usage.

NYSERDA Guidance as the Cost Benefit Ratio (“CBR”). The SIR should be calculated in the Technical Certification (see below).

The SIR is defined as the ratio between the present value of the total estimated benefits of a project over its lifetime (including energy savings and other project related benefits) and the total eligible construction and other required costs that are part of the PACE financing. For additional details, please refer to Section 5 of the NYSERDA General Guidance and the NYSERDA Guidance document entitled [Guidance for Calculating a Cost Benefit Ratio \(CBR\)](#), dated June 2024.

“Pre-Qualified Projects”

Retrofit projects that result in complete building electrification are exempt from the SIR requirements, and thus the full cost of the entire project, including any non-electrification measures, is eligible for PACE financing as a “Pre-Qualified Project” (see Sections 2.1 and 5.1 of the NYSERDA Guidance).

“Pre-Qualified Energy Efficiency Improvements”

For retrofit projects that include electrification measures but do not result in a fully electrified building (e.g., post-project, the building will still use fossil fuels to operate), the full cost of the following “Pre-Qualified Energy Efficiency Improvements” can be included in the PACE loan and are exempt from meeting the SIR requirement (see Section 5.1 of the NYSERDA Guidance). The Lender must provide all information and documentation requested by the Administrator to substantiate the Pre-Qualified Energy Efficiency Improvement(s).

- Electric HVAC systems with efficiencies that meet or exceed the requirements of the most recently published version of the ASHRAE 90.1 standard.⁵
- Electric domestic hot water systems with efficiencies that meet or exceed the requirements of the most recently published version of the ASHRAE 90.1 standard.
- Electrical enabling upgrades, including but not limited to electrical service, panel, wiring, or infrastructure upgrades or replacements to support electric equipment in the building.
- Electric energy and heat recovery ventilators that meet or exceed the requirements of the most recently published version of the ASHRAE 90.1 standard.

Loan Features

Lenders should note the following requirements when developing the loan terms and conditions and the loan repayment or amortization schedule (a “PACE Charge Payment Schedule”).

- The PACE loan term (not including the construction period) must be less than or equal to the weighted average useful life of the improvements, measures or systems financed. The weighted average useful life of the improvements, measures or systems financed should be calculated in the Technical Certification (see below).

⁵ ASHRAE regularly publishes industry efficiency standards for HVAC equipment, the 2025 “ASHRAE 90.1” standard is available here: <https://www.ashrae.org/technical-resources/bookstore/standard-90-1>

- For example, if a PACE loan for a retrofit project will be used to install heat pumps that have a 20-year average useful life, and the project will take 1 year to complete, then the maximum allowable loan term from loan closing to full loan repayment would be 21 years.
- Lenders may allow for periods within the loan term, during which only payments of interest are due from the Borrower (e.g., during construction). Lenders may also permit the capitalization of interest during a reasonable construction or stabilization period (in general, however, interest should not capitalize for a period that exceeds such period).
- Each PACE loan must be made for a fixed rate of interest. The Program, however, permits a single one-time interest rate adjustment during the loan term, which must be fixed as of the date of loan closing.
- Repayment of the loan cannot be accelerated upon the occurrence of an event of default or any other event, and the obligation to repay the loan stays with the subject property regardless of a change in ownership.
- If a Borrower is an individual, the original principal amount of the loan (not including interest) must not exceed the lesser of (a) 10% of the appraised value of the subject property, or (b) the eligible project costs that may be financed with the PACE loan in accordance with applicable requirements.

Lenders should structure PACE Charge Payment Schedules in compliance with all Program requirements, including these Guidelines and the terms of the MLA and the Collection Agreement. As part of the review process for each proposed PACE loan, the Administrator will review key financing documents, including the financing agreement with the borrower, and will require confirmation from the Lender that all applicable Program requirements are appropriately reflected in those documents.

