NYSERDA PROGRAM PLANNING COMMITTEE MEETING
April 26, 2023
Clean Copy of Transcript

Sherburne Abbott:
All right. Good afternoon and welcome. I called this meeting to order a notice and agenda for this meeting was provided to the Committee Members on April 12, 2023, and to the press on April 19, 2023. This meeting is being conducted in person and by video conference. The Authority will post a video and a transcript of this meeting on the web. To confirm that we have a quorum, I would like each of the Committee Members to introduce themselves. I am Shere Abbott, Chair of the Member of the Committee, Member of the Board.

Sadie McKeown:
Sadie McKeown, Member of the Committee, Member of the Board.

Frances Resheske:
Frances Resheske, Member of the Committee, Member of the Board.

Arturo Garcia-Costas:
Arturo Garcia-Costas Member of Committee, Member of the Board.

Vice Chair Bell:
Chuck Bell, Member of the Committee, Vice Chair of the Board.

Sherburne Abbott:
Excellent. Thank you. The first item on the agenda is the approval of the Minutes of the 118th Committee meeting held on January 25, 2023. Are there any comments on the on the Minutes? Please have a motion to approve in the Minutes?

Arturo Garcia-Costas:
So moved.

Sherburne Abbott:
Second?

Frances Resheske:
Second.

Sherburne Abbott:
All in favor?

Members of the Committee:
Aye.

Sherburne Abbott:
Minutes have been approved. Next item on the agenda is a report on the Authority's Clean and Resilient Buildings initiatives. The Authority's Chief Program Officer, Anthony Fiore, will be presenting this item, then will be joined by Vice President for Clean and Resilient Buildings, Susanne DesRoches.

Anthony Fiore:
Thank you. I'm actually gonna turn it over to <laugh>, Susanne DesRoches.

Susanne DesRoches:
Thanks Anthony. Good afternoon. Pleasure to be here today. I'm looking forward to giving you a broad overview of the building sector strategy and some of our programs, and I think go next slide. So, I wanted to start by just giving you an overview of what we're gonna talk about today. So we're gonna start with CLCPA mandates and how that relates to buildings followed by what is in the Scoping Plan for the building sector, our 2023 Legislative proposals and some new fund potential funding streams that have you know, that are available today for building. And I'm gonna go into some highlights and, and John Lochner here, as well is gonna share a highlight about the insurance accelerator. So we'll go through how some of these programs are, are working to meet the goals of the CLCPA next slide.

So this is really to remind us what those mandates are, and I'm not gonna go through all of them. But if we focus on the first two, the 85% reduction by 2050, and the more near term, 40% reduction by 2040, those directly relate to our buildings, right? 30% of our, of our missions are from the building stock. So really a, a big transformation is needed even to get to that 40% reduction by 2030. We're also working really hard on the 185 TTUs of onsite energy savings by 2025. We're meeting this through a number of different efficiency programs. And then lastly, I just wanted to mention, you know, last year's State of the State, 2 million climate friendly homes announcement that Governor Hochul made is really a commitment to climate justice and adjust. Transition has almost half over 800,000 of those units need to be in low and moderate income housing.

So really all of that together sets pathway and goals for us to achieve in the buildings programs. So, if we go to the next slide, this is a very high level summary of what the scoping plan said for the building sector. So focusing on 2030, the majority of new space and water heaters will need to be heat bumps in about one to 2 million homes by 2030, 10 to 20% of commercial space will need to also be using them by 2030. And then hundreds of thousands of additional homes and commercial buildings will really need to be more efficiently electrified each year. Thereafter, we look further out to 2050 that vision sees the building sector, meaning 85% penetration of heat pumps and other technologies like thermal energy networks Statewide. So really very ambitious. Need change and transition needed to meet our goals. The building sector had a lot of recommendations, and I just pulled out a few here that we're gonna touch on in further slides.

The first is that we'll need to adopt State energy codes for new construction. The second is to adopt standards for zero emission equipment. And the third that relates to sort of on the, on the Legislative side, is requiring energy benchmarking and disclosure. So those three together, you'll hear about in the next slide. And then further, we need to scale up public investment financial incentives for building decarbonization specifically. So the next slide lays out our 2023 Legislative agenda for buildings. This is really the proposals that we put out that the State put out that map to those scoping plan recommendations. So the first one is a zero emissions new construction that would focus on in the short term residential and low rise multi-family buildings. That's 2025, and they would no longer be allowed to use building systems or equipment that burn fossil fuels.

