

# THE CHALLENGE OF ENERGY EFFICIENCY IN RENT-REGULATED HOUSING

BuildingEnergy NYC  
October 4, 2018

# AGENDA

Overview

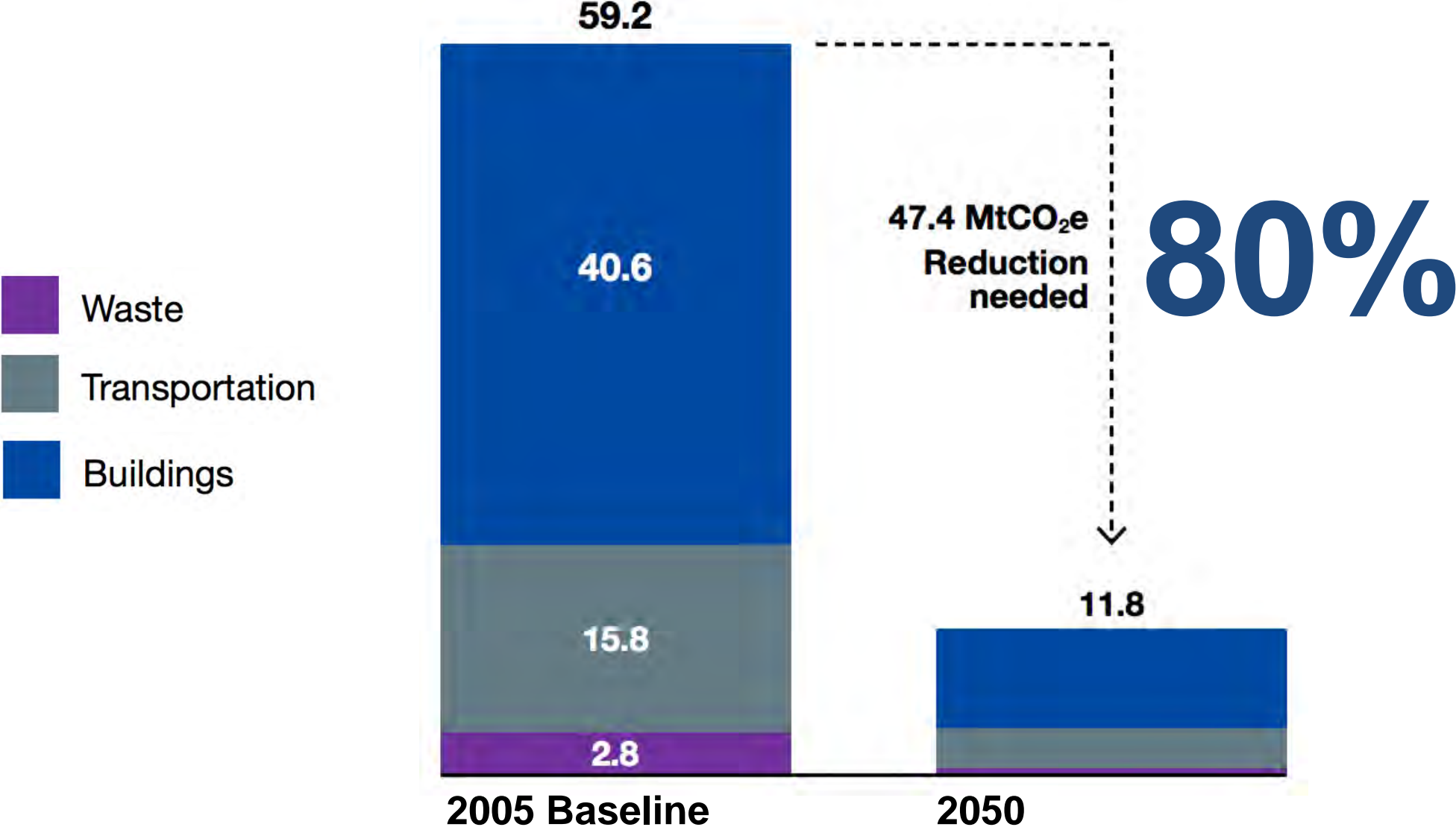
Scope & Data

Policy Strategies