Retroactive PACE Financing

A completed project, whether a retrofit project, New Construction project or a Major Renovation project, may receive PACE financing; provided, that it satisfies all applicable requirements and has achieved construction completion within 3 years prior to the date on which the PACE financing agreement between the Borrower and Lender is signed. For any PACE financing provided retroactively, the maximum term of the financing will be reduced to account for any of the improvements, measures or systems' useful life that elapsed between the time of construction completion and the date on which the PACE financing agreement between the Borrower and Lender is signed.

4. New Construction, Major Renovation and Low Carbon Building Requirement

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

“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%. Calculation of any such increases in floor surface area of a building shall be made pursuant to Buildings Bulletin 2016-012 (issued May 18, 2016 by the City's Department of Buildings, "DOB").

Low Carbon Building Requirement (aka "All-Electric" Building)

All New Construction and Major Renovation projects must result in buildings that are "all-electric" by meeting the definition of "Low Carbon Building" requirement contained in the Program Rules. This means that the buildings will not use fossil fuels for operation (backup generators are exempt), except for the listed exemptions such as commercial kitchens, laboratories, amongst others. A Low Carbon Building is considered a "Pre-Qualified Project", meaning all PACE eligible measures, including non-electrification measures such as building enclosure, are completely exempt from meeting the SIR requirement.

Eligible Costs for New Construction and Major Renovations

If the proposed project involves New Construction or a Major Renovation, then the PACE loan may only fund the costs of Eligible Improvements, the costs of Energy Audits and/or Renewable Energy Feasibility Studies, and related eligible soft costs. Unless otherwise noted in the Technical Guidance Supplement, the PACE loan amount cannot exceed 35% of the Loan-To-Value as stabilized ("LTV"), plus all reasonable financing costs and capitalized interest which may be added to such 35% of LTV. The LTV must be based on an accredited third-party appraisal acceptable to the Administrator that is completed within the previous 2 years of project submission, and meets the requirements contained in the Technical Guidance Supplement.

Energy Efficiency Measures for New Construction and Major Renovations

Eligible Costs for a New Construction Project or a Major Renovation Project may only be comprised of the following Eligible Energy Efficiency Improvements, as contained in the New Construction Workbook, which are considered Pre-Qualified Energy Efficiency Improvements that are exempt from meeting the SIR requirement:

- electric HVAC systems;
- electric domestic hot water systems;
- building electric service upgrades;
- building enclosure measures;
- energy efficiency measures that are more efficient than code;
- Embodied Carbon Reductions as defined in Section 5 below;
- Energy Audits and/or Feasibility Studies; and
- a pro-rata share of total Project soft costs based on the ratio of the hard cost total for all eligible Energy Efficiency Improvements out of the total Project hard costs.

Energy Audits for New Construction and Major Renovations

An Energy Audit for the entire building must be prepared by a Certified Energy Audit Contractor and meet all applicable NYSERDA requirements, including those specified in the applicable [NYSERDA Guidance](#).⁶

⁶ Under Section 2 of the NYSERDA General Guidance, Energy Audits performed for a New Construction or Major Renovation project should entail an audit of the whole-building, where practicable.

5. Embodied Carbon

Embodied Carbon Reductions are understood, collectively, to be a qualifying Energy Efficiency Improvement that may be eligible for New Construction and Major Renovation projects and Adaptive Reuse projects, as defined below.

Definition of Adaptive Reuse

An “Adaptive Reuse” project is a retrofit or Major Renovation project that meets each of the following criteria:

1. Result in a change of use of the building, meaning that the proposed project receives an “Alt-1” permit for a change of use from the City’s DOB, such as converting an existing office building into a multifamily property, or an institutional building to mixed use.
2. If all or a portion of the PACE loan will be allocated for the acquisition an existing building that will be pursuing an Adaptive Reuse project, the total hard and soft costs of the project must exceed the “Adjusted Basis” of the building. The Adjusted Basis is the market value of the building, such as the purchase price of the building within the previous 5 years of project submission, less the assessed value of the property in the most recent "Notice of Property Value" issued by the City’s DOF. If the building has been owned by the Borrower for more than 5 years of project submission and is the subject of an Adaptive Reuse project, the total hard and soft costs of the project must exceed the value of the existing building, as measured through an accredited third-party appraisal acceptable to Administrator, and completed within the previous 2 years of project submission.
3. The project must retain at least 50% of each of: (i) the existing primary and secondary structure (foundations; columns, beams, walls, and floors; and lateral elements); and (ii) the building enclosure (including exterior skin and framing, but excluding window assemblies and non-structural roofing material), as such percentage is defined and calculated in the Technical Guidance Supplement.

