



## Resilient & Equitable Decarbonization Initiative: Existing Buildings (REDi: EB) September 2024

**Background:** To reach New York City and New York State’s ambitious climate targets and to reduce the barriers to decarbonize affordable housing, HPD’s REDi program provides funding to build capacity and scale up equitable decarbonization, beneficial electrification, and building resiliency within the HPD development pipeline. HPD makes this capital available through a long-term, multiyear partnership with NYSERDA. REDi: EB is the first initiative to launch under the REDi program, with a goal of scaling up beneficial electrification within HPD’s Preservation Pipeline.

**Funding:** REDi: EB Funding is available to eligible building owners seeking HPD financing for preservation projects in HPD’s pipeline of multifamily buildings, to cover the incremental construction costs required to electrify domestic hot water heating (DHW) and/or space heating & cooling systems and/or improve envelope performance. Funding will be provided on a first come, first served basis, and will be used to offset the cost of REDi scope items. REDi: EB funding will be available to projects during construction and will be placed in the project’s servicing account alongside all other sources. Funds may be drawn down proportionate to other subsidy sources. This program will be open to projects aiming to close on HPD financing after January 1, 2025, until funds are exhausted, beginning in August 2024. Because funding is limited, it will be capped on a per-project basis. Note that projects that have already submitted applications to the HPD Retrofit Electrification Pilot will not be eligible.

**Program Description:** Projects will implement one, two or all three of the pre-defined scopes below. The borrower’s development team will work closely with the program’s dedicated Technical Assistance Provider (TAP) to design and scope the electrification project, estimate project costs and energy savings, assist with bidding and procurement, monitor construction of the REDi: EB Scope, and train building residents and staff on system use and maintenance. In addition to electrifying DHW and/or heating systems and/or achieving advanced envelope and ventilation, projects will be required to install compatible energy efficiency measures and comply with all requirements as outlined in the Program Term Sheet.

Please reach out if you have questions at: [sustainability@hpd.nyc.gov](mailto:sustainability@hpd.nyc.gov)

Additional documents related to the REDi program can be found here:  
<https://www.nyc.gov/site/hpd/services-and-information/redi.page>

<b>Resilient &amp; Equitable Decarbonization Initiative: Existing Buildings (REDi: EB) Program Term Sheet</b>	
<b>Project Eligibility</b>	<p><b>HPD multifamily (5+ units) preservation projects in HPD’s pipeline receiving city subsidy through an HPD Multifamily Program and complying with HPD’s Design Guidelines are eligible to apply for REDi: EB funding.</b></p> <p>Buildings receiving REDi: EB funding may not also receive incentives from the following programs (or successor programs) in conjunction with program funding:</p> <ul style="list-style-type: none"> <li>• NYSERDA Multifamily Performance Program (MPP)</li> <li>• NYSERDA Low-Carbon Pathways</li> <li>• Con Ed Affordable Multifamily Energy Efficiency Program (AMEEP)</li> <li>• Con Ed Clean Heat</li> <li>• HCR’s Clean Energy Initiative (CEI)</li> <li>• Climate Friendly Homes Fund</li> </ul> <p>Projects must work with a New York State Clean Heat participating contractor.</p> <p>Funding is sourced from the utility System Benefit Charges (SBC) and as a result, the project must be served by Con Edison. For multi-building projects, utility or other NYSERDA funding noted above may be used to offset costs on any buildings <b>not receiving</b> REDi: EB funding due to per/project funding limits.</p> <p>REDi: EB funding will be pre-encumbered for a period of 12 months from issuance of a Preliminary Incentive Offer Letter (PIOL). HPD may retract REDi: EB incentives from projects (or portions of projects) that do not close within that timeframe. Applicants may submit an extension request, which will be confirmed or denied in writing by HPD.</p>
<b>Program Priorities</b>	<p>Projects that are required to electrify per HPD’s Design Guidelines mandatory criteria and, with available incentives, are able to conform to the REDi: EB program requirements.</p>
<b>Program Funding:</b>	<p><b>Up to \$30,000/ unit</b> for projects that comply with the applicable <a href="#">HPD Preservation Design Guidelines</a> and select at least one of the scopes outlined below. Projects may seek funding for all three scopes, and projects implementing Scope 2 are encouraged to implement Scope 3 as well. The project’s funding should be calculated by adding up the total for each scope item, up to the per building/ per project cap.</p> <p>Mod Rehab projects proposing Scope 2 should note that electrification of heating systems requires that the building implements air-sealing and has/ includes 2020 NYCECC-compliant roof insulation and windows. In most cases, this will trigger the definition of “Substantial Rehab” and additional requirements, including Enterprise Green Communities. <a href="#">Click here for HPD’s Rehab Classifications.</a></p> <p>All projects must comply with <a href="#">HPD’s Electric Heating Policy.</a></p> <p>Note that funding levels are pro-rated based on dwelling unit size (number of rooms/ unit): such that SROs/ Studios will receive 60% of total amount, 1-BR units will receive 80% of total amount, and 2+ BR units will receive the full amount.</p>
<b>Scopes 1:</b>	<p><b>Scope 1: Electrification of Domestic Hot Water Heating</b> – Up to <b>\$2,400/ unit</b>. Scope must also include low-flow fixtures and insulation of all new/exposed hot water heat piping.</p> <p><i>Funding is limited to high-efficiency electric heat pump hot water heating systems meeting HPD-NYSERDA Technical Requirements.</i></p>