Panel Discussion

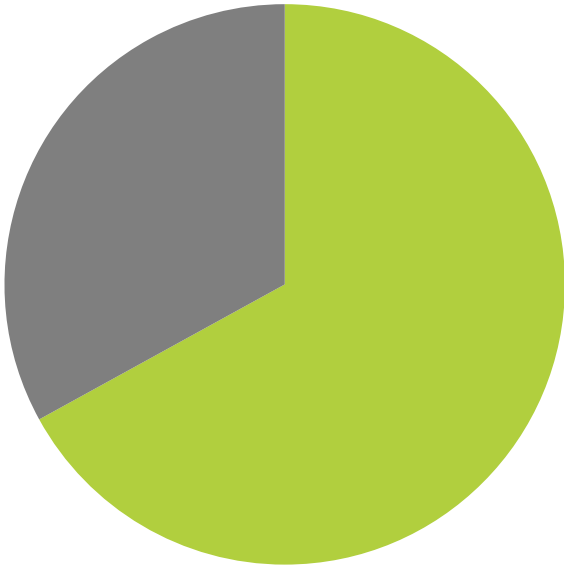
# OVERVIEW

# NYC'S 80x50 GHG EMISSIONS COMMITMENT



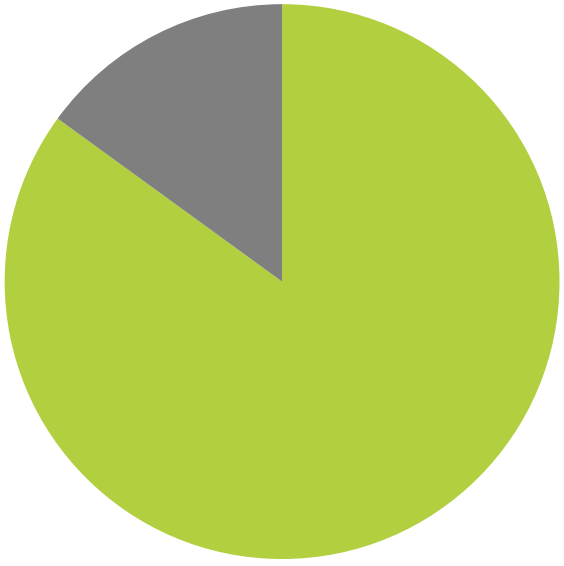
Source: New York City's Roadmap to 80 x 50

