



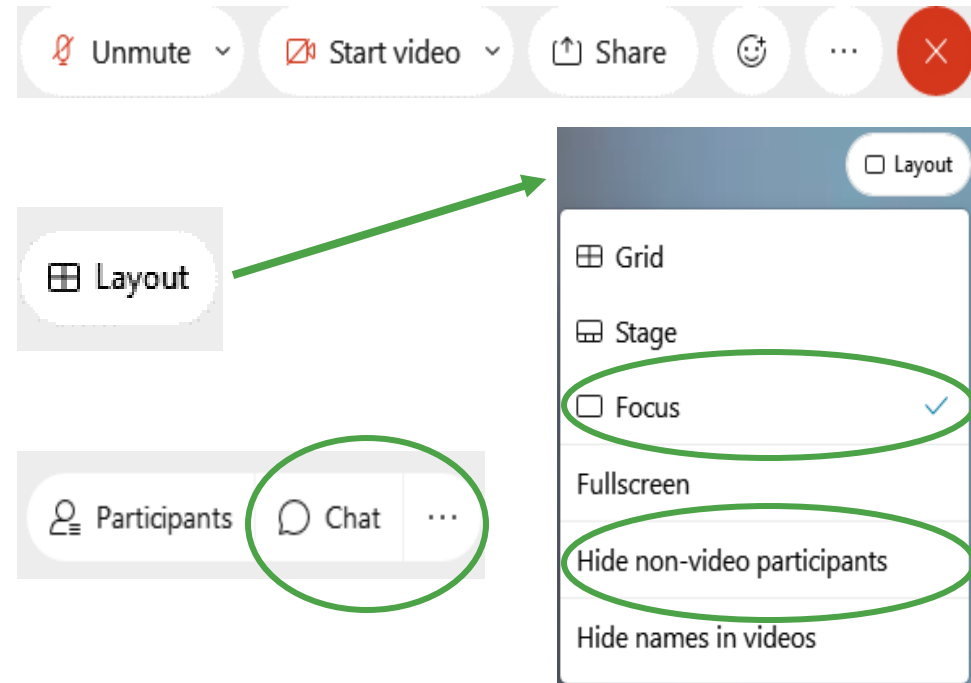
**Community
Preservation
Corporation**

The Climate Friendly Homes Fund: Lessons Learned

September 11th, 2024

AUDIENCE BEST PRACTICES

- Please ensure your microphone is **muted**.
- **For best viewing results:** View should be set to Focus or Stage View for shared content with non-video attendees hidden. The Layout options will appear at the top right of your screen.
- **Questions** should be submitted through the Q&A box OR the chat function **to the event hosts**. The chat icon is located at the bottom right corner of your screen.
- Presentation slides and contact information will be shared with all attendees following the event.



TODAY'S AGENDA

Welcome and Introduction

Overview of CPC

**Lessons Learned:
Challenges and Solutions
Gleaned in Year 1 and 2**

Case Studies

Looking Ahead

Open Q&A

Izzy Nesci, Sustainability Associate, Community Preservation Corporation

Danielle Donnelly, AVP of Sustainability Programs and CFHF, Community Preservation Corporation

Matt Spallina, AVP, Mortgage Officer and Originations Manager of CFHF, Community Preservation Corporation

