



Solar Electric Generating Systems Tax Abatement Extension and Expansion Proposal

Justification Memo

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The solar industry seeks amendments to New York State Real Property Tax law (RPT), Chapter 50-A, Article 4, Title 4-C to expand and extend the Solar Electric Generating Systems Tax Abatement program (“Property Tax Abatement”) to increase solar deployment, particularly on affordable housing, and ensure market stability during a critical time of clean energy growth to meet New York City and New York State climate goals. Extending the Property Tax Abatement to 2034, providing the benefit as a direct payment to non-profits and income-restricted affordable housing, and applying a 30% abatement to both solar and/or storage costs will catalyze more equitable, resilient, and efficient solar and storage projects in New York City. An expanded Property Tax Abatement program will reduce carbon emissions, help preserve more than 81,000 units of affordable housing, and create more than 2,000 jobs while leveraging significant federal, state and private investment.

BACKGROUND

The New York City Solar Electric Generating Systems Tax Abatement (“Property Tax Abatement”) program was enacted in 2008 in order to encourage solar PV development across the five boroughs and support the city’s ambitious climate goals. City and State policymakers determined that this local incentive was necessary to counteract the high soft costs and permitting barriers associated with installing solar in New York City. In 2018, the incentive program was expanded to include energy storage. Since its inception, the program has been extended every two years by the State Legislature, with minor adjustments. Without legislative action, the abatement will



expire at the end of 2023. Considering the urgency of achieving the city and state's ambitious climate and environmental justice goals, it is essential that the abatement be extended and strengthened.

The Property Tax Abatement allows property owners that install solar PV to deduct a total of 20% of their eligible solar installation costs from their property tax bills, spread over four consecutive years. Property owners that install energy storage systems receive an abatement valued at 40% of the total installation cost of the energy storage system. There is a cap of \$62,500 per year, or \$250,000 total, per tax lot. Eligible costs for the solar Property Tax Abatement include all solar PV equipment, installation labor, and system engineering and design costs, but exclude rebates such as the NYSERDA NY-Sun incentive. The State legislature enables the program, the NYC Department of Buildings approves the applications, and the NYC Department of Finance administers the benefit. Properties receiving ICAP, 421-a, 421-b, 421-g or that pay PILOTs are not eligible to receive the Property Tax Abatement. This incentive is currently *not* available for properties that receive a property tax abatement through any of the above programs or tax exemptions, such as non-profit organizations and income-restricted affordable housing.

PROPOSED CHANGES TO THE SOLAR PROPERTY TAX ABATEMENT

The Solar Electric Generating Systems Tax Abatement program should be extended for ten years, the eligible percentage of project costs for solar and energy storage should be standardized at 30%, and the abatement should be provided as a direct payment to 501(c)(3) nonprofit corporations and income restricted affordable housing properties to support solar and storage adoption among affordable housing, faith-based organizations and environmental justice communities. The following changes to the Property Tax Abatement will achieve these benefits:

- **Extend the Property Tax Abatement to 2034 to align with federal solar tax credit timelines** to create long-term market stability for the solar industry, building owners and developers.
- **Provide the Property Tax Abatement as a direct payment to non-profit organizations and income-restricted affordable housing** to ensure low-income communities, faith based organizations, and community institutions can benefit from this incentive and equitably access solar. Allowing direct payment for 501(c)(3) corporations and income restricted affordable housing aligns with the direct pay provisions in the Inflation Reduction Act for the federal Investment Tax Credit. This change also advances the NYS Climate Leadership Community Protection Act (CLCPA) goal to allocate 40% of benefits of clean energy investment to disadvantaged communities.



- **Standardize the incentive at 30% of eligible installation costs for solar *and/or* storage, and remove the limit of one abatement per lot** to streamline the application process for solar and storage projects and incentivize the addition of storage to existing solar projects (storage retrofits), increasing community and grid resilience in New York City.
- **Clarify that solar parking canopy structures are eligible expenditures** to incentivize the construction of larger solar energy systems, efficient use of available open space, and to increase opportunities for community solar within the five boroughs.