Again, this is focused on new construction, which is the easiest first legislative pathway to reducing dependence on fossil fuels in, in new, in buildings and for larger buildings. So mid to high-rise multi-family and commercial buildings that would start in 2028. The second proposal relates to existing buildings. And this would require removing fossil fuel equipment at end of useful light. Turning in 2023, we're really just focused here on space and water heating equipment with an emphasis on, on space heating as the biggest emitter. And then over time to 2035 for, for larger commercial applications. This proposal also included a number of exemptions for critical facilities and other types of buildings and, and function building functions that there is no electrification pathway today. The last one has to do with how do we start to tackle understanding that energy and emissions of existing buildings.

So requiring buildings, large buildings and public buildings to start to annually report energy and water use data and to make that data publicly available through building letter grades, which you've probably seen if you walk down the street in New York City. If you see a letter grade on the building, and it's not a restaurant that letter grade has to do with its energy use, but that that law already exists in New York City and this proposal would rule them Statewide. So that's an overview of what those proposals were. And I'd like to move on to talk about some of the new existing funding streams. If you could go to the next slide.

So there have been a number of new funding streams made available in the last roughly year. The first one that everyone is aware is aware of is the Federal Inflation Reduction Act or IRA. So this is really, the bulk of this is tax credits, so approximately $270 billion worth of tax credits. But there are also rebates that will be administered through NYSERDA the Homes and HEEHRA programs. Those are still under development. And at this point, we understand that we will be receiving about $318 million in rebates out to 2031. The, the last thing I wanted to highlight, it's a little tough to see here on the slide but we have created a website for any kind of building owner, resident, et cetera, to be able to understand what federal tax credits are available to them, as well as State tax credits and incentives all in one place.

So it's all on one, one website, and it will also direct you to available NYSERDA programs. We rolled that out about a, about a month ago. The second funding stream I wanted to highlight was the New York State Bond Act. This is up to $1.5 billion to reduce air pollution and fight climate change. I wanna highlight that there is a provision in the Bond Act for a minimum of $400 million for green building projects. And that is for Statewide State-owned buildings and public schools. So really excited about that tranche of money to help integrate that into public facilities. The last two that I'll just briefly mention here also part of the Inflation Reduction Act is the EPA Greenhouse Gas Reduction Fund. That guidance is coming out on kind of a rolling basis. As folks in the room know we're keenly aware of that opportunity and our tracking started closely.

And then lastly, the NY Green Bank Community Decarbonization Fund, which will be announced shortly, if we could go to the next slide.

So I wanted to focus on a, on a few of our programs that, that touch buildings in, in different ways. And the first one, which I I'm sure you have had briefings about in the past, is our Buildings of Excellence program. But what I wanted to do here is to talk a little bit about how this program achieves a number of different policy goals, utilizing sort of a, a small, incremental amount of money to help with new construction projects. So the first and foremost tenant is, well, really well designed buildings. They're functional, they're beautiful places to live. The second piece of this is about carbon neutrality, showing the market that we can build fuel free, efficient buildings that can integrate renewables, storage, EV charging, et cetera. The third is about resiliency. So how do we, at, from the, the start of conceiving a carbon neutral building, integrate resilient design and construction through increasing the plug loads that connect to backup power and storage, really understanding the function of that building.

We have alternative site selection, so making sure that we're building in places that are gonna be resilient for the long term. So thinking about that from, from the beginning of, of the project design, we wanna make sure that the building spaces are healthy, safe, and comfortable. We all wanna live in spaces that function that way. And so this pro program also has that as a policy goal. Next bullet about mixed use and supportive services and connection to the neighborhood is really, is really they're, they really are strongly connected. So the mixed use piece is how do we build residential buildings that can bring people together? What kind of services way they, they, they, you know, grocery stores and health services can be used within a residential neighborhood. And then in particular, in a lot of our projects, what kind of supportive services are needed in that building?