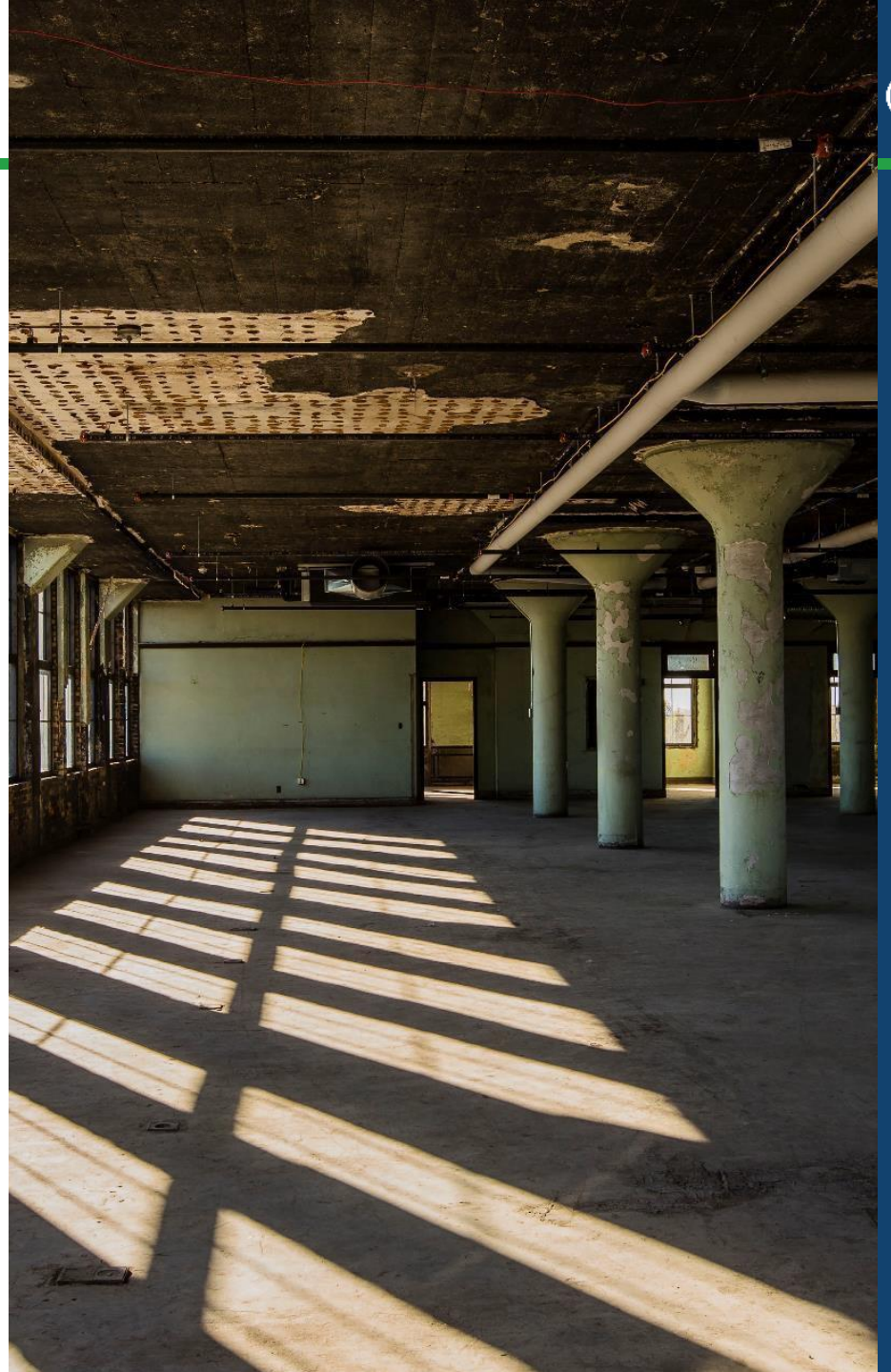
MISSION-DRIVEN SINCE 1974

CPC believes housing is central to transforming underserved neighborhoods into thriving and vibrant communities.

CPC is a nonprofit affordable housing and community revitalization finance company providing flexible capital solutions, fresh thinking and a collaborative approach to the complex issues facing communities.

Our goal is to be more than just a lender. At CPC, we work as a partner to provide technical expertise and hands-on support to help meet the capital needs and broader community revitalization goals of our customers, local stakeholders and the communities we serve.

Adaptive Reuse
500 Seneca Street
Buffalo, NY



INVESTING IN OUR MISSION

CPC believes housing is central to transforming underserved neighborhoods into thriving communities. Today, CPC uses its unique expertise in housing finance and public policy to:



Expand housing access and seek new ways to lower the cost of producing affordable housing



Invest in closing the racial wealth gap, and increase diversity and equity in the development industry

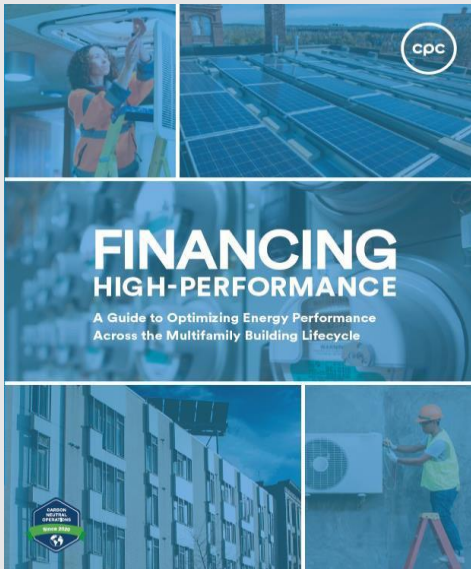


Commit to and expand investment in the green economy and lessen the impact of climate change

EDUCATION

Through its sustainability initiative, CPC has engaged partners, clients, and peers to provide important information about local and state policy, underwriting strategies, and financing opportunities for buildings incorporating energy efficiency.

