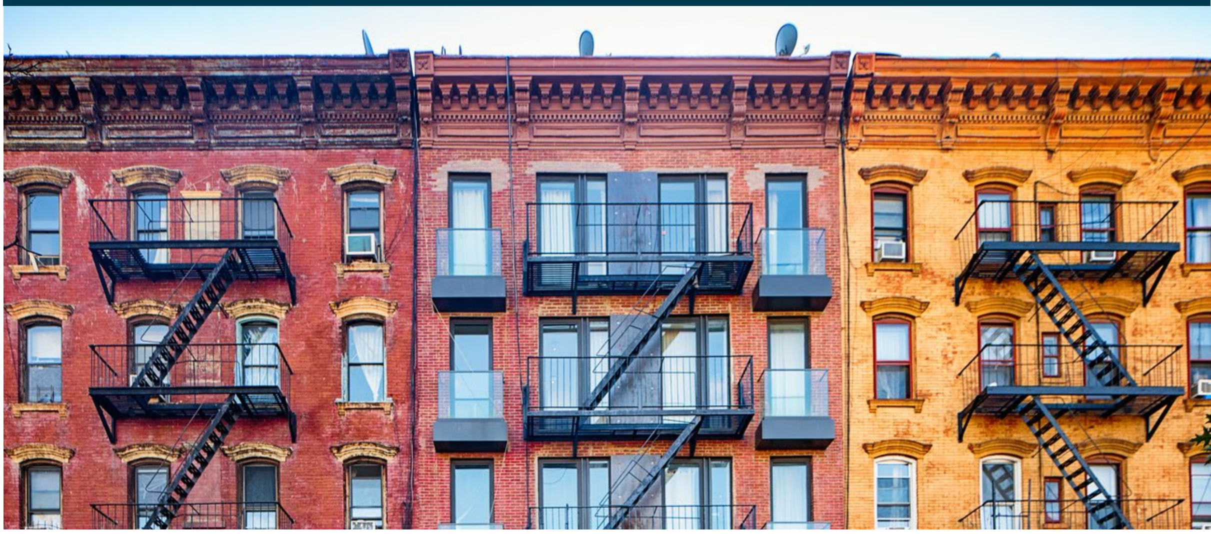
CASE STUDY

NYSERDA Partners with New York City & State Housing Finance Agencies to Decarbonize Affordable Housing



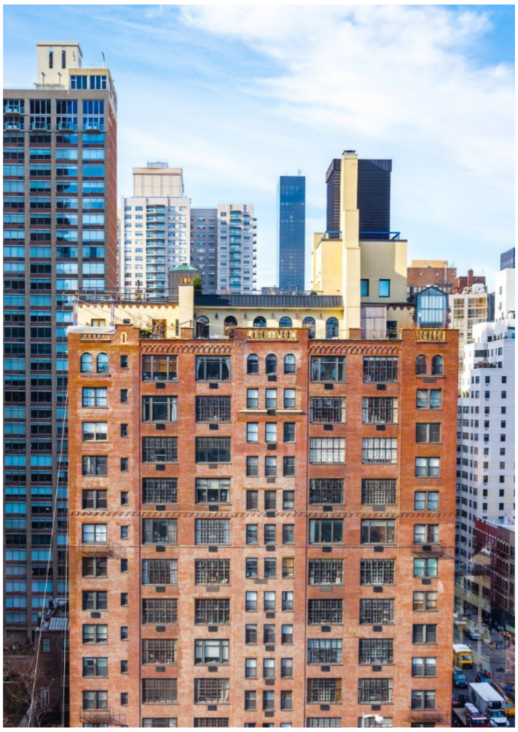
To encourage the decarbonization of affordable housing projects across the state, the New York State Energy Research and Development Authority (NYSERDA) has partnered with both the New York City Department of Housing Preservation and Development (HPD) and New York State Homes and Community Renewal (HCR).

By partnering, NYSERDA can make progress toward achieving the state's climate goals by tapping into New York's large stock of affordable multifamily housing. At the same time, HPD and HCR can create healthier homes and reduce utility bills for low-income renters. In both cases, NYSERDA co-administers incentive programs with the housing agencies to award funding to developers when developers are applying for housing finance resources. This model allows developers to include the incentives as a funding source in their financing application to the housing agencies, making it easier for projects to "pencil out" and ensuring that the incentives impact design decisions.

