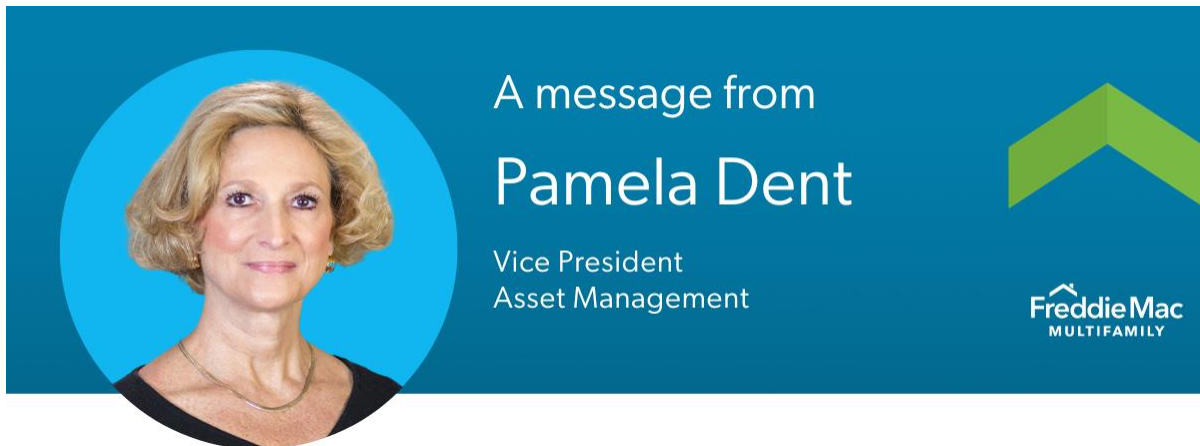


Sent: January 30, 2024



In November 2019, [Local Law 97](#) became effective in New York City. The law sets limits on the greenhouse gas emissions of “covered buildings” starting in 2024, with stricter caps coming into effect in 2030 and every five years thereafter until 2050, to help NYC reach the goal of a 40% reduction in greenhouse gas emissions from buildings by 2030.

A property is considered a “covered building” and required to comply with Local Law 97 if (i) the building on the property exceeds 25,000 gross square feet, (ii) there are two or more buildings on the same tax lot that together exceed 50,000 gross square feet, or (iii) there are two or more buildings on the property that are held in the condominium form of ownership that are both governed by the same board of managers and that together exceed 50,000 gross square feet. Buildings that satisfy any of the foregoing requirements that contain affordable and rent-regulated units are also required to comply with Local Law 97, but the requirements of the law differ between “market-rate” and “affordable” properties.

The Freddie Mac Multifamily Loan Agreement requires borrowers to comply with all laws, ordinances, rules, regulations and requirements; as such, in order for borrowers to avoid a default under the Loan Agreement, borrowers are required to comply with Local Law 97.

Borrowers can comply with Local Law 97 by having carbon emissions less than the stipulated cap, which can be achieved by performing certain work at their properties or implementing 13 prescriptive measures as provided in Local

Law 97, if applicable. Additionally, borrowers can comply through paying penalties, which are generally equivalent to \$268 per metric tons of CO₂e over the cap, but the exact fine will differ based on a property's emissions each year, the cap applicable to a property, and the applicable pathway for a property (for example, the "prescriptive pathway" required to be followed by affordable properties).

Certain buildings covered by Local Law 97 will be required to file an annual report with the NYC Department of Buildings, beginning on May 1, 2025. Starting in 2025, violations for nonreporting and noncompliance will be imposed.

As a reminder, servicers are responsible for both monitoring borrowers' compliance with the terms and conditions of the Loan Documents and reporting any such noncompliance to Freddie Mac Multifamily Asset Management in accordance with the *Multifamily Seller/Servicer Guide*. We ask that you work with borrowers to ensure that they are aware of Local Law 97 and the impact it will have on their properties.

The requirements of the law are still evolving. On September 12, 2023, the office of New York City Mayor Eric Adams proposed updates to the law that were open to public comment and finalized December 18, 2023. The updated ruling includes guidance on demonstrating "good faith efforts" for a mitigated penalty, beneficial electrification and a one-time \$10,000 fine for noncompliance with the prescriptive pathway. The ruling states that future rulemaking will contain a definition of "good faith efforts" for subsequent periods that may differ from the current guidance. For further information, refer to the various resources below with current information on the law along with many resources being made available to assist building owners in determining compliance.

Resources

- [NYC Sustainable Buildings - LL97](#)
- [Getting LL97 Done](#)

- [NYC LL97 Fine Calculator](#)
- [Affordable Pathways](#)
- [Covered Buildings List](#)
- [Original LL97](#)
- [LL97 Updated Rule December 2023](#)
- [NYC Accelerator](#)

