

Climate Friendly Homes Fund
Administered by The Community Preservation Corporation (CPC)
Term Sheet

Climate Friendly Homes Fund Program: The Housing Trust Fund Corporation's (HTFC) and Housing Finance Agency's (HFA, collectively referred to herein as HCR or the Agency), Climate Friendly Homes Fund ("CFHF") program provides funding for decarbonization work for eligible owners of multifamily rental buildings, cooperatives, and condominiums. As part of New York State's commitment to reduce greenhouse gas emissions aligned with the goals outlined in the Climate Leadership and Community Protection Act (CLCPA) of 2019, this capital funding will be available through the Climate Friendly Homes Fund program.

Funding for decarbonization is available for existing buildings who comply with the terms described below. CFHF funding is available for properties that are i) currently subject to a regulatory agreement with a local, State or Federal agency (i.e., HCR/DHCR, NYC HPD, etc.), ii) located in a Low-Moderate Income Qualified Census Tract (QCT) as defined by the U.S. Department of Housing and Urban Development (HUD) , or iii) located in a Disadvantaged Community (DAC) as defined in New York State's Climate Leadership and Community Protection Act (CLCPA). Final award amounts are subject to recommendation by program staff and HTFC staff, as applicable.

Please note, this term sheet differs from the Standalone Clean Energy Initiative (SCEI) Term Sheet, funded with Climate Friendly Homes Funds, administered by HCR. HCR's SCEI provides mid-cycle funding to regulated affordable housing pursuing decarbonization work aligned with New York State's Climate Leadership and Community Protection Act of 2019. That term sheet can be found [here](#).

Program Description	The Climate Friendly Homes Fund is making \$150,000,000 available consistent with the requirements set forth herein. Applicants who are successful in their application and meet the terms and conditions described herein will be eligible for funds.
Program Goal	Provide direct funding to qualified multifamily properties that replace existing inefficient space heating and/or domestic hot water heating systems with all-electric high efficiency equipment aligned with New York State’s Climate Leadership and Community Protection Act of 2019, and as specified in the term sheet herein. The program is designed to reduce carbon emissions in existing multifamily residential buildings throughout New York State.
Eligible Applicants & Eligible Properties	<ol style="list-style-type: none"> 1. Except as otherwise approved by HTFC, Eligible Properties will be multifamily rental buildings, co-ops or condos, with a minimum of 5-units and a maximum of 150-units, which are either: <ol style="list-style-type: none"> a. currently subject to a regulatory agreement with a local, State or Federal agency, or b. in Low-Moderate Income Qualified Census Tract (QCT) as defined by the U.S. Department of Housing and Urban Development, or c. located in a Disadvantaged Community as defined in the New York State Climate Leadership and Community Protection Act (2019). 2. Properties containing multiple buildings may be considered, if each individual building contains between 5-150 units. 3. Ownership is defined as holding a fee simple title as evidenced by a warranty deed, bargain for sale deed, a quit claim deed to the Property or having an approved leasehold interest and improvement to be assisted. The deed must be recorded with the county, city, or appropriate local municipality. 4. Not-for-profit corporations or charitable organizations, or a wholly owned subsidiary of such corporations or organizations, or private for-profit developers. 5. CPC will further screen each property for eligibility based on: <ol style="list-style-type: none"> a. The existing property conditions use either fossil fuel oil, propane or electric resistance for primary space heating; b. Existing building envelope performance, either via an existing I/PNA or a Property Condition Assessment completed by a consulting engineer engaged by CPC to perform services in connection with the Program and aligned with the State’s decarbonization goals; c. Existing energy efficiency; based on average annual energy usage of most recent past two (2) years; d. Existing owner and tenant meter structure, where cost shifting is not permissible as a result of this funding; and e. Date and scope of last major renovation and/or refinance.