# PRIORITIZE EXISTING BUILDINGS



67%

of NYC **carbon emissions** are from energy used in buildings



85%

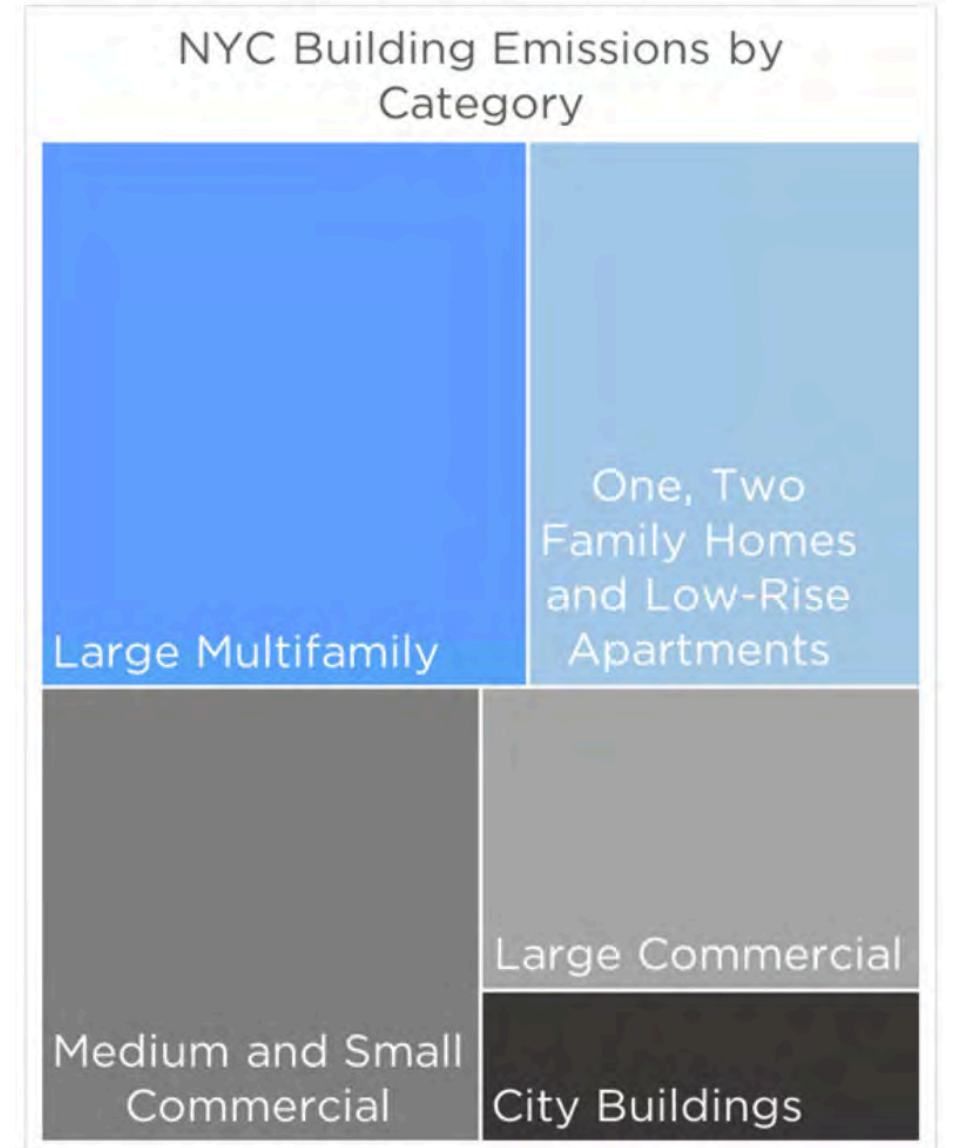
of the buildings we'll have in 2050 are **already built**

# MULTIFAMILY BUILDINGS ARE CRITICAL

Multifamily buildings:

**~40%** of NYC building area

**~30%** of NYC building emissions



# “RENT-REGULATED”

- Overlapping state and city law and regulation
- Applies to privately owned buildings
- Intended to protect tenants from undue rent increases while allowing owners to realize a profit
- Includes rent stabilization + rent control

# RENT CONTROL

- Dates to housing shortage post-WWII
- Generally pre-1947 buildings
- Very small stock (~1%)



# RENT STABILIZATION

Generally, rent stabilized apartments are in:

1. Buildings > 5 units built from 1947-1974
2. Buildings > 5 units built before 1947 if tenant moved in after 1971
3. Buildings > 3 units built or extensively renovated since 1974 receiving tax benefits (e.g. J-51)



**NYC Rent Guidelines Board Increases Effective  
October 1, 2018 through September 30, 2019**

*Apartments and Lofts:*  
One-Year Leases: 1.5%  
Two-Year Leases: 2.5%

# CONDITIONS

- Limited annual % rent increases set by Rent Guidelines Board
- Entitlement to lease renewal
- High-rent deregulation (~\$2700)

# MAJOR CAPITAL IMPROVEMENTS (“MCI”)

## WHAT IS MCI?

- Incentive for improvement of rent-regulated property
- Owners can apply for permanent rent increases based on the cost of eligible building upgrades
- Applied to apartments based on number of rooms
- Spaced out over 8 or 9 years
- Maximum 6% annual rent increase