THE CASE FOR EXPANDING THE SOLAR PROPERTY TAX ABATEMENT

As New York City and New York State strive to meet the ambitious climate commitments set out in the CLCPA and Local Law 97, policymakers must act to effectively fund and enhance proven incentives like the Solar Electric Generating Systems Tax Abatement program. The passage of the groundbreaking Climate Leadership and Community Protection Act (CLCPA), promises economy-wide carbon neutrality by 2050 while directing 40% of clean energy investments to Disadvantaged Communities. New York City's Local Law 97 also pledges emissions reductions, with a 40% reduction in emissions from buildings alone by 2030¹. Despite these ambitious targets, both initiatives have yet to be fully funded, imperiling the achievement of these goals. And while expanded federal support through the Inflation Reduction Act could help the City and State achieve these goals, the federal incentives have also increased demand for solar and storage throughout the region. These tailwinds for the solar and storage industry have created a supply constraint, so contractors are prioritizing easy/profitable projects, which often means avoiding New York City due to its onerous fire code and permitting requirements. The need for a differential incentive in New York City is present today, just as it was when the Property Tax Abatement was established in 2008.

Distributed solar and storage are a critical component of emission reduction goals, as demonstrated by the Public Service Commission's expansion of the NY-SUN program to achieve 10 GW of installed solar by 2030² and 6 GW of energy storage by 2030³. Mirroring the equity goals of the city and state legislation, at least 40% of the benefits must be directed to low to moderate income residents, residents of affordable housing, disadvantaged and environmental

¹ *New York City Local Law 97, § 651*

https://www1.nyc.gov/assets/buildings/local_laws/1197of2019.pdf

² *Order Expanding NY-SUN Program*, State of New York Public Service Commission. 2022, <https://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={D910AD2D-AC78-4DF2-B561-50A569B170BD}>

³ *New York's 6 GW Energy Storage Roadmap*, State of New York Public Service Commission. 2022, <https://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={7D4753BA-916B-483E-9E35-6749B20384A6}>



justice communities. On a local level, New York City's Local Laws 92 and 94 mandate that all new construction and new roofs include solar or green roofs when technically feasible.

As these mandates and deadlines go into effect, the City can demonstrate its support for building owners by providing adequate incentives to make solar and storage financially feasible. Extending and expanding the Property Tax Abatement is a proven, cost-effective way to do just that. Improving access to solar and storage advances other crucial city goals such as reducing air pollution and improving public health, creating green jobs, increasing resilience in frontline communities, preserving affordable housing and bringing utility bill savings to residents, businesses and affordable housing during a period of skyrocketing energy costs.

Create long-term solar market stability by extending the Property Tax Abatement to 2034 to align with federal solar tax credit timelines. Since its inception in 2008, the Solar Property Tax Abatement has been extended by the State legislature in two-year increments. These short-term extensions create market uncertainty and the risk of incentive cliffs, hindering market-growth and preventing solar companies from investing in local expansion and workforce development. The passage of the Inflation Reduction Act, with the ten-year extension of the Investment Tax Credit (ITC), recognized the importance of creating market certainty for the solar industry. The Property Tax Abatement should be extended for ten years to align with the new ITC timeline. This will support local economic development and job growth, foster more rapid solar deployment and ensure that NYC can leverage a significant share of the newly available federal and state funding for clean energy.

Advance equity and environmental justice by allowing direct payment of the Property Tax Abatement to non-profit organizations and affordable housing with regulatory agreements. The solar industry deeply appreciates New York City's leadership and longtime commitment to its renewable energy goals, evidenced in part by its support of the Solar Electric Generating Systems Tax Abatement. The Property Tax Abatement has been extremely successful at catalyzing solar adoption, and giving working families and businesses the financial resources to afford a transition to solar energy. That said, many low-income families and disadvantaged communities continue to struggle to access solar. Currently, nonprofits such as houses of worship and community-based organizations that receive property tax exemption cannot access NYC's only local solar incentive. Because City-funded and income-restricted affordable housing often receives property tax abatements or exemption in exchange for affordability, these buildings are prevented from benefiting from the solar Property Tax Abatement. In order to make good on both City and State commitments to a just transition and equitable distribution of benefits of clean energy, solar incentives must be made accessible to affordable housing, faith-based and nonprofit groups, and environmental justice communities. Allowing direct payment of the Property Tax Abatement for 501(c)(3) corporations and income restricted affordable housing puts solar within reach for buildings that might not otherwise be able to access it, and aligns with the Inflation Reduction Act's direct pay provisions. Moreover, New York City's Local Laws 97, 92



and 94 impose emissions limits and mandate solar on new roofs which will require investments from organizations that are already operating with increasingly tight margins and development budgets.

The Mayor's Housing Blueprint⁴ explicitly promises to improve resilience in housing design and development and fast track equitable decarbonization and electrification to serve low-income households. Installing rooftop solar is a cost-effective way to reduce harmful emissions and bring operational savings to affordable housing during a time of rising electricity costs. The City should make the Property Tax Abatement, the only City solar incentive, more robust and accessible so that it can support efforts to preserve and create affordable housing that is resilient, energy efficient, and financially sustainable.