Eligible Costs for Embodied Carbon in Adaptive Reuse Projects

Measures that result in Embodied Carbon Reductions are eligible for Adaptive Reuse projects, subject to the following requirements:

1. The expected Embodied Carbon Reductions, must all be documented by a Certified Energy Audit Contractor, and quantified pursuant to the life cycle industry software tools described in the Technical Guidance Supplement, such as the [CARE Tool](#), [One Click LCA Tool](#), [C.Scale Tool](#), or another industry software tool deemed acceptable by the Administrator, in its sole discretion.
2. The costs attributed to the Embodied Carbon Reductions must be directly related to the related measure(s), such as the cost of purchasing the existing building, or all eligible hard and soft costs of qualifying “Low Carbon Materials”, as defined in the Technical Guidance Supplement, and as reviewed and approved by the Administrator.
3. An Adaptive Reuse retrofit project that results in an “Low Carbon Building” (i.e. an all-electric building) qualifies as a Pre-Qualified Project and the entire project, including the Embodied Carbon Measures, is exempt from meeting the SIR requirement. An Adaptive Reuse project that does not result in a Low Carbon Building must meet the SIR requirement and in

such a project, the costs of the Embodied Carbon Reductions must be included in the SIR calculation.*

*Note that for a project in which the SIR requirement is applicable, the following savings are included in the SIR calculation: Local Law 97 penalties that will be avoided by the proposed project; the total Social Cost of Carbon that will be avoided by the proposed project; and all savings for Pre-Qualified Energy Efficiency Improvements (e.g. electrification measures), even though their costs are not included in the SIR calculation.

4. An Adaptive Reuse project that is also a Major Renovation project must comply with all Program requirements applicable to Major Renovation projects, including but not limited to all financing limitations, and the Low Carbon Building (i.e. all-electric) requirement.

5. For an Adaptive Reuse project, the percentage of the PACE loan that may finance the purchase of the existing building may not exceed the percentage reduction of Embodied Carbon of the proposed Adaptive Reuse project, as compared to taking a baseline approach, such as demolishing the existing building and constructing the same proposed project from the ground up. For example, for an Adaptive Reuse Project that is expected to result in a 45% reduction of Embodied Carbon as compared to taking a baseline approach (i.e. demolishing the existing building and constructing the same proposed project from the ground up), up to 45% of the PACE loan may be used to finance the purchase of the existing building.

In no cases shall more than 65% of the total PACE loan for an Adaptive Reuse project be used to finance the reduction of Embodied Carbon for the purchase of the existing building and Low Carbon Materials that are expected to result in Embodied Carbon Reductions.

Embodied Carbon for New Construction and Major Renovation

For a New Construction or Major Renovation project to be eligible to utilize PACE to finance Low Carbon Materials for the reduction of Embodied Carbon, such building materials must meet the below requirements. For a New Construction or Adaptive Reuse project all documented hard and soft costs associated with the procurement and installation of Low Carbon Materials that meet the below requirements are eligible costs for a PACE loan. For a New Construction and Major Renovation project, no more than 50% of the total amount of the PACE loan shall finance the cost of Low Carbon Materials for the reduction of Embodied Carbon and the total PACE loan amount cannot exceed 35% of the Loan-To-Value as stabilized, plus all reasonable financing costs and capitalized interest which may be added to such 35% of LTV.

EPD Requirements for Ready-Mix Concrete and Unfabricated Structural Steel

An unexpired facility-specific Type III Environmental Product Declaration (“EPD”) is required for all concrete and structural steel products eligible to qualify as Low Carbon Material(s), as further detailed in the Technical Guidance Supplement.