# MAJOR CAPITAL IMPROVEMENTS (“MCI”)

## ELIGIBLE IMPROVEMENTS

- Replacing something past its useful life (specified in rules)
- Building-wide, benefit all tenants
- E.g. boiler replacement, new roof, wall insulation, window replacements

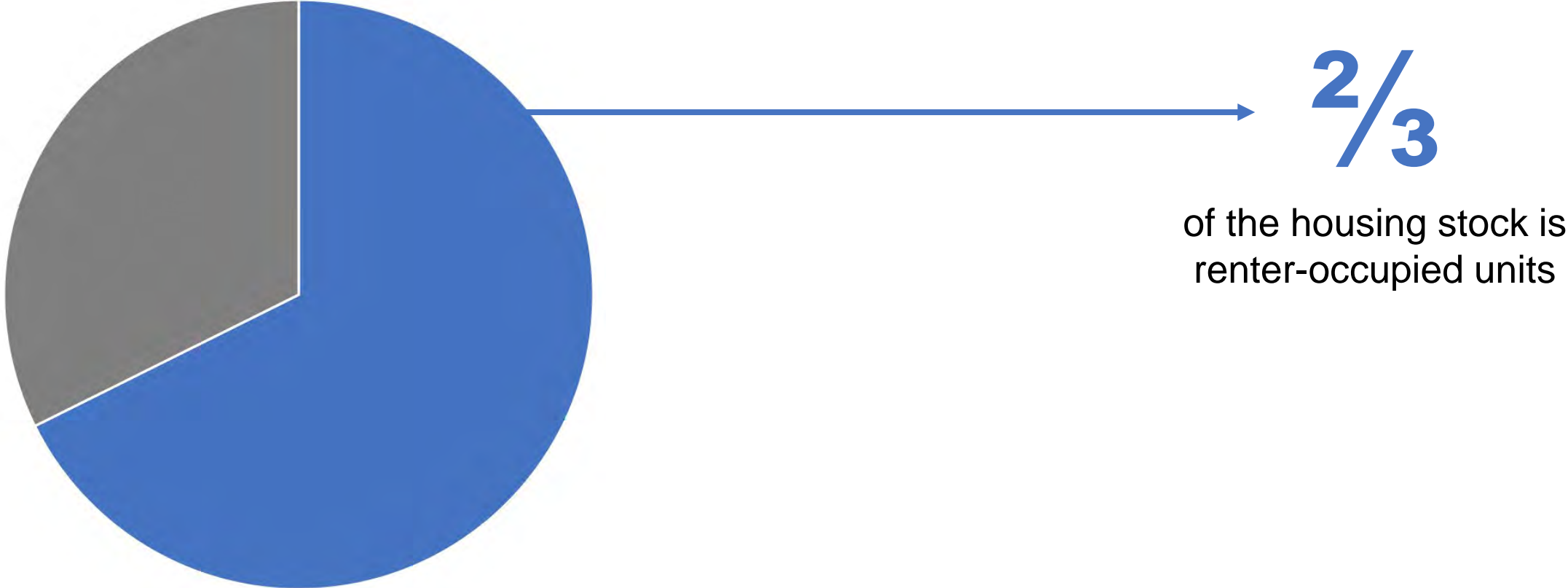
# MAJOR CAPITAL IMPROVEMENTS (“MCI”)

## MCI & EFFICIENCY WORK

- Helps make the economic case for owners
- But accelerated upgrades increases the potential for higher rents, displacement, and deregulation

