MEMO: Designing Building Decarbonization Policy That Reflects How Decisions Are Actually Made

Brady Kennedy
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Summary

New York City's residential decarbonization agenda relies on ambitious regulations and an expanding ecosystem of public incentives. Yet evidence from 58 interviews with building professionals working under Local Law 97 and related city, state, and federal programs shows that decarbonization decisions are rarely made by optimizing emissions outcomes alone. Instead, professionals incorporate co-benefits—such as health, comfort, affordability, regulatory flexibility, and financing advantages—as satisficing devices to navigate complex regulatory, financial, and technical constraints.

This memo finds that decarbonization policies are most effective when they explicitly enable actors to bundle emissions reduction with other institutional goals, rather than treating co-benefits as secondary or rhetorical. Policies that recognize and reinforce this logic help projects move forward; policies that ignore it risk slowing compliance and investment.

Recommendation: City and state agencies should design regulations, RFPs, and financing programs that explicitly reward bundled performance across emissions, affordability, and livability—aligning policy design with the decision-making practices already operating in the field.

Background and Methodology

Since 2019, New York City and New York State have enacted a dense and rapidly evolving set of building decarbonization policies, including Local Law 97, all-electric construction mandates, stricter energy codes, zoning incentives, and expanded public finance tied to climate performance. These policies operate alongside federal programs such as LIHTC, CRA obligations, and Inflation Reduction Act incentives.

The findings summarized here draw on 58 semi-structured interviews with architects, engineers, sustainability consultants, developers, financiers, city and state officials, and tenant advocates, supplemented by extensive observation of industry events and project walkthroughs between 2019 and 2025. The analysis focuses on how professionals justify and construct choices in practice, rather than on ex post performance metrics

Key Findings

1. Professionals use co-benefits as practical decision tools, not abstract values.
Professionals routinely reference co-benefits—healthier indoor air, improved thermal comfort, lower operating costs, and social equity—not as add-ons, but as means to satisfice across multiple constraints. Faced with overlapping regulatory requirements, financing conditions, and technological tradeoffs, they seek solutions that are "over the bar" on emissions, cost, and compliance rather than optimal on any single dimension. Co-benefits help reframe decarbonization from an additional burden into a tractable problem embedded in routine development practice.

2. Regulatory constraints function as "beneficial constraints" when they force inquiry rather than prescribe solutions.
Policies such as Local Law 97 and Passive House–level requirements for affordable housing do not simply raise costs. They force professionals to reconsider technologies and designs previously dismissed as infeasible, including electrified heating systems and geothermal. In several cases, compliance revealed unanticipated economic advantages—such as reduced infrastructure needs, operational savings, or increased usable floor area—demonstrating that stringent standards can catalyze innovation when they set boundaries rather than dictate means.

3. Co-benefits matter most when they are legible within financing and regulatory institutions.
Co-benefits influence financing decisions when they help projects access public capital, satisfy CRA requirements, reduce perceived risk, or differentiate proposals in competitive RFP processes. Where benefits such as health or comfort cannot be standardized or credibly evidenced, they are more vulnerable to being cut when budgets tighten. This institutional unevenness explains why co-benefits are frequently discussed but inconsistently incorporated.

Recommendations

To better align policy design with how decarbonization decisions are actually made, we make three recommendations:

1. Explicitly reward bundled outcomes in public finance and RFPs.
City and state agencies should allocate discretionary scoring or underwriting advantages to projects that credibly integrate emissions reduction with affordability, health, and long-term operational savings, rather than focusing narrowly on minimum compliance.

2. Stabilize and clarify compliance pathways.
Clear timelines, predictable thresholds, and transparent enforcement under laws such as Local Law 97 enable professionals to develop satisficing strategies earlier in project design, reducing risk and delay.

3. Expand technical assistance that translates co-benefits into finance-ready evidence.
Programs such as NYC Accelerator and NYSERDA FlexTech are most effective when they help actors convert energy, comfort, and operational benefits into forms legible to lenders and public agencies.

Conclusion

New York City's decarbonization effort is already reshaping professional practice. The evidence shows that progress depends less on persuading actors of the moral value of co-benefits than on designing institutions that allow those benefits to be used. When regulations and incentives recognize the reality of satisficing decision-making, they can accelerate emissions reductions while advancing affordability, health, and equity. When they do not, even well-intentioned policies risk stalling in implementation. Acting now to align policy design with practice will determine whether New York's ambitious climate goals translate into durable change in the built environment.