Increase community resilience and accelerate progress toward the City's solar and storage goals by standardizing the incentive at 30% of eligible installation costs for solar *and/or* storage and remove the limit of one abatement per lot. Under the existing rules, a building can only receive the Property Tax Abatement on either solar *or* storage. Further, there is a different application process for solar and storage, with different abatement amounts, making it overly complicated for building owners and contractors. The city should be incentivizing solar paired with storage to increase resilience, particularly for frontline low-income communities and communities of color that are most at risk during grid failures. The solar industry, in consultation with our colleagues in energy storage, propose that a single 30% abatement replace the 20% solar abatement and 40% storage abatement, enabling process efficiency and encouraging hybrid solar PV and storage systems. Because energy storage project costs most often exceed the \$250,000 cap on the abatement, reducing the amount of the storage abatement will have no measurable negative impact on storage deployment, while the streamlined application process could substantially accelerate the pace of energy storage development in New York City. In addition, as storage becomes more cost-effective and widespread, buildings should be incentivized to add storage capacity to existing solar PV systems. This will require removing the limit of one abatement per tax lot so storage retrofits can also benefit from the program.

Encourage solar deployment above parking lots by clarifying that parking canopy costs can be included in the Property Tax Abatement basis as eligible expenditures. Solar parking canopies support efficient use of underutilized parking lots in New York City. Currently, parking structures that support solar panels often cannot be included in the basis for the abatement. If these costs are included in the eligible basis then it will encourage more owners of underutilized parking lots to integrate solar energy systems.

⁴ *Housing Our Neighbors: A Blueprint for Housing and Homelessness*, The City of New York Mayor Eric Adams and Chief Housing Officer Jessica Katz. <https://www.nyc.gov/site/hpd/about/housing-blueprint.page>



Expanding and extending the Solar Electric Generating Systems Tax Abatement will scale up solar in New York City and help the City meet its ambitious climate goals. It will also bring much-needed stability to the solar market for companies and workers and advance the city’s environmental justice goals by making solar and storage affordable to faith communities, non-profits, and affordable housing serving low-income residents. Importantly, this is a cost-effective solution, requiring only a marginal increase in funding while achieving long-lasting benefits.

FISCAL IMPACT OF THE PROPERTY TAX ABATEMENT EXPANSION

Extending and expanding the Solar Electric Generating Systems Tax Abatement will benefit the NYC economy; it will leverage millions of dollars in private and federal funding, bring significant savings to building owners, and generate good jobs for New Yorkers. These benefits will be accomplished while requiring only a minor increase in the Solar Property Tax Abatement budget. For a marginal increase of approximately \$13.4 million annually, the aforementioned changes to the Property Tax Abatement would leverage over \$269 million in Federal, State and Private investments to facilitate additional solar PV deployment in NYC. Based on historical solar deployment trends, these changes would enable an increase of 95 MW of solar above what is already expected, with 63 MW of that incremental solar capacity on affordable housing, benefiting more than 81,000 affordable housing units. This small cost increase can be compared to NYC’s overall annual budget of \$104 billion. The combined estimated cost of the expanded and standardized solar and storage Property Tax Abatement is \$36,832,700 in year one, a modest cost increase over recent years that will be partially offset through increased business and income taxes due to the growing local green economy.

Cost/Benefit Summary (2024-2030)	
Year One Incremental Cost	\$13,411,047
Analysis Period Incremental Cost	\$123,043,967
Incremental Capacity (MW)	95
Incremental Affordable Housing Capacity (MW)	63
Incremental Emissions Reduction (mTCO2e) ⁵	778,823
Incremental Jobs Created	2,088
Incremental Utility Bill Savings for New Yorkers	\$808,572,905
Affordable Housing Units Benefited	81,969
LMI Individuals Benefited (Units X Avg Household Size)	209,021

The direct pay provision to advance equitable access to solar power in low-income communities will be affordable. According to the NYC Department of Finance, only 46,451 of

⁵ LL97 2024-2029 carbon coefficient for grid electricity (0.000288962 mTCO2e/kWh).



