

HCR Multifamily Finance

Incorporation of Clean Energy Incentives for High Performance Projects Demonstration Phase 1B: New Construction Application

Overview:

Phase 1B of HCR's Clean Energy Incentives for High Performance Projects (CEI) is open to new construction/adaptive reuse and existing building rehabilitations. This document pertains to new construction and adaptive reuse projects interested in applying. Please download the "CEI Demonstration Phase 1B Program Application" for more details on how to apply.

Up to \$12,500/unit in additional funding is available to a select number of **new construction or adaptive reuse projects** who are interested and committed to meeting HCR's Stretch Sustainability Standards, which can be described as a highly-efficient, all-electric buildings, (carbon neutral-ready). Projects with over 250 units may apply but will be subject to a per project maximum of 250 units (or \$2,500,000).

Background:

HCR is working to put current and future affordable housing projects on the path to meeting New York State's Climate Leadership and Community Protection Act ("Climate Act"), which mandates an 85% reduction in greenhouse gas emissions by 2050, compared to New York State's 1990 carbon emission levels. For buildings, this will mean dramatically improving building efficiency, especially with regard to building envelope performance and hot water consuming appliances and fixtures and replacing fossil fuel combusting equipment with efficient electric solutions.

To develop a market for this type of affordable housing construction and a model for streamlining access to financial and technical assistance resources from New York State, HCR, has partnered with NYSERDA to demonstrate an approach for incorporating clean energy incentives and technical support for highly-efficient, all-electric new construction or adaptive reuse projects. Up to \$12,500/unit in clean energy funding will be made available for select projects as a source in the project's Sources and Uses and enable projects to meet HCR's Stretch Sustainability Standards: highly-efficient, all-electric buildings (fully defined below).

Funding Description:

The clean energy funding available during this demonstration phase will consist of \$12,500 per dwelling unit to achieve HCR's Stretch Sustainability Standards: highly-efficient, all-electric buildings (carbon neutral-ready). This funding is broken into two components:

- 1) \$10,000/unit to offset the incremental design and capital costs of pursuing the scope of work outlined below; and
- 2) \$2,500/unit to fund integrated design (defined below).

At HCR's sole discretion, up to **\$10 million may be made available for new construction and adaptive reuse projects during Phase 1B**, and projects will be selected from both the 4%

Bond Finance and 9% LIHTC programs per the eligibility criteria below. HCR anticipates awarding at least six projects during the demonstration phase. **If selected for clean energy funding, 4% projects will be notified through a conditional award letter contingent upon final approval of project financing.**

In addition to receiving clean energy funding to offset incremental costs associated with achieving the designed building performance, selected projects will receive support from a designated Technical Assistance Provider and HCR to assist with the enhanced design efforts, where necessary. After the award is made, the Technical Assistance Provider will guide the project's development team and energy efficiency consultant through an integrated design process to achieve the highly efficient, all-electric, (carbon neutral ready) building standards defined below.

Project Eligibility Criteria:

Projects will be selected based on the following criteria.

1. Projects are **new construction or adaptive reuse with 250 units or less (projects with over 250 units may apply but funding will be capped at 250 units)**
2. Projects must at least be currently designed 1) utilize fossil fuel on-site 2) to partial electrification, or 3) demonstrates a gap in financing to reach HCR's Stretch Sustainability Standards.
3. The applicant has demonstrated success incorporating energy efficiency and/or electrification into past projects. Projects will in part be evaluated to demonstrate that this funding is being used to appreciably improve the applicant's standard design processes and achieve cost reductions to deliver carbon neutral performance on future projects.
4. To be eligible for participation, a project must be, or be capable of and intend to be, a **New York State electricity distribution customer of a participating utility company that pays into the System Benefits Charge (SBC)**. In order to demonstrate eligibility, projects must either submit a copy of a utility bill or provide a letter stating what utility territory the projects is located in and if the project will be subject to a special rate class.
5. The development team is able to **commit to the enhanced design** to achieve highly efficient, all-electric building (carbon neutral ready) performance as defined in this solicitation.
6. **The development team will commit to partner with a designated Technical Assistance Provider**, who will assist in:
 - a. Enhanced design development and construction documentation with the current project design team.
 - b. Construction oversight.
 - c. Measurement and Verification for two years post lease up.
 - d. Benchmarking outlined in the regulatory agreement.
7. **The development team will commit to working closely with HCR's Office of Finance and Development, Design Unit and Sustainability Team** through design, construction, measurement and verification.