	<p><i>Note that hybrid or partial electrification of domestic hot water heating may be considered. Any such system must electrify at least 50% of the load, eliminate all use of #4 oil (where applicable) and provide narrative for how the building will achieve full electrification of DHW over time. Note that partial electrification will require underwriting to custom standards.</i></p>
<p><b>Scope 2:</b></p>	<p><b>Scope 2: Electrification of Space Heating</b> – Up to \$24,000/ unit. . This scope is <u>only permitted on Substantial and Gut Rehabs</u>, or on Mod Rehabs where electrification is mandatory and where the classification of Sub Rehab will not be triggered.</p> <p>Buildings pursuing this scope must incorporate whole-building air-sealing and NYCECC-compliant roof assemblies and windows. Projects <u>must</u> demonstrate that the overall design will reduce energy costs. Rehabs with gas/hydronic heating systems or with steam systems that do not require full replacement or extensive modification (e.g., in the case of a gut rehab) are discouraged from applying.</p> <p><i>Funding is limited to high-efficiency electric heat pump systems meeting HPD-NYSERDA technical requirements. Note that certain types of space heating equipment (e.g., window heat pumps or PTHPs when replacing certain types of PTACs) may be covered by the Scope 2 incentive at a lower amount at NYSERDA’s discretion and based on a demonstrated cost gap.</i></p> <p><i>Note that hybrid or partial electrification of space heating may be considered on a case-by-case basis at the discretion of HPD and NYSERDA. If a strategy is approved, funding levels will be determined</i></p>
<p><b>Scope 3:</b></p>	<ul style="list-style-type: none"> <li>• <b>Scope 3: Advanced Envelope and Advanced Ventilation</b>– Up to <b>\$3,600/unit</b>. This scope is only permitted on Substantial and Gut Rehabs and must be implemented along with Scope 2. Includes installation of wall insulation and high-performance windows and high-performance roof assemblies that exceed code and that can: Demonstrate that the <b>Area-Weighted Average U-factor of the proposed envelope is at least 50% better than the current UA</b>. <i>Calculations can be submitted in the form of the REDi Scope 3 Worksheet or a DOE COMcheck or REScheck report and must use REDi default values for existing U-factors. The analysis may be limited to above-grade surfaces only but must include all exposed walls, roofs, and fenestration.</i></li> </ul> <p>Funding may also be used for in-unit Energy Recovery Ventilation when paired with Advanced Envelope work.</p> <p><i>Note: Scope 3 amount may be increased if the project is implementing Scope 2 but is not eligible for the full Scope 2 amount (e.g., window heat pumps). In that case, the total amount for Scopes 2 + 3 may not exceed <b>\$27,600/ unit</b> (pro-rated for unit size) to cover Scope 2 + Scope 3 .</i></p>
<p><b>Demonstration of Need</b></p>	<p><b>REDi: EB funded projects</b> must be able to demonstrate that REDi: EB funding plus other incentives do not exceed the cost to implement the REDi: EB scope. In addition, developers must be able to demonstrate that REDi: EB funding will be allocated to REDi: EB scope items. See Appendix A.</p>
<p><b>Funding Limits:</b></p>	<p><b>The funding is limited to \$1 million per building, and \$2 million for multi-building projects.</b></p>