Global Warming Potential Limits for Ready-Mix Concrete and Unfabricated Structural Steel

The maximum Global Warming Potential (“GWP”) for each concrete and structural steel product used in the building as an eligible Low Carbon Material, as listed in the associated EPD, must not exceed the GWP limit associated with its relevant eligible material subcategory.

Eligible material subcategory GWP limits are contained in the Technical Guidance Supplement.

Alternative Pathway for Mass Timber Buildings

Proposed projects considered to be “Mass Timber” buildings pursuant to Section 602.4 of the New York City Building Code (Section 8-701.2) may utilize PACE financing for the cost of the Mass Timber material(s). Subject to the Administrator’s review and approval, such materials will qualify as Low Carbon Material(s) and are exempt from the above EPD and GWP requirements.

6. Certifications

Lender Certification

For each project, the Lender must certify to the Administrator and the City that it continues to satisfy and comply with all applicable requirements in the MLA. Lenders must submit such certification (each, a “Lender Certification”) using the most recent form available on the [Program Website](#).

Technical Certification

For each project, a “Technical Certification” must be certified to the Administrator and the City by a Certified Energy Audit Contractor or Certified Feasibility Study Contractor. In general, the Technical Certification must be certified by the same contractor that provided the Energy Audit or Feasibility Study. The contractor must use the most recent form of Technical Certification available on the [Program Website](#).

The Technical Certification requires the following categories, amongst others, as described in more detail in the Technical Guidance Supplement:

- Scope of Work Fields
- Technical Fields
- Financing Fields
- Local Law No. 97 Fields

In evaluating the technical and engineering merits of each proposed project, the Administrator will carefully review the Energy Audit and/or Feasibility Study, the Technical Certification and the related “Technical Certification Workbook”. The Administrator may request additional backup, supplemental documentation and/or information to substantiate the underlying data and other information provided. The Technical Guidance Supplement has more details on these requirements and is available on the [Program Website](#).

7. PACE Application Process

Complete PACE Application

In general, Lenders must provide all required application materials on behalf of each PACE loan applicant using the Program App. The “Program App.” is the online software application system that can be accessed by each Lender through the Program Website. Once all required technical documents are submitted, the technical review process will take a minimum of two weeks or more to complete. Legal review generally takes a minimum of two weeks to finalize, and can be completed either subsequent to, or concurrently with, the technical review.

The New York City Law Department review commences prior to PACE loan closing which is expected to take up to two weeks. Given the above timelines, if the technical review and legal documentation is performed concurrently, it is advised that Lenders plan for at least a 45-day process from submission to the closing of a PACE loan.

Table 1: Program Loan Closing Process			
↓	Step 1:	Intake	Minimum Time
●	Defined Status:	Proposed Project	
↓	Step2:	Data Gathering	4 Weeks
●	Defined Status:	Approved Project	
↓	Step 3:	Documentation	2 Weeks
●	Defined Status:	Effective Project	6 Weeks Total

Step 1: Intake

Description

A Lender creates a new project by completing the “Intake” fields in the Program App.

Process

Only Lenders can access the Program App. Lenders may develop their own electronic or paper application forms for their customers in order to collect the information required for the intake phase.

To complete the intake fields in the Program App.:

- Navigate to the “Projects” tab and select “New.”
- Input project-related data. Fields marked with a red asterisk are required.
- Select “Save” at the bottom of the page to save the record.
- The Program App. should then automatically notify the Administrator that the project has been generated and requires preliminary approval.

By properly completing all such intake fields, certifying that the borrower is a Borrower, and that the property is an Eligible Site, and providing other information or documents requested by the Administrator (if any), a Lender will have submitted the “preliminary application” for the project. The Administrator will then assess the intake fields (and if applicable, the other information or documents requested) to verify that the subject property is an Eligible Site and that the PACE applicant is a Borrower. Lenders are not required to submit scope of work documentation during the intake phase, but they must submit a brief narrative description of the project. In assessing whether a PACE applicant is a Borrower and whether a property is an Eligible Site, the Administrator (or its consultants) may request additional information and/or documentation from the Lender and will aim to provide a preliminary determination within two business days of receiving all requested information and documents.