And I'm gonna give you a specific example next that we'll talk about that. And then lastly, we utilize the most stringent codes in these buildings. So we wanna demonstrate that market capacity to be able to build to those stringent codes. So if we can go to the next slide, I wanna highlight a particular project here in New York City. This is called the Rise. It's in Brownsville, Brooklyn which is one of the lowest income neighborhoods in, in all the five boroughs. It's a 72 unit building for low and moderate income, and it's supportive and affordable housing, and it's for justice involved families. And really the purpose of this project is to reunite families in their in their neighborhoods with their extended families and to provide those services in the building onsite. There are health services, there are job services, there are other wraparound services that exist within the building that help these families reunite into the community.

And it's a really high-performance building, right? It's got, it's totally fossil fuel free. It’s using all kinds of tech, all kinds of heat pumps and energy recovery ventilation. It's got solar PV. So it, it really shows us that we can build these high performance carbon neutral buildings and we can provide services back to the community, all with a very small incremental amount of money on top of an existing private expenditure. This is also an HCR funded building. So it's one, it's a model that I'm hoping that we can continue to build on in the rest of the portfolio. So we can go to the next slide.

This is a completely different kind of program. So Empower+ builds on our legacy program of Empower and assisted home performance. Really streamline those two low to moderate income efficiency programs into one, one umbrella program. Again, this serves our low and moderate income households. And really what it does is it offers a full incentive for low income and a 50% cost share for, for moderate income. So that is, that is capped 30 at $30,000 for low income and 15 for moderate. We're doing a, a number of different kinds of measures in these, in these housing units. So everything from smoke detectors, pipe wraps, light bulbs to new appliances, insulation, air, ceiling, and equipment replacement. So the priority of this program is about reducing energy bills as well as increasing comfort and maintaining safety. So only in cases where energy cost affordability allows will be electrified, okay?

This comes down to a priority of efficiency first, and electrification in particular in our low- and moderate-income families, where it can be done at a, at a cost neutral perspective. So we touch about 20,000 households a year with this program. It's a, it's a high you know, a high frequency program. It's been quite successful and we look to actually increase its penetration as we work to achieve the equity and climate outcomes of the Climate Act. So if we go to the next slide, I do wanna highlight I dunno, how much time do I have? Oh, well, I'm pretty, I have time. I wanna highlight a specific Empower project. So we partnered with some neighborhood groups in Queens after Hurricane Ida. I worked quickly to advise these three neighborhood groups, so Kinetic Community Consulting, Neighborhood Housing Services of Queens, and the Center for New York City Neighborhoods to replace the fossil fuel equipment that had been damaged with heat pumps. And we were able to do that in 12 households. And as well, we included other types of efficiency measures. So air ceiling insulation we replaced with regular water heaters with heat pump water heaters and really with a focus here on making sure that this was all installed above the floodplain so that these folks don't have that flooding experience. Again, you can see on the right here, this is one of the heat pumps, but that's been in, you know, that's been elevated to a safe level.

So if we move on to the next slide, I wanted to talk a little bit about what we're doing with in our affordable housing partnerships. So we have partnerships with homes and community renewable, but Renewable, renewable Renewal HCR, the tongue there New York City Housing Authority or NYCHA and New York City Department of Housing Preservation and Development or HPD, which I'm gonna highlight here. So these programs, these partnerships have really only kicked off in the last year or two where we have been working very closely with all three entities on design guidelines, technical assistance, and again, providing incremental incentives to help them decarbonize and make more efficient their affordable housing. So the slide they're seeing here is our Affordable Housing partnership with HPD. This is a specifically a retrofit pilot, right? So we know that multi-family, large scale, multi-family retrofits are really a tough, can really be a tough nut to crack.

And what they are doing with these, with these eight, they have eight different active projects in the pilot. So 350 units is that they're trying out different combinations of decarbonizing certain aspects of these existing buildings, some of which are quite old. If you look at the bottom picture on the right, this is a rental to co-op conversion. They have 48 units currently on oil, and they're going to replace those with minis splits. And one thing to note here is that because these are HPD projects, they have the ability cap the operating costs at we sort of, anyway, we don't need to get into how they do that, but if there is an increase in heating costs going to a electrification, they can subsidize that. So these the, the folks in these buildings will not end up paying more. Then they currently do for their heat. They're still doing de proficiency in the buildings too. They are also doing deep dependency. Yep.