CPC has conducted trainings and webinars to bring “underwriting savings” to a broader lending audience, published a white paper on Passive House performance, and convened a summit to address New York’s shift to a carbon neutral economy.



Financing High-Performance Guide, 2020

1

CREATING CAPITAL SOLUTIONS

CPC pioneered the “underwriting savings” approach and cemented the methodology with the release of Underwriting Efficiency guide.

Following the creation of its sustainability initiative, CPC has continued to explore creative ways to finance energy efficiency and high-performance building measures and bring these practices to the forefront of affordable housing development.



Capital Solutions for High-Performance Construction, Troy, NY

2

DATA & TRACKING

The backbone of CPC’s sustainability initiative is the impressive portfolio of loans that employ one or more Sustainability Criteria.

Tracking these loans, tagging the completed criteria, and benchmarking performance allow us to analyze long term performance and improve our lending practices.

Information from CPC’s sustainability portfolio has helped our private and public partners to innovate and inform policy decisions and state funded programs.



Electric Metering from Financing High-Performance, 2020

3



BUILDING PERFORMANCE WEBINAR SERIES

- Through our [building performance webinar series](#), CPC provides important information about local and state policy, underwriting strategies, and financing opportunities for buildings incorporating energy efficiency

Filter by Category

- All Impact Multifamily Finance Policy **Sustainability**

Filter by Type

- All** Financing Guides and Tools Research and Case Studies Video Webinar

cpc Community Preservation Corporation

Heat Pumps in Your Home:
Installation Dos and Don'ts to Improve Performance
July 22, 2021

WEBINAR

**Heat Pumps in Your Home:
Installation Dos and Don'ts to
Improve Performance**

cpc Community Preservation Corporation

Electrifying Transit:
Accessible EV Charging for Multifamily Renters and Owners
April 26, 2024

WEBINAR

**Electrifying Transit:
Accessible EV Charging for
Multifamily Renters and
Owners**

cpc Community Preservation Corporation

Local Law 97 Compliance:
Guidance for Regulated Buildings and Low-Lift Big Impact Measures to Reduce GHG Emissions
February 14, 2024

WEBINAR

**Local Law 97 Compliance:
Guidance for Regulated
Buildings and Low-Lift Big
Impact Measures to Reduce
GHG Emissions**

cpc Community Preservation Corporation

**Optimizing Energy Efficiency in Large
Multifamily Buildings**

WEBINAR

**Optimizing Energy Efficiency
in Large Multifamily Buildings**

THE CLIMATE FRIENDLY HOMES FUND (CFHF)

As part of the 2022 approved Housing Plan 2.0, the \$250MM Climate Friendly Homes Fund was established to electrify 10,000 units of existing housing by 2027.

CFHF will provide up to **\$25,000/unit for mid-cycle, regulated and unregulated affordable multifamily housing**, between 5 and 50 units, for full and partial electrification.

Key Goals of the CFHF include:

- Targeting electrification in low-moderate income (LMI) census tracts and disadvantaged communities (DAC)
- Develop a benchmarking database
- Tracking bids and construction costs to identify trends in electrification hard-costs
- Comparing projected performance with actual, benchmarked performance
- Training, public awareness, and market building



USE OF FUNDS AND ELIGIBLE SCOPES

Eligible Use of Funds

- CFHF **hard costs** cover systems upgrades and limited energy conservation measures to support:
 - Heating system replacement with high-efficiency heat pumps for heating and cooling
 - DHW system replacement with high-efficiency heat pump water heaters
- CFHF funds are used to cover **soft costs**. This includes **engineering/consultant costs**, **origination fees**, **closing costs**, and **legal fees**
 - Projects that close and move to construction would be reimbursed for their share of audit costs
 - Borrower will be responsible for benchmarking fees for a total of 5 years
- **Estimated available funding to cover hard costs: \$18-\$22k/unit**