	<p><i>Note: Once incentives are established through an accepted REDi: EB program Preliminary Incentive Offer Letter (PIOL), funding levels will not be altered unless the scope of work, unit count, or building count changes.</i></p> <p><i>For Mitchell Lama projects, a maximum award of up to \$3 million per project may be offered depending on availability of funding.</i></p>
<p><b>Soft Costs</b></p>	<p><b>At the discretion of HPD Program, up to 10% of the total award (capped at \$1,000/ DU) may be used for certain soft costs</b> related to the design and engineering of REDi: EB scope items (as defined in Appendix A, Section 3, attached below). This funding will be agreed upon at the time of application and will be paid upon closing in a lump sum, and the remaining funding will be released during construction as part of the requisitions process.</p>
<p><b>Loan Terms &amp; Program Requirements:</b></p>	<p><b>Loan Terms:</b></p> <p>REDi funding will match HPD Subsidy terms, and as such may vary per HPD loan program. Program funding will be paid out alongside HPD subsidy funding from the project's servicing account as part of the normal requisitions process.</p> <p><b>Program Requirements:</b></p> <p>Funded projects will be required to sign and comply with HPD's Resilient Electrification and Decarbonization Initiative: Existing Buildings Participation Agreement (REDi: EB Participation Agreement) and add the applicable language to their standard regulatory agreements and Commitment letters. This includes, but is not limited to the following (further details are included in the REDi: EB: Participation Agreement):</p> <p>Awarded projects must comply with all HPD Design Guidelines and REDi technical requirements.</p> <ul style="list-style-type: none"> <li>• Awarded projects must comply with <a href="#">HPD's Electric Heating Policy</a></li> <li>• The program scope will be subject to oversight and design approval by the designated NYSERDA Technical Assistance Provider (TAP).</li> <li>• Awarded projects must submit all bids and final contract documents to NYSERDA prior to construction closing and again before conversion to permanent financing. Program scope costs must be itemized in a manner outlined in the REDi: EB Construction Rider.</li> <li>• The General Contractor will be required to agree to the terms of and sign a REDi: EB Construction Rider and must work with a <u>NYS Clean Heat Participating Contractor</u> for applicable work scopes.</li> <li>• The TAP, acting on behalf of NYSERDA, reserves the right to flag or halt payment for any major issues or discrepancies related to the program scope items.</li> <li>• Awarded projects must provide operation manuals and other staff/ resident resources to all end users of all HVAC equipment included in this program.</li> <li>• Participants in REDi must allow NYSERDA and its contractors to access and utilize past, current, and 120-month utility billing and consumption information/data.</li> <li>• Participants in REDi: EB may be required to complete a post occupancy survey.</li> <li>• The Owner agrees to provide access to NYSERDA and/or its contractors access to buildings in the REDi: EB program for up to 36 months beyond completion.</li> </ul>

	<b>Data Sharing and Publication:</b> Participants in REDi: EB are required to agree to publication of certain information, including but not limited to project scopes, scope costs, photographs, building and anonymized unit-level energy utility data, information on resident comfort and satisfaction which will be used in case studies to encourage market development of heat pumps in multifamily affordable housing.
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*REDi awards are subject to availability of funding. HPD retains the right to revise this term sheet and to waive any requirement contained therein, subject to the applicable statutes and program regulations. HPD also retains the right to not award any or all its funds under this program and to not commit all awarded funds. All proposals must comply with all applicable federal, state, and local laws.*

*All REDi documents referred to in this Term Sheet can be found here:*

*<https://www.nyc.gov/site/hpd/services-and-information/redi.page>*