



HPD Electrification Retrofit Pilot

Dear Lenders and Attorneys,

Introduction

This letter is written for lenders and attorneys for projects engaged in the joint NYSERDA-HPD Retrofit Electrification Pilot with a focus on the incentive encumbrance and payment structure. It is critical that lenders and attorneys are engaged early to understand the process and identify any issues to prevent delays prior to closing.

What is the HPD Retrofit Electrification Pilot? Building owners receiving HPD Preservation financing are eligible for funding and technical support to electrify hot water and/or space heating through the [HPD-NYSERDA Electrification Retrofit Pilot](#). Funding covers incremental costs up to \$26,300/ dwelling unit for electrification scopes and is granted on a first-come, first-served basis. Funding is typically limited to \$1 million per project. Payments are made directly to the building owner as part of the normal requisitions process.

How does the program work?

Pre-Construction:

1. Once a project is accepted into the pilot, NYSERDA issues an unsigned **Incentive Eligibility Letter** for the approved funding amount, which is based on the estimated incremental cost of the project resulting from the electrification scope and as outlined in the Project Proforma. Note that incentives are determined from incremental costs between the “business as usual” HPD scope and the estimated electrification scope. These incentives are subject to change if the design or costs change, up to the allowable cap.
2. The owner signs a **Participation Agreement** outlining the terms and conditions of the pilot and returns it along with a W-9 and a Data Release Form to NYSERDA, upon which time the Incentive Eligibility Letter is signed by NYSERDA and the funds are pre-encumbered. Note that the maximum allowable amount is pre-encumbered.
3. During the design phase, the Technical Assistance Provider (TAP) holds multiple meetings with the team to ensure that the technical requirements are being followed.
4. Prior to closing, the TAP collects construction documents, including an **Electrification Rider** that will become part of the bidding and contract documents. Pilot team confirms all documentation, and the project is bid out to general contractors.
5. The TAP will review bids and ensure that the full electrification scope is incorporated and itemized and determine NYSERDA’s proportionate share of the scope cost.
6. **A final Incentive Award Letter** is issued, reflecting any changes in incremental cost (up to the maximum funding amount), at the end of this pre-construction phase. This signed Incentive Award Letter functions as NYSERDA’s countersignature of the Participation Agreement. These documents are explained in further detail in the next section.



Construction:

7. TAP will perform 3 or more site visits at key construction milestones, including a Construction Kick-off that ensures all parties understand the key technical and payment requirements.
8. During construction, the owner endorses and submits monthly requisitions to the lender and the TAP along with required AIA forms (e.g., G701, G702, etc.).
9. The TAP will review requisitions related to the electrification scope items, which are itemized as outlined in the Electrification Rider.
10. Once approved, TAP will notify NYSERDA that they can release payment for their proportionate share of the completed work (i.e., the proportionate share as defined in the Electrification Rider)
11. NYSERDA will pay the owner within 30 days.
12. The final incentive payment will be released upon final approval of commissioning report.

Important Documentation & Links:

[The Incentive Eligibility Letter](#) represents the acceptance of the project into the pilot program and verifies that the maximum allowable amount has been secured and encumbered by NYSERDA'S pilot electrification budget. These funds are pre-encumbered for 12 months or until closing. A proforma containing the preliminary scope and budget breakdown will be attached for reference. Incentives may be adjusted based on confirmed costs and finalized bids. Prior to closing, and upon receiving all required documentation outlined in the participation agreement, NYSERDA will issue a [Final Incentive Award Letter](#) based on finalized scopes, up to the maximum allowable amount, and encumber funds for the project construction period. This letter expires after 24 months unless extensions are requested.

[The Participation Agreement](#) represents a contract between the owner and NYSERDA and contains:

- Explicit terms and conditions
- Basis for incentive amounts (preliminary and final)
- Outline for the incentive payment structure
- Documents required for submittal to NYSERDA prior to disbursement of funds
- Owner Commitments
- Post Construction Access & Data
- Indemnifications, Liabilities, Warranties
- Right to Recapture Funds
- NYSERDA's Prompt Payment Policy

[The Electrification Rider](#) presents a contract between the owner and the contractor and agrees that the contractor acknowledges NYSERDA's grant requirements, including:

- Clean Heat Program Compliance
- Technical Requirements
- Requirements for System Maintenance & Use
- System Warranties
- Required Access, Site Visits & Inspections



- Incentive Payment Structure
- Bidding Requirements

If needed, NYSERDA can coordinate with project lender(s) on an **“Assignment of Incentive”** agreement. Such an agreement assigns incentives to the lender in the event of owner/development default, so the electrification scope could still be implemented. Owners and/or lenders are encouraged to coordinate as soon as possible with NYSERDA on the Assignments letter, for NYSERDA to review and execute prior to closing.

Additional information, including links to key documents can be found on the [pilot website](#). If you have questions, please contact us at electrificationpilot@hpd.nyc.gov.

Thank you, on behalf of the HPD/NYSERDA Electrification Team:



Email: electrificationpilot@hpd.nyc.gov | Website: [HPD/NYSERDA Electrification Pilot](#)
Together, we are working to reduce the barriers to electrification on existing affordable housing projects.