So the la if we could go to the next slide, the last example I want to focus on is our codes. And so, you know, updating our codes and standards is really a primary goal to both aligning ourselves with other States that are moving towards more efficient codes and standards, as well as building a State and national industry to be able to deliver to these, to these more stringent codes. There's a lot of benefits here. So when we look at our, our codes work, we've added three PBTUs of total indirect energy savings towards our energy efficiency goals. And that comes with needing to train code officials, right? So, you know, we wanna make sure that everybody understands what's in the new codes and can be able to execute on those codes. So since March, 2020, we've trained 49,000 people which through the pandemic is I think, a pretty, pretty great achievement.

And we've seen that even though we are rolling out more stringent codes, that code compliance is increasing. So this training is really, really working. We also developed the stretch codes. Currently energy stretch codes have been adopted by 40 82 State jurisdictions, including New York City, which it has a, a large majority of construction across the State. So we have sup we support that work and do a lot of that work with our, with our code experts on staff. And we're continuing to develop the next advanced energy code, both for New York City and for the State adopt.

Lastly, on the la if you could go to the next slide just touching a little bit on our appliance standards. I know you've heard from Chris Corcoran on the team on previous Board meetings about the importance of go of appliance standards. Just wanted to mention here that this work is ongoing. There will be 21 State appliance standards really, that gets some of these worst performing products off the market. I'm not gonna go through all the benefits. I know you've heard this before, but we're saving energy, we're saving money on folks, the utility bills, and we're saving water and all of that equals greenhouse gas reductions. So that's what I brought to really talk to you about today. And, and what I wanna underscore what I handed over to John is that this is really a, a very diverse portfolio where we're trying to get at efficiency first and decarbonization through a number of different pleas.

So we're looking at really rate high performing, multi-functional buildings and supporting those, looking at a affordable housing, and how do we move it forward in the retrofit space. We're looking at codes and standards. So how do we bring the whole bottom up so that we can have more uniformity across both our buildings and the market and the national market. And then we're really touching low, moderate income units directly through Empower+. And that's certainly a program that will look to expand as we need to meet these robust goals. So I'm gonna hand it over to John. We're gonna talk about insurance.

John Lochner:
Thank you to Susanne.

Arturo Garcia-Costas:
<Laugh>

Susanne DesRoches:
Please talk about insurance.

John Lochner:
Everyone's favorite topic.

Susanne DesRoches:
Set up <inaudible>.

John Lochner:
Definitely. If we could go to the next one my transition will be how, just like Susanne said her and her team takes a variety of different approaches to reach mostly the same goals. Yeah. we, the innovation team very much are doing the same. One of our goals is to ensure that new technologies are deployed and reach that those commercial milestones that allow Susanne's team and other teams to take over. And historically we've done this through grant making a debt equity product and, and other tools. And now we are moving into supporting insurance tools as a way to enable technologies to be deployed on an accelerated basis. As a global financial center, New York is a phenomenal place to be doing this type of work. The financial services sector is a tremendous employer and taxpayer in New York State and a natural place for finance and insurance to, to take place.

And, and maybe I exhibit A, the Green Bank whose office we're sitting in. The innovation team itself has been exploring opportunities in the insurance space for a few years. We've put out a re a request for information and we talked with a number of different key insurance providers and other stakeholders in the sector and, and heard quite a bit back that, that confirmed our hypotheses that there is a lot of lacking data and lacking information and coordination in order to develop insurance products that can support the deployment of climate technologies into the market. We also signed, I should mention memorandum understanding with the Department of Financial Services in order to be able to speak with their experts to understand how they approach insurance regulation and how any work that we do could inform future regulation, future work for the department. As I said, we re we received quite a bit of strong feedback from the market that lots of technologically proven solutions are not reaching scale deployment due to lack of performance data insurability and financeability that lots of data is lacking to enable better underwriting, and that there needs to be greater alignment between technology providers, insurers and insurance product investors. We can go to the next slide. So to address these concerns and the market's desire for support