HCR's Stretch Sustainability Standards:

Highly-Efficient, All-Electric Buildings (Carbon Neutral-Ready):

The goal of the clean energy funding program is to build carbon neutral-ready affordable housing. This means that projects exclude fossil fuels from the building systems and equipment, are designed and constructed with highly energy efficient building shell, and utilize highly efficient appliances and fixtures that use hot water. Building systems and equipment includes building heating, ventilation, and air conditioning (HVAC), domestic hot water (DHW) (*where technically feasible based on today's technology*), and appliances. Projects that rely on a fossil fuel-fired generator for emergency use only, or projects which are served by an off-site fossil fuel fired central heating plant may qualify as carbon-neutral ready if fossil fuel use is excluded from all other building systems and equipment. HCR, as its sole direction, will consider exceptions to the carbon neutral-ready rule for process loads occurring in mixed-use spaces on a case-by-case basis.

Compliance:

To demonstrate compliance as a highly-efficient, all-electric buildings (carbon neutral ready), participating projects must:

- 1) Be designed as high-efficiency, all electric for space heating, cooling and domestic hot water appliances (such as but not limited to: air source or water source heat pumps or variable refrigerant flow (VRF) units)

AND

- 2) Select one of the standards below to design or certify to:
 - **Passive House:**
 - PHI Classic
 - PHIUS+ 2018 Core or PHIUS+ 2021
 - PHIUS Prescriptive
 - **Enterprise Green Communities 2020 Plus**
 - **Advanced Levels of Energy Star Certification:**
 - ASHRAE pathway: Certified PLUS 30% additional source energy savings (before solar)
 - ERI pathway: Certified PLUS and ERI (0.75 x MFNC v1.1 ERI Target) (before solar)
 - For townhomes: Certified PLUS ERI of 45 (before solar)

Applicants must submit a signed contract with a licensed or certified professional able to certify or confirm compliance and verify to the selected standard as a part of the application package.

Integrated Design:

Projects must also utilize an integrated design process to achieve HCR's Stretch Sustainability Standards and minimize costs. Proposals must include a detailed description of how they will use a collaborative process throughout the design, construction and start-up operations of the facility to achieve project outcomes at high quality and cost effectively. The proposal must include a description of how this multi-disciplinary team approach will be followed. A detailed scope of work, identifying team members, process, tasks schedule and budget must be included

in the proposal. At least one team member responsible for overseeing this work must have demonstrated prior success leading a project that utilized integrated design process.

Exceptions and Exemptions of the Use of Funds:

The funds are designed to cover the cost difference between a property that complies with HCR Design Guidelines, including Appendix F requirements, and HCR's Stretch Sustainability Goals: highly-efficient, all-electric (carbon neutral –ready) buildings. The scope does not require the applicant to include ground source heat pumps, solar photovoltaics, embodied carbon reductions (from material selection or design improvements to reduce quantity of material), or other innovative technologies not specifically mentioned below. While those additional items are not required within in this scope, development teams are strongly to encouraged to include those considerations where they can be included in the project scope cost effectively.

Project selection to receive clean energy funds and/or technical support through this demonstration will satisfy the HCR Mandatory Energy Efficiency Strategy required as outlined in Appendix F of the HCR Design Guidelines. Applications should not change their original path for compliance with the HCR Mandatory Energy Efficiency Strategy until clean energy funds are awarded.

Projects selected for clean energy funding and technical support through this demonstration will be prohibited from receiving financial support from some other clean energy programs that support highly-efficient, all-electric (carbon neutral-ready) housing. If projects have already applied to a NYSERDA program, such as the New Construction – Housing Program or the Buildings of Excellence, acceptance of the demonstration funding shall be considered to supersede that previous funding allocation, and HCR, NYSERDA and the awardee shall work together to cancel the New Construction – Housing Award and/or Buildings of Excellence awards and remove its funds from the capital stack post award notification.

The Owner team is encouraged to comply with the NYS Clean Heat Program Requirements and apply for and receive all applicable Clean Heat Incentives. If Clean Heat Incentives are procured, these incentives should be recognized within the construction cost estimate.

Other programs, such as but potentially not limited to, the following programs shall be considered to be acceptable to use in conjunction with this award: [Real Time Energy Management Program \(RTEM\)](#), Charge Ready NY, and [NY Sun](#). Projects may also be eligible to receive federal or state tax credits for some aspects of their project. HCR encourages project teams to research and apply for these supplemental funding programs.

How to Apply:

To be considered for funding:

1. Submit your financing application for your “base” project that meets the eligibility criteria. Original “base” project proposals should not be amended to address clean energy funding program goals.
2. Complete the CEI Demonstration Phase 1B Program Application and submit alongside the project's 4% Financing Application
3. Submit a memo completed either by the owner or by the project's selected green/energy consultant that describes the project's approach to achieving HCR's stretch goals – not to exceed 5 pages.

4. Submit a signed contract with a licensed or certified professional who is able to certify or confirm and verify to the standards outlined in the compliance section of this scope.
5. Submit verification that the project is subject to the Systems Benefits Charge (described above in "Project Eligibility Criteria.")
6. Submit scope of work proposal to support the project's integrated design funds request.