Ineligible Use of Funds

- Solar PV or other on-site renewables
- Health & Safety or deferred maintenance items
- Energy efficiency measures outside of the designated scope
- Cannot be combined with mortgage financing to fund additional updates

Program staff and partners will work with participants to identify incentives, rebates, and other sources of capital to cover ineligible scope items that improve building operations and further reduce carbon emissions

CONTEXT-SETTING FOR CHALLENGES AND SOLUTIONS

As a **first-of-its-kind program**, CFHF is paving the way for future programs, meaning:

- This is a new approach to incentivizing electrification, navigating traditional pathways and the cost burden often associated with electrification
- There is currently minimal market education and readiness
- The development of new tools was needed to serve CFHF

To stand up CFHF and move the first projects through closing, a lot of upfront work needed to be done on the lending framework to make a mid-cycle program work for multifamily. The program's challenges and delays fall into three categories:

- 1. Market building and market education**
- 2. Infrastructure and personnel**
- 3. Programmatic constraints**

Pipeline Buildout:

- Timeline - 10,000 units to be committed in 4 years
 - Administrator awarded September 2022, application launched February 2023, deadline for committed funds March 2027
 - Development of process necessarily rushed to meet demand and expectations and excitement for this source of funding
 - Road testing on the way to the destination
 - Changing process yielded instances of disengagement
- Project and building type - Limited eligible universe

Market Engagement and Education:

- Market Building
 - Fear of being the "Guinea Pig"
 - No materials codifying process in early production timeline
 - Misconceptions around electrification
- Contractor Outreach and Engagement
 - Limited scope procurement – installers and engineers
 - Testing new software platforms for construction management
 - Verifying costs and guidance for bids

Pipeline Buildout & Process:

- Timeline
 - New, expedited feasibility screening to condense timelines by at least 4 weeks
 - Dedicated Originations staff touching all applications
 - Partner engagement
 - Direct contact with CFHF applicants
 - Online application to ensure faster review and assignment of new apps
- Developed program guide that outlines process, timelines, and cost
- Closed CFHF projects = case studies to guide hesitant applicants
- Expanded eligibility criteria to include coops, condos, and larger developments

Market Engagement and Education:

- Market Building
 - Complementary resources listed on CPC CFHF website – including information on local laws, solar resources, and cold climate heat pumps
 - Coordination with the joint utilities and NYSERDA to enable smoother incentives stacking
- Contractor Outreach
 - Developing list of preferred contractors shared with CFHF Engineering Partners
 - Established pricing and limited scope to create consistency across all projects
 - Momentum platform used to organize all engineering resources and reporting
 - Creating consistency in reporting
 - Collecting data on construction costs

Physical Constraints:

- New construction versus retrofits
 - Electrification retrofits and updating existing conditions are costly
 - System spec and efficiency dependent on building infrastructure and distribution
- CFHF funding allocation - \$25,000 per unit
 - Cannot cover EE
 - Cannot cover health and safety, or structural improvements
 - Cannot impair affordability
 - More gas buildings applying for CFHF than delivered fuels or electric resistance heated buildings
- Availability of equipment and construction timelines
- Electrical service upgrades and wiring complicated by inability to cost shift
- Available technologies and design constraints

PROGRAMMATIC CONSTRAINTS: SOLUTIONS



Physical Constraints:

- Funding allocation: DHW electrification only
 - Inability to reduce internal heating loads removes space heating requirement
- Coordination with weatherization assistance providers to identify feasible WAP and electrification crossover
- Tracking submitted and selected bids to identify trends in the market and where costs may be reduced for electrification line items
- Coordinating with heat pump manufacturers to ensure availability of equipment and reduce construction delays
- Additional funding being made available to cover electrical service upgrades
- Exploring opportunities for hydronic heating and GSHP

PROGRAMMATIC CONSTRAINTS: CHALLENGES



Regulatory and Financial Constraints:

- Consents
 - Senior Lender Consent required by restrictive covenant
 - Fannie and Freddie require subordination agreement: added cost for legal review by the GSEs
- LIHTC Investor Consent
 - Changes to operational costs due to retrofit
 - Ensuring no increase to tenant carry and negotiating cost benefit after CFHF retrofit
 - Case for CFHF can only be built at the end of the process: basis of design, energy audit, and additional analysis to prove out the validity of electrification at the site – then investor reviews
 - Other grants and incentive programs do not require consent for buildings to make these upgrades (ex: WAP)
- HCR Asset Management Consent
 - Electrification of gas buildings
 - Inability to cost shift or adjust rents
- Tax Liability
 - Establishing legislation does not exclude grant awards from state or federal tax liability