1,134,390, or 4.1% of the city’s buildings currently have a full property tax exemption⁶. In FY 2022, New York City spent over \$1.28 billion on all Property Tax Abatement programs. Meanwhile, the Solar Property Tax Abatement cost the city just \$25.8 million, or 2% of the total cost of abatement programs. The proposed extension and expansion provisions would increase the Solar Property Tax Abatement budget roughly \$13.4 million in the first year, and by \$123,043,967 over seven years. This relatively small investment in expanding the solar Property Tax Abatement would demonstrate the city’s prioritization of decarbonization in the building sector by supporting building owner compliance with LL97. Importantly, the direct pay provision would provide availability of this incentive to low-income, faith, and environmental justice communities, supporting the goals of equitable access. If the proposed direct pay provision only applies to the subset of income-restricted affordable housing and 501(c)(3) nonprofit organizations⁷, this will limit the cost while ensuring that NYC’s only local solar incentive is accessible to low-income, faith, and environmental justice communities.

FISCAL YEAR 2022

Table 5
ABATEMENTS BY PROPERTY TYPE AND ABATEMENT TYPE

Property Type	Abatement Type										Total
	Commercial Revitalization/Expansion Programs ¹	Residential Conversion	Major Capital Improvement	ICAP	Coop/Condo	J51	Green Roof	Solar Panel	SCRIE/ DRIE	Brooklyn Bridge Park Development Corporation (BBPDC) ²	
TOTAL	\$13,971,407	\$9,742,888	\$21,388,192	\$357,704,351	\$647,685,874	\$57,281,027	\$4,211,228,493	\$25,831,385	\$135,130,353	\$18,888,671	\$1,287,628,357
Class 1						355,401	4,211,228,493	22,298,493			22,658,103
1-Family						2,324	11,763,021				11,765,345
2-Family						55,340	9,190,931				9,250,482
3-Family						167,822	1,146,945				1,314,767
Condominiums						101,065	11,167				112,232
Vacant Land								3,445			3,445
Other						28,849	182,983				211,833
Class 2	9,305,897	21,374,234		647,601,593	56,896,166		2,057,982	135,130,353	13,365,906	885,732,131	
Rentals	3,437,928	19,796,378			30,800,944		1,223,957	112,364,752	16,946	167,640,904	
Cooperatives		1,361,859		433,914,973	13,418,961		559,735	10,956,928		460,212,456	
Condominiums	4,334,156	6,472		156,960,952	6,302,630		6,640	2,629,914	13,348,960	183,609,726	
Conrentals	1,434,428			16,911	288,941		9,911	665,569		2,315,759	
Condops				33,973,556	361,986			1,098,733		35,434,276	
4-10 Fam Rentals		209,526						231,632		12,502,808	
2-10 Fam Co-ops				13,662,415	76,146		11,301	112,150		13,862,012	
2-10 Fam Condos	99,384			8,451,825	942,781		14,807	44,433		9,553,229	
2-10 Fam Condops				600,961						600,961	
Class 4	13,971,407	436,960	13,958	357,704,351	84,281	29,461	1,474,910		5,522,785	379,238,123	
Office Buildings	4,322,396			125,268,602			76,504		1,420,137	131,087,638	
Store Buildings	184,997		13,958	51,360,985			23,412			51,869,617	
Hotels				44,651,582			3,953			45,081,112	
Factories	2,787,815			4,588,236			208,363			7,600,509	
Commercial Condos	2,268,375	436,960		62,128,727	84,281	2,096	5,212		509,076	65,435,658	
Garages	34,197			5,807,637			89,351			5,952,044	
Warehouses & Self-Storage	4,363,527			47,628,401			750,450			52,742,377	
Vacant Land									246,139	246,139	
Health and Education				13,462,916						13,462,916	
Theaters				2,486,656						2,486,656	
Culture and Recreation				390,678				62,500		117,364	
Other										2,773,612	

¹ Includes Commercial Expansion Lease Program (which granted zero benefits in FY22).
² Parcels are fully taxable; abatement applied to the entire tax bill is equal to the PILOT payment. The PILOT is paid directly to the BBPDC.

Source: FY 2022 ANNUAL REPORT OF THE NEW YORK CITY REAL PROPERTY TAX.

⁶ Annual Report of the New York City Real Property Tax, The City of New York Department of Finance Division of Tax Policy & Data Analytics. 2022, https://www1.nyc.gov/assets/finance/downloads/pdf/reports/reports-property-tax/nyc_property_fy22.pdf

⁷ The existing and proposed Solar Property Tax Abatement exclude any property receiving 421-a, 421-b, 421-g and those that pay PILOTS.