Defined Status: Proposed Project

A Proposed Project is a project for which a record has been created in the Program App. and that has received preliminary approval. Once the status of a project has become a “Proposed Project,” the Lender will receive a notification from the Administrator to proceed with the full application.

Step 2: Data Gathering

Description

Complete all the required fields in the Program App.

Process

Provide all information and documentation required by these Guidelines and the MLA to which such Lender is a party. As applicable, such information and documents should be provided through the Program App.

Defined Status: Approved Project

As more fully described in the MLA, if a Proposed Project meets the Program Loan Requirements (see summary [Table above](#)), the Administrator will notify the Lender, and the Project will then be referred to as an Approved Project.

Step 3: Documentation

Description

A Collection Agreement is signed, and written notice of the PACE loan is publicly recorded. Required documents may be downloaded from the [Program Website](#).

Process

Financing Agreement

As part of the application, the Lender must provide a copy of its PACE financing agreement with the Borrower that sets out the terms of the PACE loan.

Collection Agreement

The Collection Agreement memorializes the obligations of the above parties in the billing, collection and enforcement of Program Charges as defined in the Billing and Collection section below. For each PACE loan, a Collection Agreement must be executed amongst the borrower, the Lender, the Administrator and the City.

Master Transfer and Remittance Agreement

The Master Transfer and Remittance Agreement sets forth the process and terms by which each delinquent PACE Charge payment, after it becomes a “PACE Charge Lien”, may be (i) transferred by the applicable Lender to a City tax lien trust or such other City designated entity so that such trust or other City designee may enforce and collect on such lien as the Lender’s designated agent or (ii) sold by the Lender to a tax lien trust or other City designee. Each Lender may elect to enter into a Master Transfer and Remittance Agreement with the Administrator, the City and a City tax lien trust or such other City designated entity. The transfer or sale of a PACE Charge Lien to a tax lien trust or other City designee will, however, be subject to the consent of the City and the applicable tax lien trust and only to the extent the City itself is authorized to sell or transfer its own tax liens to a trust.

PACE Loan Notice

Following the making of the loan, a notice of the PACE loan obligation (the “PACE Loan Notice”) will be recorded in the land records of the subject property either in the Office of the City Register or in the Richmond County Clerk’s Office, documenting that the subject property is participating in the Program. Upon repayment in full of the PACE loan, a separate notice will be recorded in such land records documenting that the PACE loan obligation has been satisfied. Any subsequent amendments to the PACE Charge Repayment Schedule will require the filing of an updated PACE Loan Notice.

Defined Status: Effective Project

An Effective Project is an Approved Project for which the Collection Agreement has been fully executed and for which the PACE Loan Notice has been recorded. Funds for an Effective Project may be disbursed according to the financing agreement between the Lender and borrower.

Mortgage Recording Taxes

It is the understanding of the City and the Administrator that a mortgage recording tax will not be due in connection with a properly filed PACE Loan Notice.

8. Post-Closing Processes

Construction Completion

When a Lender submits their Lender Certification for a given project, the Lender will be required to identify an outside-date by which the project is expected to achieve “Construction Completion”. It will be the Lender’s responsibility to seek to ensure that the Borrower completes the project by the date that is the first anniversary of such expected completion date (the “Required Completion Date”).

Upon Construction Completion, and in any case by the Required Completion Date, the Lender must provide to the Administrator:

- (1) A Certificate of Completion attesting that construction of the project has been completed (the “Certificate of Completion”),
- (2) An updated PACE loan amortization schedule (if applicable), and
- (3) An updated Technical Certification concerning the completed project (the “Technical Certificate of Completion”).

The form Certificate of Completion and form of Technical Certificate of Completion are both available on the [Program Website](#). Other forms may be acceptable upon the Administrator’s approval.