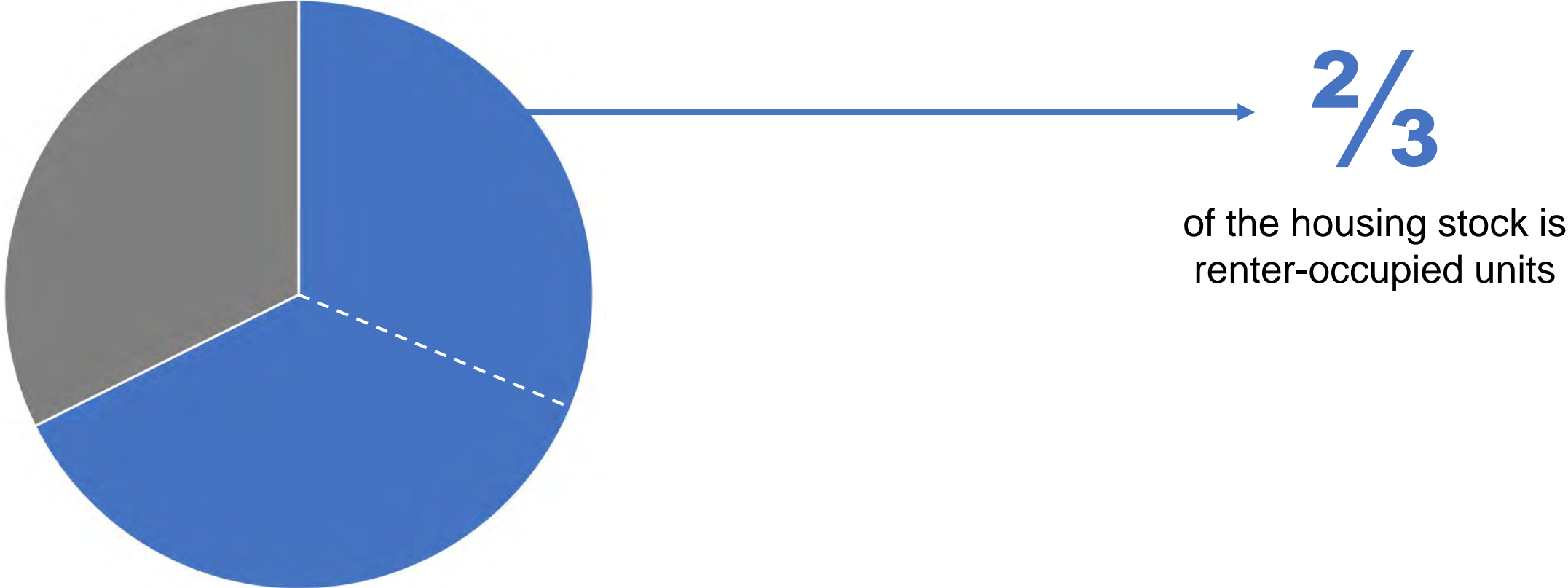
# SCOPE & DATA

# NYC HOUSING STOCK



*NYC Residential Living Units*

# NYC HOUSING STOCK

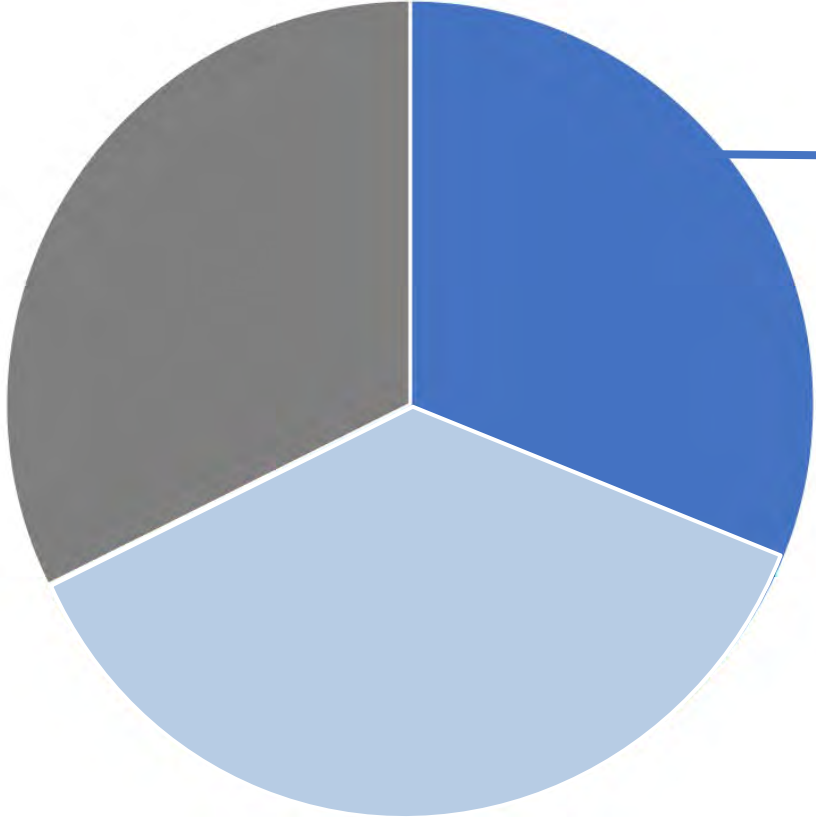


*NYC Residential Living Units*

Source: 2017 New York City Housing and Vacancy Survey (NYCHVS)  
URBAN GREEN COUNCIL BuildingEnergy NYC 2018



