

Sustainability Guidelines

New York State Homes and Community Renewal Special Achievement

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**New York State Homes and Community Renewal (HCR) Submission - NCSHA 2022 Awards for Program Excellence
Special Achievement Category**

Innovation

I. New York State’s Goals

The New York Climate Leadership and Community Protection Act (CLCPA) requires New York to reduce economy-wide greenhouse gas emissions 40 percent by 2030 and no less than 85 percent by 2050 from 1990 levels.

The 2023 New York State Budget includes a \$25 billion, five-year housing plan that will create or preserve 100,000 affordable homes across New York, including 10,000 with support services for vulnerable populations. The budget also provides for the electrification of an additional 50,000 homes as part of the state’s plan to electrify one million homes and make another one million electrification-ready.

These two bold and important State objectives (the housing plan and the CLCPA) are intertwined, because the buildings sector contributes 33% of the state’s greenhouse gas emissions, with space heating contributing at least 60% of those emissions.

II. Innovation: What makes HCR’s CEI program Innovative?

HCR’s CEI program is innovative because it provides developers direct access to clean energy funds, not typically secured by housing companies, at the point of project application and then approval from the state’s finance agency, making funds easier to access and distribute into the typical LIHTC process. Key components of CEI include:

1. HCR teaming-up with the NYS Energy Research & Development Agency (NYSERDA) to deploy and administer the program
2. Provides direct gap funding from NYSEDA to HCR to support eligible new construction or existing building retrofits applying for either 4% bond or 9% Competitive tax credits.
3. A process to directly inject that clean energy funds into the capital stack for each deal along with other subsidy or grant programs, creating a seamless application and deployment for the developers.
4. This partnership between HCR and NYSEDA eliminated for the first time, the need for developers to apply to both Agencies for funding sustainable housing. By combining and streamlining the funding process for sustainable housing, HCR has made the entire process simpler, and more efficient for developers.
5. Furthermore, the HCR CEI program takes advantage of technical support provided by NYSEDA to ensure quality implementation and design.

The second component of HCR’s innovation is the new Sustainability Design Guidelines (SDG) that build on the state’s existing Design Guidelines and support the work of the CEI funding program.

The new SDG expand technical collaboration and support with NYSEDA developed through the CEI program., They set clear best practices standards for reaching decarbonization in affordable housing. HCR’s SDG’s include a baseline climate-friendly standard and an even higher stretch standard that aligns with the requirements of the CEI funding program.

HCR's SDG's will make the affordable housing building design process more streamlined for the Agency and the market. The guidelines also ensure quality high-performance multifamily buildings are developed that merge the State's housing and climate friendly goals.

III. Response to State need:

As the state's primary affordable housing agency, HCR, including NYS' Housing Finance Agency are working to build programs that strengthen accessible affordable housing and clean energy initiatives, within our portfolios.

HCR's affordable housing portfolio is comprised of units financed under a variety of funding programs, ranging from those built in the 1950s, to projects placed in operation more recently. The existing HCR tax credit portfolio consists of approximately 1,700 projects/160,000 units in both the 4 and 9% Low-Income Housing Tax Credit programs across New York's 62 counties. Consequently, the geographical range of HCR's portfolio means a difference in climate zones, requiring a variety of approaches to energy efficiency and GHG reduction. This represents the portfolio of existing buildings HCR will be looking at to refinance overtime, ensure compliance with the new SDG, and where possible leverage CEI funds.

With CEI funding available and the new SDG, all newly produced units will be high performance healthy homes. As articulated in the CLCPA, the populations disproportionately harmed by GHG emissions, and the effects of climate change are the state's disadvantaged communities. An emphasis on the decarbonization of clean, energy-efficient affordable housing development will lead inexorably to better health outcomes in such communities. A recent study on the health effects from gas stove pollution, published by the Rocky Mountain Institute, points to the deleterious effects of nitrogen dioxide on low-income children—especially non-white children who experience higher rates of asthma, especially in urban environments. The focus on electrification contained in the new construction SDG means those fossil fuel appliances will be removed from affordable housing projects financed by HCR.

IV. How HCR achieving the intended results:

The collaboration between NYSERDA and HCR to streamline sources of state funds for affordable housing developers is a first-of-its kind model to help achieve New York State's Climate Act goals and continue to reach the next proposed Five-Year Housing Plan goals.

Under a Memorandum of Understanding (MOU) executed by HCR and NYSERDA in December of 2021, the agencies established a collaborative program and streamlined incentive delivery infrastructure. The first round of CEI funding was awarded to 7 projects in 2021, impacting just over 600 units. An additional \$25M of CEI funding is now available with current developments submitting CEI request applications alongside their tax credits applications to HCR. This new round is expected to gap fund up to 1,500 units of climate friendly housing.

The CEI collaboration led to the establishment of HCR's Sustainability Stretch Standards in the SDG for project scopes. The Stretch Standards' requirements for electrification and enhancements to the building envelope scope would otherwise not have been possible to directly fund through HCR's existing 5-year housing plan, which runs from April 2017 through March 2022, without the addition of scope funding through NYSERDA's investment.

V. How will the benefits outweigh the costs?

We believe there are at least three areas CEI and the partnership will benefit the market:

A. Advancing Electrification in New York

Electrification of heating and cooling and the replacement of fossil-fueled systems are necessary to achieve New York State’s Climate Act goals. The NYSERDA/HCR partnership and CEI are key first steps in advancing the case for affordable housing electrification throughout the State and providing all stakeholders with case studies and evidence of how these projects can be successfully implemented. NYSERDA-funded technical contractors will provide program -level support to HCR and build capacity within the agency to establish decarbonization scopes as an HCR design standard in the coming years.

B. Quantitative Impact

The CEI program will track the impact of both the new construction and existing buildings carbon reduction impact, compared to the “business as usual” baseline, through annual benchmarking and operational data analysis.

The technical support provided by the support from NYSERDA during the CEI program will yield multiple internal HFA training opportunities and lead to additional staff capacity to scale the CEI program. The program is designed to build capacity to help the state deliver on Governor Hochul’s commitment to two million climate friendly homes by 2030, of which at least 800,000 should serve low-to-moderate income households.

The true impact will come from building capacity and leveraging the CEI pilot to inform how HCR allocates resources towards decarbonization design standards within its Five-Year Housing Plan. The capacity-building from CEI will enable ambitious energy performance in a much larger portion of HCR’s pipeline, comprised of roughly 5,000-7,000 units per year of multifamily housing. The new HCR CEI Sustainability Stretch Standards, which prescribe high performance all-electric housing, will drive the market to cost compression in the coming years.

C. Benefitting Stakeholders

Leading with affordable housing, the Clean Energy Initiative and partnership between HCR and NYSERDA is pushing all stakeholders in the housing development community forward, in advance of these regulations and towards achieving Climate Act goals. The outcomes and lessons learned will prime the housing market to adapt by providing crucial information to owners, developers, engineers, architects, and other stakeholders regarding how to implement such ambitious retrofits, along with empirical evidence of the benefits and potential cost savings associated with such improvements. Furthermore, the CEI initiative will help ensure that affordable housing and disadvantaged communities, will not be left on gas service while the state and cities transition towards a clean energy future, ensuring those most vulnerable are not impacted with high fossil fuel costs during the decarbonization transition.