We issued a solicitation looking for a program administrator to support an accelerator for new insurance products. InnSure a mission driven 501(c)3 not for profit, with a mission to foster innovation at the intersection of insurance and climate risk, was awarded a $6.5 million award to support this ecosystem innovation. $5 million of that award will go into direct grants and funding to insurance innovators themselves to support research and development of new products and tested in new products to manage the accelerator's portion of the work, ensure we'll also partner with Rise Resiliency Accelerator a known resiliency accelerator and expert in launching and, and managing accelerator programs. Additionally, ensure along with NYSERDA, will retain an expert advisory Board to direct the investments of the program and to employ or find active willing participants to be expert advisors on the actual awarding of the funding to innovators. This is still early days. The, the award really signaled we have an active partner on Board with which to shape the, the future of the program, and we look forward to sharing the future structuring of that with you all. Thank you.

Susanne DesRoches:
So that is prepared for today, so we're happy to answer any questions.

Arturo Garcia-Costas:
I'll, I'll go ahead and jump in. Just find some answer like, and then you're gonna talk about insurance. That was actually very interesting, an exciting area to focus on. Trust,

Susanne DesRoches:
I love insurance.

Arturo Garcia-Costas:
<Laugh>. It, it, it's, it's an area that the near point trust for a while has been focused on, supported some work with organization called series focused mainly on climate risk and how basically insurance regulators and to the States were not actually doing a very good job in managing climate risk. This area of insurance though, in terms of how it's a barrier to deployment of innovative technologies. Fascinating. And when, when it comes to the actual regranting that you described, what kind of recipients do you envision might get those re grants?

John Lochner:
So hey, we haven't structured that part of the program yet, but much like a lot of innovations work, we would fund research development teams startups and potentially corporates as well. And so we're really looking for the organizations that we believe have the best opportunity to, to address the problem. With corporations, obviously they have very deep pockets, and so the question becomes why are they asking us for the money and why can't they do it themselves? And that that would be part of the scoring process.

Arturo Garcia-Costas:
And, and what kinds of technologies do you think would rise up for this country?

John Lochner:
It in our request for information, we received a number of responses to that. It is really across the Board in, in commercial technologies like solar and wind, there's been a retrenchment because there was a, I think mispricing of a lot of insurance products followed by a number of losses that led to insurance companies then pulling back coverage. And so there's, there's need there within new technologies, carbon capture, energy efficiency solutions geothermal kind of, you name it, came up in the RFI responses. So our, our, our goal is certainly to, to narrow down and ensure that we're not trying to bite off more than we can chew with a single program. And I should add to Susanne's presentation, there are a lot of opportunities in the building sector proving that

energy efficiency, proving out decarbonization of solutions supporting and deployment of technologies there that don't have the track record to, to get traditional when you're ready.

Sadie McKeown:
Now, I, I would add to that the insurance costs multi-family housing are up 200%. And it's an enormous burden on top of all of the other macroeconomic impacts, interest rates, et cetera. So any work that you can do around it, it would be, I, I keep having the thought that get lower premiums or better build buildings, it would make a lot of sense and would also help encourage better build buildings. It's really becoming a New York City in particular, a real challenge

John Lochner:
And, and some of the feedback we've had from the insurance industry is, why are you paying more because we've lost so much elsewhere and we think you can afford it, which is not a great answer. But that's the reality. And so this goes to not just risk transfer, but also risk mitigation, risk reduction, which I think resiliency is, is a key part of that puzzle, right? Amongst other parts where you can actually just reduce total risk and therefore reduced hopefully total transaction.

Sadie McKeown:
We've actually started conversations around changing our insurance requirements to be more affordable, which opens us up to more risk. And one of the ways to offset the risk is better building performance. So it's all connected.

Jay Koh:
Two, two sets of questions. One on the building side and then one on the vastly more interesting trade side. <Laugh>. Wow. I really accepted question how exciting we think insurance building. The first question on the building side is, it's great to start with the massive, right? We have an incredibly, incredibly daunting, you know, 50% renewable electricity by 2030. We had about a 92% visibility on that with a prior programmatic activity. A massive increase in energy efficiency, and then huge deployment of offshore in which we're happily, I think on the right pathway towards deploy pathway to get other 50% between 2030 and 2040. I still have not a great amount of visibility at the macro level of how, like, you know, if you have the traditional thermometer of like fundraising, like how we actually frost walk that into it mm-hmm. <Affirmative>. And so what I'd be very interested in is a follow up to this presentation on, on housing is look at each of those programmatic elements that you described, each of which has a nice, interesting narrative and several specific things.