# NYC HOUSING STOCK



Almost  $\frac{1}{2}$

of rental units are  
rent-regulated

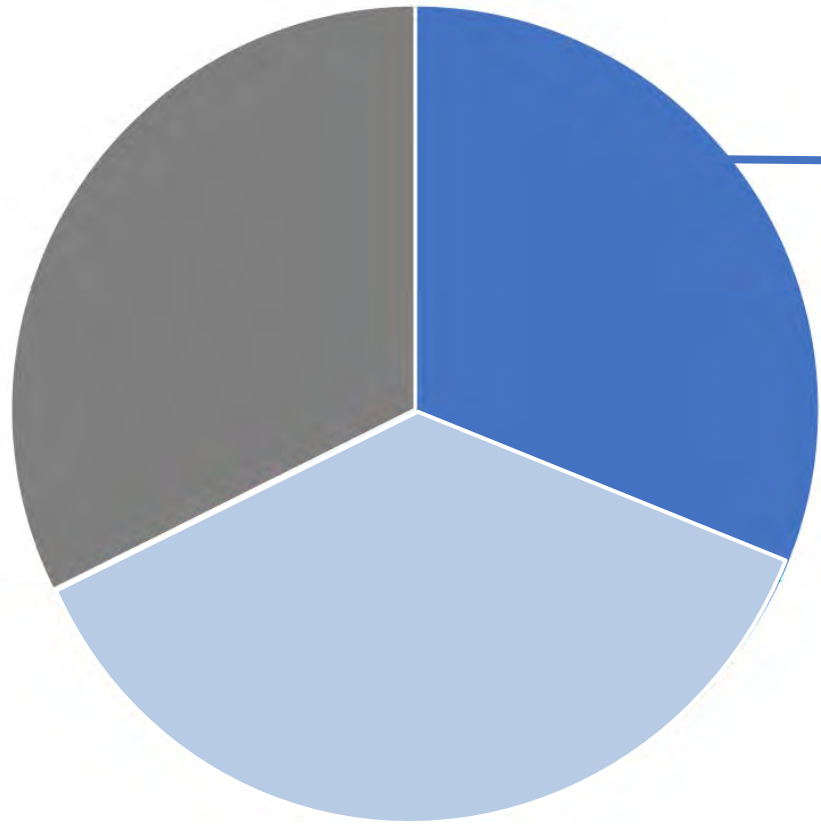
$\frac{2}{3}$

of the housing stock is  
renter-occupied units

*NYC Residential Living Units*

Source: 2017 New York City Housing and Vacancy Survey (NYCHVS)