State policies drive increased collaboration

The Retrofit Electrification Pilot (HPD) and Clean Energy Initiative (HCR) programs grew out of existing partnerships between the agencies and NYSERDA. For many years, NYSERDA incentive programs served as pathways to help developers meet the green design requirements of the housing agencies.

The partnerships accelerated with the passage of statewide climate legislation. The Climate Leadership and Community Protection Act, signed into law on July 18, 2019, requires New York to reduce economy-wide greenhouse gas emissions by 40 percent by 2030 and no less than 85 percent by 2050 from 1990 levels. The legislation created a Climate Action Council to oversee the scoping plan needed to achieve the State's clean energy and climate goals. The Council provided a platform for leaders from NYSERDA and HCR to rethink their partnership and identify new solutions to drive greenhouse gas reductions through decarbonization.



Partnerships Provide Funding and Technical Assistance

HCR-NYSERDA Clean Energy Initiative

The HCR-NYSERDA Clean Energy Initiative supports highly efficient, all-electric projects by providing additional funds to developers seeking financing through HCR's Low Income Housing Tax Credits (LIHTC) program. New construction or adaptive reuse projects can receive up to $12,500/unit. The initial funding is available in two separate components: a) $10,000/unit to offset the incremental capital costs of pursuing the scope of work; and b) $2,500/unit to fund integrated design. Recipients also benefit from technical assistance. In February 2022, the program was expanded to include existing buildings, providing up to $25,000/unit for partial or full electrification measures.

HPD-NYSERDA Electrification Pilot

The HPD-NYSERDA Retrofit Electrification Pilot funds existing affordable housing properties to retrofit buildings with energy-efficient electrification upgrades. When eligible building owners seek financing for their existing affordable housing property through HPD, they can simultaneously access up to $1 million to finance building electrification. Funds, which first became available in Fall 2021, are provided on a first-come, first-served basis and are accompanied by technical assistance.

Keys to a Successful Partnership

The following factors contributed to NYSERDA's success in collaborating with HPD and HCR.

Co-administering the program. Co-administering programs and providing financing as part of the capital stack allows NYSERDA to work directly within the process familiar to developers and with the partners developers trust. NYSERDA brought their technical and clean energy program expertise, while HPD and HCR brought a deep knowledge of affordable housing financing and need of the buildings in their pipeline. There are also little to no additional marketing costs because NYSERDA can tap into the existing housing pipeline.

Providing technical assistance. NYSERDA plays a key role in providing technical assistance to developers and housing agency staff. NYSERDA found that developers required technical assistance early in the building design process to impact the scope of work. HCR and HPD do not have the resources to fund this type of technical assistance, so NYSERDA is funding consultants to work with program participants.

NYSERDA also provides technical assistance to HCR and HPD to help staff evaluate applications and better understand technical decarbonization issues. To further this effort, NYSERDA is assisting HCR in developing training plans to bolster internal staff capacity at the housing agencies.

In addition to providing technical assistance for the electrification programs, NYSERDA has helped HCR to develop its energy efficiency design guidelines for LIHTC applicants.

Demonstrating the success of early adopters. NYSERDA staff recognized the importance of case studies of successful electrification projects to educate developers. The agency first targeted developers that they knew would be motivated and able to do the work to develop successful case studies.

Re-thinking traditional efficiency rebate incentive models

The decarbonization programs co-administered by NYSERDA and HCR and HPD are a departure from traditional energy efficiency program design and address some of the main challenges to driving advanced building construction in affordable housing. Traditional clean energy funding programs provide rebates to offset the incremental costs of higher efficiency construction after construction is completed. This approach requires upfront capital that affordable housing developers often do not have. Furthermore, rebate incentives may not be viewed as a reliable funding source by the housing finance agency to be used to secure additional financing to cover the higher construction costs. In addition, rebate incentive amounts are typically determined once project design is completed after fuel-use and building design decisions have been made.

By committing funding upfront, NYSERDA is providing a reliable funding source to offset the need for the developer to raise additional capital upfront. In addition, committing funding upfront, including funding for soft costs such as consulting services to assist with project scoping, ensures that incentives impact building system design decisions.