It makes it very concrete and I appreciate that. And to understand which of these scales to actually begin to fill the gap and make that crosswalk possible in the 35% of the carbon footprint, percent housing. And I think it's worth, I, I would love more of this Board number providing perspective and understanding about how scalable, any nice sort of programming achieving that objective in the very short amount of time that we know. I, I love that contextualization and to see how the programs actually add up into getting to the 24 target. Cause we, we had done this analysis about two years ago, maybe, maybe longer, long enough, longer than that, before Doreen came in to just be able to say, you know, here's how we get, you know, to 92 point 94% of the way to 2030. And then you know, the State target change pretty dramatically.

So I, I really want to understand when we talk about this, not just, hey, here's this giant target and we we're doing these little really interesting things like, okay then how does this actually connect to this? The amount of time of people on the, on the insurance side you know, one que one question and one suggestion. The question is, what is the timeline here? Because we're running out of time. Meaning, you know, in the immediate aftermath of 911 massive crisis for United States, there are three sources of this kind of programmatic innovation funding that existed that were directed towards anti-terrorism. There was DARPA, which was like a five plus year commercialization time, like do all kinds of cool stuff and hopefully five years from now that'll actually show up in, you know, anything you can buy anywhere. And HSARPA, which is still kind of, let's see, challenging as an organization was set up to really do stuff in the kind of three to five year timeframe.

We need technology like very fast that can actually help make our entire country more secure against these kind of catastrophic events. Then there was a really unusual program called the Technology Support Working Group TSWG, which was designed to get product that could be purchased by the US government and other people within 12 to 18 months. Hmm. Cause they needed it cuz all of our embassies, all of our major critical infrastructure pieces were vulnerable, very vulnerable to all kinds of different types of attacks. So those are three different timescales, five years plus three to five years, next 12 to 18 months. So question number one is, what is the point of the innovation strategy? Is it 1, 1 12 to 18 months? Is it three to five years? Is it five plus? And then how do these things then directly contribute to getting to the actual target at the aggregate level for the agency by the 2030 and 2040 relevant timeframes.

But really like to understand that. And if we kind of have a review more broadly of the innovation strategy, I'd like to know which programs are aimed at which timescales because we have very limited resources and the most limited of all those resources is time, right? To get to the set of targets. The second point is the suggestion, which is, I would hope innovation's great for innovation's sake. I'm all in favor of that. I hope that not all of our innovation strategy is like five years to 10 years in the future delivers actual meaningful impact on the real world. Cause we don't have that time anymore. Not for a hundred percent of our budget made for part of our budget. But in that I would, I would strongly recommend more tight coordination between the innovation program and the building program, the Green Bank, other entities that are out there.

Phil Ryan is on the Advisory Committee of NY Green Bank. He is, I think, maybe not the correct, but it was at least served for a time as the chairman of Swiss Re Americas has a very strong perspective on insurance risk, transfer risk underwriting. There's been a lot of discussion historically about integrating the tool set and using the market engagement of the Green Bank with insurance. If you could bundle insurance requirements into lending done by the Green Bank, nobody goes out and wakes up in the morning. It's like, you know, I really wanna buy mortgage insurance. I wonder insurance buy it, that's required to have it by your lender. Okay. And so as a market participant that's about to deploy enormous amounts of credit that's funded by us by New York State rate payers I would like to understand how all these innovations in insurance or other areas tie into the programmatic strategy in the relevant timeframe.

Okay. And if we're not aiming at that, and I wanna know that all the other things we're doing at NYSERDA get us well beyond the goals that we're setting for ourselves, or we should be redirecting resources at a prioritization level to make sure that we actually serve that objective or we will miss. Okay. So very simplistically, I'm not here to, you know, micromanage your programs. I want to know at the Board level when we add up the blocks that we're putting in place, the longer-term strategies that within the timeframe that we have set out as a goal, that they actually enables us to accelerate that process. And almost anything else that, that doesn't serve that objective. I, I would really like to know the prioritization of those opportunities. Does that make any sense?