Billing and Collection

Pursuant to the PACE Local Law, the repayment of a PACE loan will be billed through a charge on a property that benefits from a PACE loan made under the Program (each, a “PACE Charge”), which shall be levied and collected at the same time and in the same manner as City Charges (as defined in the Program Rules). As more fully described in the Collection Agreement, each PACE Charge will be billed as a separate line item on the property tax bill (referred to as the “statement of account”) for the property benefited by the PACE loan.

Each PACE Charge will be billed according to the PACE Charge Payment Schedule established by the applicable PACE loan. For periods during which a given PACE Charge Payment Schedule states that principal and/or interest payments are to be made by the borrower, any such PACE Charge will be due semi-annually, on January 1 and July 1 of each year. The borrower must pay any such PACE Charge to DOF in the same manner as City Charges, such as property taxes.

If and when a Borrower pays each PACE Charge, such payment will be collected by DOF and then disbursed to a single segregated bank account maintained by the Administrator, the Paying Agent, or its designee, for the benefit of the Lenders (the "Collection Account"). The Administrator, or its designee, acting in its capacity as the agent designated by the Lenders under their MLA ("Paying Agent"), will then cause each PACE Charge payment received into the Collection Account to be disbursed to the Lender in accordance with the applicable Collection Agreement. The Administrator may retain a qualified third-party to assist the Administrator or its designee in performing the duties of Paying Agent.

Delinquent Loan Payments

If a Borrower fails to make full and timely payment of a given PACE Charge, the delinquent PACE Charge automatically becomes a "PACE Charge Lien". Under the PACE Local Law, a PACE Charge Lien accrues interest at the same statutory interest rate as a lien arising from the nonpayment of real property taxes.

Each PACE Charge Lien will be included in the late payment notices sent by DOF to the related property owner. To the extent the City has the authority to sell or transfer tax liens to a tax lien trust (i) the City and the Lender may agree to transfer any such unpaid liens (at the City's sole discretion) to a tax lien trust that will attempt to collect on the liens on behalf of the Lender or (ii) the Lender and a tax lien trust may agree to the sale of such liens to the trust.⁷

A Lender, however, may enforce a PACE Charge Lien by any remedy available to it by contract, at law or in equity; provided, that such remedies are consistent with applicable law and all other Program requirements.

Measurement & Verification

The PACE Local Law and State PACE Law require that all properties that receive a PACE loan provide annual measurement and verification ("M&V") reporting to the Administrator. The City's "Benchmarking Law" (New York City Local Law 88 of 2009) reporting satisfies the Program's M&V requirement, as follows:

- For buildings covered under the City's Benchmarking Law, the property owner must share read-only access to the subject property's *Portfolio Manager* reports with the Administrator for five years following project completion. (In general, buildings of 25,000 square feet or more are covered by this requirement.)
- For buildings that do not already provide annual reporting under the City's Benchmarking Law, the property owner must benchmark their property using *Energy Star Portfolio*

⁷ The City's tax lien trust program has been authorized through December 31, 2028. As of May, 2026, the City's tax lien program is on pause for at least 6 months until the fall of 2026, at which time it will be reevaluated.

Manager and share read-only access to the subject property's *Portfolio Manager* reports with the Administrator for five years following project completion.

- By electing to participate in the Program, each Borrower will agree to provide physical access to the Administrator or its agents/representatives to the improvements, measures, and systems financed through the Program for M&V purposes, for up to two (2) years following project implementation.

Loan Sales and Transfers

After a Lender has closed a PACE loan, the Lender may sell or transfer the loan to another entity at any time so long as the applicable requirements in the MLA are satisfied. Among other requirements, the transferee of the loan must be a "Qualified Transferee" as defined in the MLA, and within five business days of the transfer a signed Assignment and Assumption Agreement between the lender/assignor and the transferee, along with certain other documents, must be delivered to the Administrator. Lenders must use the most recent form of Assignment and Assumption Agreement available on the [Program Website](#).