Payment Structure	<p>Property owners will receive funds in the form of a grant, or upon request, a no- interest forgivable loan.</p> <p>Property owner shall enter into a Grant Agreement, or upon request, a Loan Agreement.</p> <p>Unless explicitly stated otherwise, properties which are sold or refinanced without HTFC’s written consent within 10 years (or for projects sold or refinanced within 5 years that have 15 units or less or grant/loan amounts of no greater than \$375,000) of receiving funding may trigger repayment of a portion of the funding. State written consent shall not be unreasonably delayed or withheld.</p>
Program Funding	<p><u>Electrification Funding</u>: Up to \$25,000 per unit for electrification of systems and other baseline efficiency measures including, but not limited to, the eligible uses of grant/loan proceeds as set forth in this term sheet, inclusive of administrative and soft costs directly related to performing the work.</p> <p><u>Additional Electrification Enabling Upgrades</u>: Up to \$7,000 per unit for electrification and additional electrical service upgrades, electrical capacity upgrades, backup generation or other baseline efficiency measures including but not limited to the eligible uses of loan proceeds set forth in this term sheet, inclusive of administrative and soft costs, or as otherwise approved by CFHF Program staff. This can only be added when pursuing Electrification Funding.</p> <p><u>Eligible Soft Cost Program Delivery Expenses</u>: Delivery costs may include, but are not limited to, contractor fees, building permit filing fees, other architecture and engineering services, home/building energy audits, loan closing fees (including project origination fee), and legal fees. Eligibility to be determined by CFHF Program staff.</p>
Grant Agreement Term	<p>10 years for projects with more than 15 units or grant amounts greater than \$375,000; and 5 years for projects with less than 15 units or grant amounts less than \$375,000, unless explicitly stated otherwise.</p>
Interest Rate	<p>0%, as applicable for Loans</p>
Reserves	<p>Reserves for the required benchmarking fees, annual service contract for equipment installed as part of the eligible scope of work, and servicing fee to be established at or before execution of grant documents or closing of loan, as applicable, from funds provided by the Eligible Owner.</p>
Credit Criteria	<p>Borrowers must be in good standing with existing lenders, local government including housing agencies, and in compliance with all regulatory agreements, if applicable.</p>
Construction and Management	<ol style="list-style-type: none"> 1. Professional service contractors, such as but not limited to, building contractors, engineers, plumbers, must be licensed with New York State. 2. Participating owners must contract with a qualified contractor to perform the electrification scope of work. A list of these contractors can be found at the following links:

	<ul style="list-style-type: none"> a. https://www.nyserda.ny.gov/ny/pumped/NYS-Clean-Heat-Contractors b. https://www.nyserda.ny.gov/contractors/find-a-contractor/multifamily-building-solutions-network
Eligible Uses	<p>The electrification scope of work may include all or some of the measures below, but if a measure is selected, it must comply with the guidelines below:</p> <ol style="list-style-type: none"> 1. Conduct an energy audit, Property Condition Assessment (PCA), or Integrated Physical Needs Assessment (IPNA). This is an eligible expense, or an applicant can use one that was completed within 3 years of funding request. <ul style="list-style-type: none"> a. Applicants will be responsible for 50% of the cost of any required energy audit, Property Condition Assessment, or IPNA. Applicants will be reimbursed for their portion of these costs if the project reaches a closing, at the time of closing on the funding. 2. Electrification Funding: Eligible scope of work improvement include: <ul style="list-style-type: none"> a. <u>Heating Electrification</u> (Required): <ol style="list-style-type: none"> i. Install high efficiency, all electric, cold climate heat pumps, central variable refrigerant flow (VRF) systems, or geothermal heat pumps; ii. Any specified equipment shall have a COP of 3.5 or greater be Energy Star certified or equivalent [equipment shall provide the equivalent in energy savings, quality and operational costs, OR listed on the Northeast Energy Efficiency Partnership (NEEP) Cold Climate Air Source Heat Pump Project List OR meet NEEP’s Cold Climate Air-Source Heat Pump Specification; iii. Heat pumps must be capable of providing heating and cooling; iv. Cost-shifting of space heating operational costs, or changes to the structure of heating payments for tenants, is NOT permitted under this program; v. If the heat pump units are wired to an owner-paid meter, projects may install a switch for summer months to enable tenant-paid cooling only; vi. All associated electric service, repair/patching, and health and safety mitigation related to installation are eligible expenses. b. <u>Domestic Hot Water Electrification</u> (Required, if feasible based on Program thresholds). For the avoidance of doubt, domestic hot water heating system replacement is considered <i>infeasible</i> if the