Vice Chair Bell:
So I had a question about low income, moderate income homeowners, low income residents or tenants under the transition where you're phasing out electric I'm sorry fossil fuel heating and hot water. Is it possible there could be some unintended effects on the finances of those households? For example, if they don't line up with the subsidy program or within power to have a adjust and fair transition, we would wanna make sure that people can afford the new technology and they're not falling through the cracks. So that, that was my question.

Susanne DesRoches:
That is a issue that we talk about every day. So the, the simplest example of that is tenant in New York City has a, you know, one pipe, peak steam system. It may be add it's added into their rent, it may cost them somewhere on the order of two or $300 a year, right? That's, that's what I pay for my heat currently. If we went to a minis split, if I went to a minis split, what would that cost from an operating perspective? So there's a number of ways to tackle that. The first is that the home has to be efficient, right? So this is the efficiency first. And in particular in our low moderate income housing programs, we do not electrify unless we look at the cost effectiveness of that transition and ensure that we're not continuing to increase energy cost burden of that household.

So that that threshold is something that we will at a certain point in time need to cross. So the home has to be either efficient or deeply efficient before that that transition happens. There are other programs that we are looking into. So as part of the State of the State announced, so this year Department of Public Service and our Empower program have partnered together to do a pilot where we electrify the home and as a pilot measure cap the expenses of the heating at 6%, the electric costs at 6%. So that, that, so if this go ends up making it through the budget negotiations, we can look at what that actually, how that works on the ground when we do the efficiency we electrify and then we track those operating costs and ensure that that household isn't burdened. So the point is one of our top priorities to solve.

This is part of the reason why we're partnering so closely with our affordable housing partners because this is a, a critical issue in that space as well. And as we look out into the future, what are we doing about what we call our naturally occurring affordable housing? Right? This is not part of any sort of regulatory construct, but we know there's lots of people living in, you know, non-standard affordable housing that we need to be concerned about. And as we, you know, as we look into the future, what is the role of NYSERDA? What is the role of Department of Public Service? What is the role of affordable housing agencies in order to control for that? So, fantastic, great question and it is top of mind.

Vice Chair Bell:
Thank you.

Arturo Garcia-Costas:
So I have a question for you, <laugh>. Great. So I was, I also was taken with the Rise development in Brownsville, and I just was wondering, do you consider that for a new development like that do you consider that to be kind of a best in class and how does that best in class? If, if that's the case, how does that best in class compare to a business as usual development that's happening in New York City in terms of cost? Is it, and, and how can we make that best in class theme business as usual? Like what are the barriers to doing that?

Susanne DesRoches:
Sure. so because of Local Law 154 in New York City, which requires you know, all electric new construction that best in class will start to be closer to that baseline construction, right? So last year pulling some information from Department of Buildings in New York City, 80% of new construction was all electric, which is really, you know, showing that even before the law takes effect, that that is starting to, just having that signal is starting to have that impact. So, you know, I do think that the, the, the sort of high performance all electric comes through the codes and comes through the regulatory piece. The, the social support piece of that is really where the affordable housing partnership works the best, right? So we work with HCR, we work with NYCHA, we work with HPD and in where it makes sense, bring those services together with that same funding. It's not that the funding needs to be, you know, incre, you know, double, triple. We can integrate that right into the initial part of the design for minimal, for minimal cost. So NYSERDA is funding the high performance carbon neutral piece, but together with the affordable housing partners, we can bring those services along with it.

Sadie McKeown:
Good question. You talked before about looking at the economics first to ensure that the resident is not negatively impacted. If it, if the economics don't work, what happens? Cuz we're, we're seeing this with our climate friendly homes fund where that money is specifically for electrification. We don't have a lot of money for energy efficiency. And I keep pushing back on HCR to say we can't not do them, right? Because they're just gonna stay on fossil fuel and that's gonna be worse for them in the long run. You take, like, if you take a long view of it, the negative impacts of them staying on fossil fuel when that grid becomes massively expensive and everybody else goes on to clean energy is an enormous problem. So it's a challenge and, and I think we're all sort of struggling through all these challenges right now. Yeah. it's coming up with that extra source of capital, not just to electrify, but to create the efficiency. So I wanna make sure you're not leaving them behind. Yep. Because economics don't work.