# NYC HOUSING STOCK



Almost  $\frac{1}{2}$

of rental units are  
rent-regulated

That is approximately

**1 million** units

**2.5 million** tenants

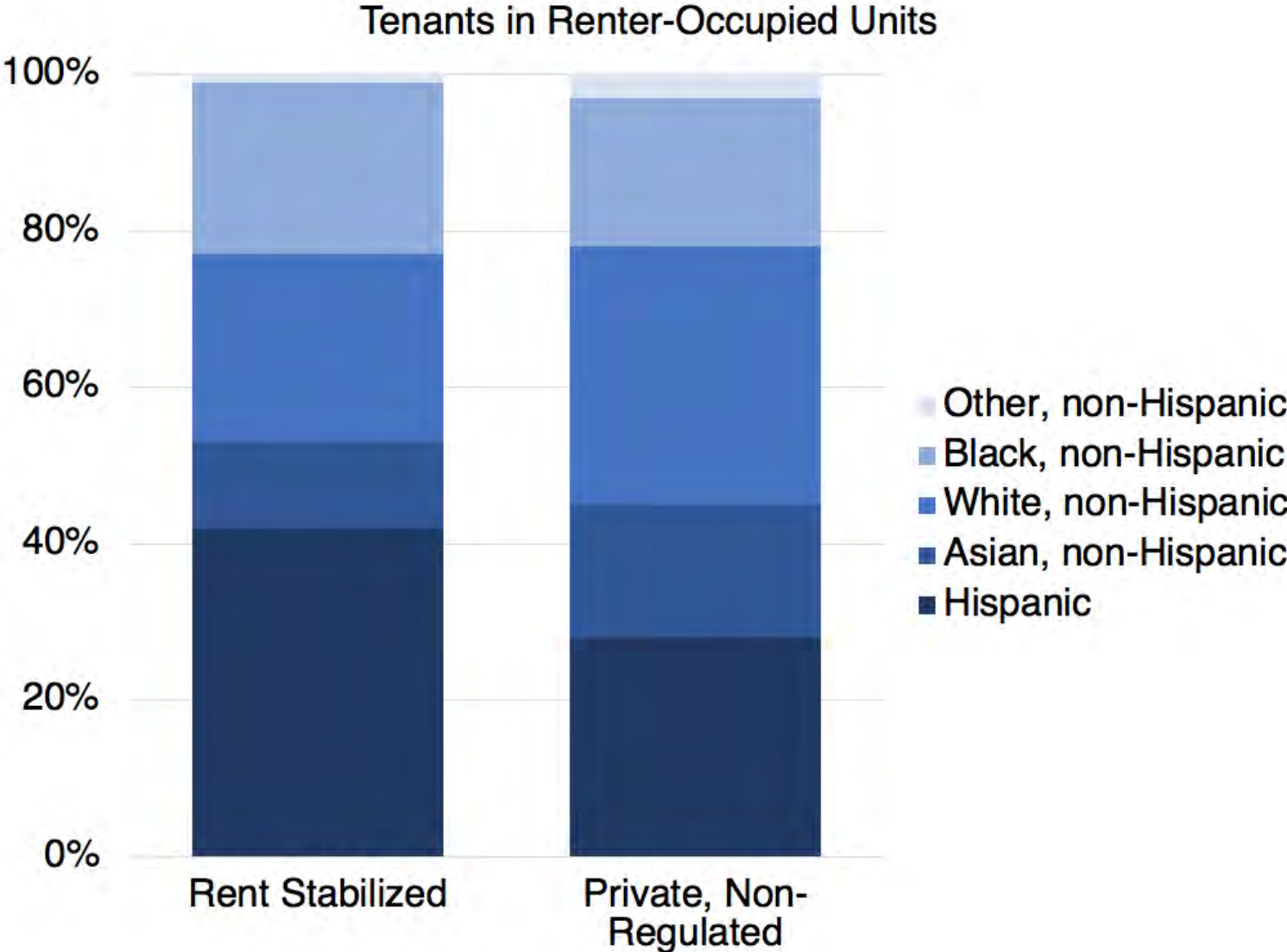
$\frac{2}{3}$

of the housing stock is  
renter-occupied units

*NYC Residential Living Units*