<p>Eligible Uses (Cont.)</p>	<p>installation costs exceed 51% of total available project costs, if resulting installations increase operational utility costs by 10% or more, OR if it is determined by the auditing engineer to be infeasible due to existing conditions at the building.</p> <p>i. Install all electric, highly efficient (UEF rating over 2.75) domestic hot water heat pumps. Acceptable technologies include:</p> <ol style="list-style-type: none"> 1. Central Air to Water Heat Pumps (AWHPs) 2. In-unit Heat Pump Water Heaters (HPWHs) if sufficient detail is provided to ensure proper airflow for heat extraction, and to prevent cold drafts that impact tenant comfort. Projects must also provide details to mitigate noise concerns. <p>c. <u>Energy Conservation Measures</u> (Optional, and only eligible when done in conjunction with section 2(a) above):</p> <p>If the total cost remains below the total eligible thresholds per unit, projects may complete the following measures:</p> <ol style="list-style-type: none"> i. Air sealing in apartment units, at penetrations, in ductwork, at exterior walls, around windows ii. Weather-stripping around windows and doors iii. Insulation in attics and/or roofs iv. Ventilation system balancing and tuning <p>3. Additional Electrification Enabling Upgrades</p> <p>Optional, and only eligible when done in conjunction with 2(a) or (b) above:</p> <ol style="list-style-type: none"> a. Envelope <ol style="list-style-type: none"> i. To access additional program funds to complete envelope efficiency scopes of work, Eligible Buildings must demonstrate the envelope scope of work will result in a building envelope that is at least 15% more energy efficient than 2020 Energy Conservation Construction Code of New York State (ECC), as applicable per project type. ii. Use of program funds to cover envelope work beyond the Required Scope remains up to the discretion of CPC/HTFC. b. Ventilation (Optional) <ol style="list-style-type: none"> i. For natural ventilation (no existing mechanical system), install through wall exhaust fans when a project is improving the building envelope air tightness above NYS Energy Conservation Code requirements. ii. Install ERV and HRV systems when reaching Passive House building envelope design standards. c. All associated electric service, repair/patching, and health and safety mitigation related to installation are eligible expenses.
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Ineligible Hard Costs	<ol style="list-style-type: none"> 1. Reimbursement of costs for construction work previously incurred are ineligible. 2. Reimbursement or payment of costs for construction work outside of Program approved scope of work.
Originations Fee	2.00% of total grant amount (paid by CFHF Program).
Servicing Fee	<p>Applicants will be responsible for the servicing fee.</p> <ul style="list-style-type: none"> - For projects with more than 15 units - or grant amounts greater than \$375,000 - the servicing fee is \$10,000; - For projects with less than 15 units - or grant amounts less than \$375,000 - the servicing fee is 25 bps of loan/grant amount multiplied by number of years in servicing period (5 years). <p>Servicing fee must be paid in full by Grantee at project closing.</p>
Program Requirements	<ol style="list-style-type: none"> 1. System Start Up requires: <ol style="list-style-type: none"> a. Third party commissioning of all installed systems; and b. Provide an operational manual to all end users, including residents and operators for all installed equipment as applicable. This should include but not be limited to servicing requirements, control setpoint guidance, operational instructions, and guidance on repair requests and service requests. 2. System Maintenance and Monitoring: <ol style="list-style-type: none"> a. Applicants will be responsible for all costs associated with maintaining a service contract with installer or manufacturer for the term of the Program agreement; and b. Applicants will be responsible for all costs associated with the account set up, historical benchmarking, and annual benchmarking required by the Program for a total of 5 years. This includes 2 years of historical benchmarking to be collected at the time of Greenlight Approval and 3 years of benchmarking to be collected and monitored annually following construction completion.
Environmental Requirements	<p>CPC and partners will work with owners on environmental requirements. Each project must comply with the following laws and regulations:</p> <ul style="list-style-type: none"> • The State Environmental Quality Review Act (SEQR) at 6 NYCRR 617; • Section 14.09 of the Parks, Recreation, and Historic Preservation Law (Historic & Cultural Resources); • Floodplain Management Criteria for State Projects at 6 NYCRR 502; • NYS Agricultural and Markets Law Section 305(4) (Agricultural Districts); • Coastal Zones at 19 NYCRR Part 600; • Local Zoning Code/Special Use Permits; • Lead Based Paint – EPA Renovation, Repair and Paint Rule or HUD • Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing; • Asbestos Containing Materials at 12 NYCRR Part 56. 2.

CPC retains the right to revise this term sheet from time to time and to waive any requirement contained therein, subject to the applicable statutes and program regulations. HCR also retains the right to not award any or all its funds under this program. All proposals must comply with all applicable federal, state, and local law.