9. Program Fees

The Program is designed to be a self-sustaining program administered on behalf of the City. As such, all projects are subject to the following fees:

- the fee payable to Administrator at the PACE loan closing for administering the Program, project review and approval, and other work is referred to as the "Administration Fee"; and
- the servicing fee payable to Administrator semi-annually on the property tax due date for the entire term of the PACE loan, which is calculated as a percentage of the outstanding principal balance of the PACE loan, is referred to as the "Servicing Fee".

The current Program Fee Schedule is available on the [Program Website](#). Note that all Program fees are subject to change; participation in the Program will be subject to the fees described in the Program Documents and the Program Fee Schedule in effect at the time of the closing of the PACE loan. Such fees may be capitalized into the PACE loan; doing so will not relieve each Lender of its obligation to pay the Servicing Fee on a current basis during the capitalization period (if any).

10. Changes in Program Terms; Severability

The Administrator and the City reserve the right to amend all or any portion of these Guidelines at any time without notice; however, no such change will affect the obligation of a Borrower to pay PACE Charges for approved financings. Participation in the Program will be subject to the Program Guidelines in effect at the time of closing. These Guidelines are subject to the additional terms, conditions and disclaimers provided in [Appendix A](#) attached hereto.

If any provision of these Guidelines is determined to be void, or for any reason unenforceable, that provision shall be deemed severable from these Program Guidelines and shall not affect the validity and enforceability of all remaining provisions.

It is the borrower's and the Lender's responsibility to confirm that the borrower and the Lender (respectively) each have the most recent versions of the Program Documents. Borrowers and Lenders should regularly check the [Program Website](#) for the latest versions of such documents

and for FAQs, Program updates and other similar information which may be posted from time to time.

* * *

Appendix A

Additional Terms, Conditions, and Disclaimers

1. These Guidelines are being issued by the New York City Mayor's Office of Climate and Environmental Justice ("MOCEJ") and the New York City Energy Efficiency Corporation (acting in its capacity as the Administrator of the Program) on behalf of the City for purposes of providing a summary description of the requirements and processes applicable to the Program.
2. These Guidelines have been prepared pursuant to Section 119-gg of the New York General Municipal Law, Chapter 30 of Title 11 of the New York City Administrative Code and the Chapter 58 of Title 19 of the Rules of the City of New York (collectively, the "Program Laws") and accordingly, these Guidelines and all provisions hereof are subject to the Program Laws in all respects. In the case of any conflict between the provisions of these Guidelines and any provisions set forth in the Program Laws, the provisions of the Program Laws shall control. In the event of any conflict between the provisions of these Guidelines and any terms, conditions, or other provisions set forth in any other Program Document, the provisions of such other Program Document (excluding these Guidelines) shall control.
3. THIS DOCUMENT IS PROVIDED FOR REFERENCE PURPOSES ONLY AND CREATES NO LEGAL RIGHTS IN FAVOR OF ANY PROPERTY OWNER, LENDER, CAPITAL PROVIDER, CONTRACTOR OR ANY OTHER PERSON OR ENTITY, NOR DOES IT IMPOSE ANY LEGAL DUTY OR OBLIGATION ON THE ADMINISTRATOR, THE PAYING AGENT, OR THE CITY OF NEW YORK. THE ADMINISTRATOR, THE PAYING AGENT, AND THE CITY OF NEW YORK WILL ONLY INCUR LEGALLY BINDING OBLIGATIONS THROUGH THE DELIVERY OF DULY EXECUTED PROGRAM DOCUMENTS.
4. All users of these Guidelines should read the Program Laws, which contain important information regarding the structure and requirements of the Program, to which the Program, these Guidelines and the other Program Documents are each subject in all respects.
5. Except as may otherwise be indicated herein, any capitalized term used but not otherwise defined in these Guidelines shall have the meaning given such term in the Program Laws, and if not defined in the Program Laws then as defined in the MLA. Reference in these Guidelines to any law, rule, regulation, or document (including any document that is part of the NYSERDA Guidance), means such law, rule, regulation, or document as it may be amended, amended and restated, modified, supplemented, replaced or superseded from time to time.
6. Unless expressly stated otherwise herein, in all instances where Administrator, Paying Agent or the City is required or has the right to make any type of determination, assessment, evaluation, election, to grant any consent or to otherwise exercise its judgment in connection with performing its obligations hereunder, such determination, assessment, evaluation, election or other exercise of judgment shall in all cases be in Administrator's, Paying Agent's or the City's sole and absolute discretion.
7. All information and documents submitted to the Administrator in connection with the Program or otherwise is subject to the Freedom of Information Law, Article 6 of the New York Public Officers Law ("FOIL"). Persons submitting information or documents to the Administrator may provide in writing, at the time of submission, a detailed description of the specific information contained in its submission which it has determined is a trade secret and which, if disclosed,