Increased federal incentives make now an opportune time to expand the Solar Property Tax Abatement to maximize the City's share of federal resources. If New York City expands the Solar Property Tax Abatement, it will enable more New Yorkers to leverage federal incentives through the Inflation Reduction Act. In fact, after accounting for State, Federal and Private investments to cover the costs of solar, an expanded solar abatement would leverage roughly \$252.8 million of outside investment in the first year alone. In 2022, New York State changed its strategy for incentivizing solar in Con Edison territory by replacing a generous dollar per kWh compensation for solar, known as the community credit, with NYSERDA's capacity based incentives that directly reduce the basis for the Solar Property Tax Abatement by bringing down the upfront cost to consumers. Solar and storage costs are expected to continue to decline over time, counteracting the incremental cost of making this solar incentive available to hybrid solar + storage projects, low-income communities and faith communities.

Extending the Solar Property Tax Abatement will support long-term, living wage, green jobs. Catalyzing solar and storage deployment in NYC will create green jobs for New Yorkers. The solar industry estimates that this policy proposal will add roughly 2,088 jobs to the local industry⁸. With the city's concerted efforts to grow the green economy with good-paying jobs and a skilled workforce, these are jobs that can and must be accessible to unemployed and underemployed New Yorkers, further advancing environmental justice.

Allowing Direct Payment of the Property Tax Abatement provides utility bill savings and emissions reductions for affordable housing and community organizations in environmental justice communities. Over seven years, the expanded Property Tax Abatement will provide up to \$808.5 million in incremental electricity bill savings to New York City residents, business and community institutions. The proposed direct pay mechanism will extend a large portion of the savings to affordable housing and community organizations. When these buildings reduce their operating expenses, they are able to prioritize critical services for residents and community members as well as building improvements that benefit the health and safety of residents. Cost reductions for affordable housing also help ensure that long-term financial sustainability of these properties, preserving affordable housing amidst New York City's worst housing crisis in decades.

Allowing Direct Payment of the Property Tax Abatement for tax-exempt organizations should be operationally feasible. NYC Department of Finance (DOF) regularly issues refunds for overpayment. From November 2018 through January 2019, NYC DOF issued 72,080 refund checks to New Yorkers.⁹ Issuing refunds for a relatively modest number of solar and storage

⁸ Job creation estimate is 21.9 jobs per MW, based on commercial-scale job creation multiplier included in The Solar Foundation's 2018 US Solar Jobs Census.

⁹ *DOF: Refund List – Real Property Tax*, NYC Open Data. 2022, <https://data.cityofnewyork.us/City-Government/DOF-Refund-List-Real-property-Tax/j7in-ctnu>



projects sited on nonprofits and affordable housing should not present an unreasonable burden on DOF.

Emissions Reduction. Investments in solar will also bring down emissions by reducing New York City's reliance on fossil-fuels. Expanding the Property Tax Abatement is expected to decrease greenhouse gas emissions by 778,823 metric tons of carbon dioxide (mTCO₂e)¹⁰ beyond the base case of a simple extension of the current Property Tax Abatement. Helping buildings reduce emissions will support compliance with LL97 emissions limits, relieving buildings from fines while decreasing harmful pollution in New York City neighborhoods.

Strengthening community resilience. Creating a standardized 30% Property Tax Abatement for solar and/or storage will make it more financially feasible for New Yorkers to install clean, resilient solar + storage systems, including retrofitting existing solar energy systems to include energy storage. In addition to providing onsite backup power in the event of a blackout, expanded solar + storage deployment can help increase overall grid reliability by providing dispatchable solar PV capacity when the grid is strained during times of peak demand.

CONCLUSION

Extending and expanding the Solar Electric Generating Systems Tax Abatement will broaden access to this successful program, allowing low-income families, disadvantaged communities, non-profit organizations and affordable housing to directly benefit from solar + storage. New York City and New York State are international climate leaders through their efforts to decarbonize our buildings, the grid, and to ensure that this transition is just and beneficial for low-income and environmental justice communities. By acting now to extend and expand the Solar Electric Generating Systems Tax Abatement, the City and State will mobilize solar and storage deployment that will provide millions of dollars in utility bill savings and emissions reductions while prioritizing equity and helping to achieve City and State climate goals.

Founded in 1994, the New York Solar Energy Industries Association (NYSEIA) is the only statewide membership and trade association dedicated solely to advancing solar energy use in New York State. NYSEIA proudly represents hundreds of businesses and nonprofits across New York that employ thousands of workers throughout the solar value chain. NYSEIA's membership includes dozens of solar and storage companies that based in New York City and many more doing business in the City. Our members are rapidly deploying clean energy in New York, creating good local jobs, lowering electric bills, and reducing our reliance on fossil fuels. Learn more at www.nyseia.org.

¹⁰ LL97 2024-2029 carbon coefficient for grid electricity (0.000288962 mTCO₂e/kWh).