Regulatory and Financial Constraints:

- Senior Lender consent: Restrictive covenant has been removed from program requirements and therefore senior lender consent requirement has been negated
- Asset Management consent: direct contact and coordination with HCR teams ensures early sharing of info to inform project progress
- Connecting buildings with additional resources (ie. WAP funds)
- Tax liability: Integration of not for profit into ownership entity
 - Subsidized affordable housing – ready solution
 - Unsubsidized – ID orgs that could provide a non-profit partner
 - Consult with accountant to work through depreciation of obligation over compliance term



Frear Ave, Troy

Grant status: Closed

Number of units: 5

Scope of work: Full electrification (space heating and cooling, DHW), air-sealing

- **SOW:**

- Unitized heating and central hot water
- Electrical service upgrades - additional cost of electrical service upgrade increases per DU costs by \$3k-\$7k
- Utility service capacity upgrade avoided through careful design and system specification
- Air-sealing



2nd Street, Troy

Grant status: Scope B - Procurement

Number of units: 8

Scope of work: Partial electrification (space heating and cooling)

- **SOW:**

- Central space heating and central hot water
 - Historic nature of the building made the installation of multi-splits more challenging
 - Electrical service upgrade and wiring work enabling central metering of space-heating equipment
- Air-sealing



Lionheart Manor, Cohoes

Grant status: Scope B – Procurement/Redesign

Number of units: 72

Number of buildings: 3

Scope of work: Full electrification (space heating and cooling, DHW)

- **Regulatory Challenge:** LIHTC Investor consent
- **Physical Challenge:** Central heating without the ability to cost shift for space-heating
 - Space-heating conversion from existing, gas-fired hydronic system
 - Electrical service upgrades and wiring upgrades made mini/multi-splits infeasible
- **SOW:**
 - Heating system conversion TBD
 - WH conversion to unitized integrated tank HP HWH from tankless gas HWH
 - Demolition and removal of existing heating system and HWHs
 - Additional EE covered by braiding WAP funds
 - Air-sealing



East Harlem, NYC

Grant status: Scope B - Procurement

Number of units: 5

Number of buildings: 1

Scope of work: Full electrification (space heating and cooling, DHW)

- **Physical Condition:** roof in need of replacement
- **Regulatory Challenge:** NYC LL31
 - Additional cost \$5-10k per DU available to cover testing and abatement.
 - Does not include costs to relocate tenants until clearance is obtained.
- **SOW:**
 - Replacement of existing one-pipe steam system – potential for use of window HP units
 - HW system replacement with integrated HP HWH providing central HW
 - CFHF working with ownership and NYC Accelerator to facilitate financing of roof replacement and fund additional roof insulation



Main Street, Poughkeepsie

Grant status: Closed

Number of units: 23

Number of buildings: 4

Scope of work: Full electrification (space heating and cooling, DHW)

- **Financial Challenge:** Tax liability for for-profit developers/sponsors
- **Market Challenges:** Contractor engagement elongated closing timeline
- **SOW:**
 - Replacement of existing hydronic heating system with mini/multi-split HPs
 - Replacement of unitized, gas-fired HW heaters with integrated tank HP HWHs
 - Air-sealing

LOOKING AHEAD

- New feasibility and project evaluation tools decreasing Scope A timelines and increasing available funding
 - Original process: 4-8 weeks for benchmarking, 2-4 weeks for Scope A (feasibility screening), 4-8 weeks for Scope B
 - New process: 1 week for feasibility screening, benchmarking data collection runs simultaneously with Scope B (4-8 weeks)



LOOKING AHEAD

- Currently, the CFHF pipeline consists of 115 completed applications, totaling 5573 units
 - Need just under 50% of total volume to complete legislated program goals
- Originations plan in years 3, 4, and 5
 - Regional engagement through Community Partners and CPC offices
 - Expand eligible building universe to include:
 - Buildings over 50 units (where feasible)
 - Coops and Condos
 - DHW electrification-only (lower per DU grant)

Total Applications	Total Buildings	Total Units
115	388	5,573

Thank you!
Questions?

THANK YOU FOR TUNING IN

Contact Today's Speakers

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