would substantially harm such person's competitive position. This characterization shall not be determinative but will be considered by the Administrator when evaluating the applicability of any exemption described in subdivision 2 of section 87 of the Public Officers Law in response to a FOIL request.

8. These Guidelines do not purport to contain all of the information that an interested party may need or desire in connection with the Program. These Guidelines have been prepared to provide general guidance and assist interested parties in making their own evaluations. Interested parties should make their own investigations of the information set forth in these Guidelines and the documents referenced herein (including the forms of the other Program Documents as available on the [Program Website](#)) and make their own conclusions and consult with their own advisers to evaluate whether to participate in the Program, and to obtain any additional information that they may require.
9. THESE GUIDELINES ARE NOT INTENDED TO FURNISH LEGAL, REGULATORY, TAX OR ACCOUNTING ADVICE TO ANY PROPERTY OWNER, LENDER, CAPITAL PROVIDER, CONTRACTOR OR ANY OTHER PERSON OR ENTITY. THESE GUIDELINES, AND ALL PROGRAM AGREEMENTS RELATED TO PACE LOANS, SHOULD BE REVIEWED INDEPENDENTLY BY SUCH PARTIES, PERSONS OR ENTITIES, AND THEIR RESPECTIVE LEGAL, REGULATORY, TAX AND ACCOUNTING ADVISORS.
10. None of the City, the Administrator, the Paying Agent, nor any of their respective directors, officers, officials, employees, agents, representatives or advisors makes any representation (express or implied) or warranty as to the accuracy or completeness of these Guidelines or the information contained herein, and they shall have no liability hereunder. Only those particular representations and warranties which may be made by the City, the Administrator, the Paying Agent, or any of their respective directors, officers, officials, employees, agents, representatives or advisors in one or more definitive written agreement(s), when and if any are entered into, and subject to such limitations and restrictions as may be specified in such agreement(s), shall have any legal effect.
11. None of the City, the Administrator, the Paying Agent, nor any of their respective directors, officers, officials, employees, agents, representatives or advisors will be liable or responsible to any person or entity for any cost or expense incurred in connection with the Program except to the extent (if any) as set forth in one or more definitive written agreement(s), when and if any are entered into, and subject to such limitations and restrictions as may be specified in such agreement(s).
12. Subject to applicable law and approval by the City, the Administrator reserves the right to take any of the following actions in connection with these Guidelines from time to time and without prior notice: amend, update, supplement, withdraw or cancel these Guidelines; waive any requirements summarized in these Guidelines that are not required by the Program Laws, or make exceptions to these Guidelines to the extent any given provision herein is not required by the Program Laws. Subject to applicable law and approval by the City, the Administrator may exercise the right described in the prior sentence at any time in its sole and absolute discretion and without liability to any applicant or other parties for their costs, expenses or other obligations incurred in the preparation of an application package or otherwise in connection with these Guidelines.
13. Notwithstanding anything to the contrary set forth herein, in no event will the Administrator or the Paying Agent have the right to make or otherwise promulgate any amendment, update, or supplement to these Guidelines that conflicts with any Program Laws and shall have no right to waive any requirements set forth herein that would conflict with any requirement set forth in any Program Laws.