Susanne DesRoches:
Totally understood. And I, and one of the, one of the ways that we're approaching the Empower Plus program is that it is not a one and done, right? This is you're in the pipeline, we know you're there, we've done this part of the efficiency. As some of those other costs change, we can go back and revisit that home. Which I think is, is a, is how we are going to, in some instances have to look at this transition. And, and HPD actually has done a, a really nice job of doing kind of a phase decarbonization planning tool for their own work where they look at, okay, can we go in,

okay and if we can't do the full electrification, which parts can we do partial building? Can we do water heating and not space heating? Can we do it the other way around? Like they're really trying to look at this as an evolution of the building rather than we spend all this money once and you know, we do the, the whole thing, which I think in some instances is gonna have to be the way that we approach it. Yeah. so, but it's, this is a very forny issue.

Sadie McKeown:
Yeah. I mean the agencies provide protection to the tenants.

Susanne DesRoches:
Right? Yes they

Sadie McKeown:
Do. Because there's additional resources, but it's the mom and pop and then actually occurring stock. That's where the bigger concern is.

Susanne DesRoches:
Yep. I couldn't agree more.

Vice Chair Bell:
I've got another point for the mom and pop, which is with insurance pricing. The companies in New York are permitted to use the credit history of the homeowner in their underwriting. And so if you have a poor or fair credit score, they can boost your rate significantly. Bet a hundred percent fair poor credit. So they could be negatively impacted by insurance pricing, PR practices that don't promote affordability. So I would just say that would be one thing to watch out for cuz these companies manage for profitability rather than social equity in many cases.

Sherburne Abbott:
Any other questions? So I have one question for you. If it's sort of a follow up to Jay's comments, but, but all of them, which is, what's the public facing story that is being told about all this and, and how best, how do you envision the, and ways that tells a story to the public that Okay, I get it. This is, you know, and this is the pain and suffering is, is near term, but over the long term. I'm part of the, I'm on this brain.

Susanne DesRoches:
So I'll start and then I can, I mean, I think that the train is more than just buildings. So this is, this is across all the sectors. You know, I talk a lot about modernizing space, right? So you know, trying to get the message to as many people and get as many people into the tent of, we need to transition our building stock and we need to modernize. And this new way of heating is the new technology that we're going to use. It isn't about losing or not, or being prevented from using something about using the next or better, more efficient, whatever it is. So most of the time when we're talking to contractors and we're talking to homeowners, we're, we're not talking necessarily about 2050 climate goals. We're talking about this is what you need to modernize your home. And I think that that messaging can resonate to resonate with a wide group of people. And I, and I think can be a successful way to you know, make sure that we're reaching as many people as possible.

Sherburne Abbott:
Yeah. Because I, I was thinking about the, the struggle of the, the graphics or fuel efficiency standards, you know, and the, the one piece that really captures the, the imagination of those who are purchasing a car or an appliance or anything else is looking at that number and saying, this is what it means to me.

Vice Chair Bell:
I mean, I think clean air is one of the big benefits. Absolutely. And presidents get, you know, better comfort, better habitability, right. Reduce emissions to the air that promote asthma, lung diseases.

Sherburne Abbott:
Yeah, exactly.

Vice Chair Bell:
So those are all very important benefits.

Susanne DesRoches:
Absolutely.

Sherburne Abbott:
Any other comments, questions? Excellent. This was really, really extremely interesting and also something that, that produces a, a lot of follow on for you all for the, for a great interest to everybody. So no formal action is required on this item, obviously. And as a final last item on the agenda, is there other business hearing none. I have a motion to adjourn.

Vice Chair Bell:
So moved.

Sherburne Abbott:
Looking at you

Jay Koh:
Second.

Sherburne Abbott:
All in favor?

Members of the Committee:
Aye.

Sherburne Abbott:
All opposed?

Members of the Committee:
No, no.

Sherburne Abbott:
Thank you. That was really good.