

HPD'S RESIDENT-PAID HEAT POLICY_2023

NYC's climate goals are pushing building owners towards electric heat pump technology, which is 2-3 times more efficient than gas or oil heating. But most heat pumps provide both heating and cooling, making billing challenging in NYC affordable housing where historically owners have only paid for heating. To address these goals and challenges, HPD has established rules around resident-paid heat, allowing certain projects to include resident-paid electric heat pumps as long as they adhere to HPD's Terms and Conditions, which are aimed at protecting residents. *Interested developers should notify their HPD project manager early to determine if their project may include resident-paid heat.*

HPD Development's Resident-Paid Heat Pump Terms and Conditions:

- HPD Permission is required: Resident-paid heat is only allowed on HPD-subsidized New Construction and Preservation projects with express permission of HPD Sustainability Office and HPD Program. Resident-paid heat is currently only allowed on Preservation projects that are coops or where residents already pay for electric heating.
- Vulnerable Populations: Resident-paid heat is not allowed on projects with a large share of vulnerable residents: This includes senior or supportive housing or projects with a large share of formerly homeless or ELI/VLI units. Note that certain HPD New Construction & Preservation Programs do not allow resident-paid heating at all.
- Rent stabilized retrofits: If resident-paid heat is approved by HPD on a project that is currently rent-stabilized, the owner must:
 - Initiate HPD's standard notice process for a modification of service to residents
 - Reduce rents by the amount of the current and applicable Utility Allowance
 - Not use Major Capital Improvements (MCIs) for the project. HPD will notify HCR/ORR about any project that is converting from owner-paid to resident-paid heating to ensure this does not occur.
- Only certain types of equipment is permitted: Only NEEP-approved cold-climate heat pumps are permissible. For rentals, cold-climate PTHPs must be wired such that heating is paid by owner. For homeownership/ coop buildings, cold-climate PTHPs may have heating wired to the resident meter.
- Clean Heat Program: Projects must comply with the Clean Heat Program Requirements and seek Incentives when available
- Rental Assistance Vouchers: Owners of rental properties are required to assume and pay the electric utility bills for households using rental assistance vouchers that do not factor in the cost of utilities (e.g. City FHEPS) and will be allowed to use money from the social service reserve for these expenses.
- HPD's Regulatory Agreement will require compliance with HPD's Resident-Paid Heating Guidelines for Owner/Coop Boards, which includes requirements for maintenance, lease riders, and tenant outreach and training. See next page.
- Projects will be underwritten using the appropriate and current utility allowance for heat pumps, and the project's M&O budget for "heating" will be reduced by the amount of the utility allowance, ensuring that the adjusted M&O budget is adequate to cover common area heating and owner-supplied hot water costs.

HPD's Resident-Paid Heat Guidelines for Owner/Coop Boards. These Guidelines must be included in the HPD Regulatory Agreement. The key requirements are summarized below. *Owners and developers should request the full HPD Guidelines from their Project Manager and/or HPD attorney:*

- 1) Owners/ Co-op boards must implement the following Operations & Maintenance protocols:
 - a) Owners/Co-op boards must own and maintain systems as required to ensure system efficiency.
 - b) Owners/Co-op boards must respond to complaints of high bills or system issues promptly and conduct repairs, and/or system guidance as needed.
 - c) Owners will be required to keep a record of and inform HPD if there are resident complaints, shutoffs or other issues and share with HPD upon request.
 - d) Provide in-person demonstration of the system/ thermostat and, if possible, a web video tutorial at move-in and resident turnover
 - e) Provide periodic staff training for operations and maintenance of all heating equipment
- 2) Owners must use an HPD Lease Rider and coop boards must use HPD Shareholder Documents that inform residents of their responsibility to pay for heating. Records of these documents must be retained by owners and their property managers. The document will note that:
 - a) *Resident/shareholder is responsible for paying for heat; owner for maintenance.*
 - b) *In addition to rent, utilities are accounted for when determining household's ability to afford the unit.*
 - c) *Occupant must give owner access as stated in the rider to change filters or service the unit(s).*
 - d) *Resident/shareholder must acknowledge receipt of HPD Resource Packet.*
- 3) Owners/ Co-op boards must provide new occupants with an HPD Resource Packet including:
 - a) Tips for residents on how to operate heat pumps efficiently
 - b) Information about NYC Utility Assistance Programs and Resources, including information about HEAP and community solar to enable residents to save on utility bills.
 - c) Contact information for system questions and equipment issues
- 4) Owners/ Co-op Boards must provide annual notification to residents (by October 1st) about energy assistance programs, including HEAP, Special Protections from utility shut offs, and other programs. Owners must post the information in the building lobby and must also distribute physical copies to all residents. Owners may utilize the current HPD Resource Packet.
- 5) Utility Billing:
 - a) Owners/Co-op boards must agree to be named a 3rd party on resident/shareholder bills, if such a request is made.
 - b) Owners of rental properties are required to assume and pay the electric utility bills for households using rental assistance vouchers that do not factor in the cost of utilities (e.g. City FHEPS) and will be allowed to use money from the social service reserve for these expenses.

Questions can be directed to your HPD Project Manager, who will engage HPD's Chief Sustainability Officer for guidance. HPD Program Approval is required to proceed.