**40%** of large multifamily area  
(at least one unit)

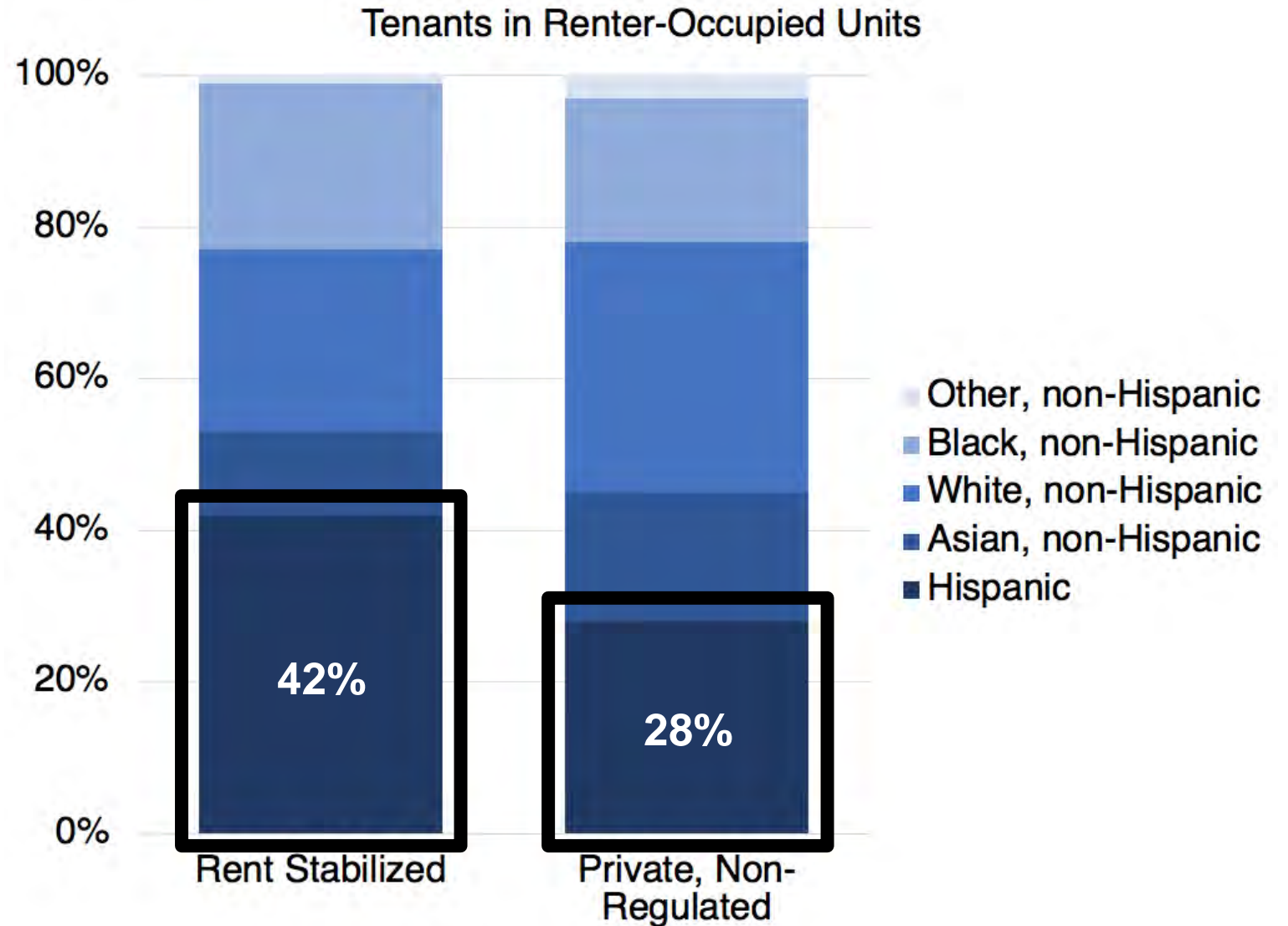
# SOCIODEMOGRAPHICS OF RENT STABILIZED TENANTS



Source: 2017 New York City Housing and Vacancy Survey (NYCHVS)  
URBAN GREEN COUNCIL BuildingEnergy NYC 2018

# SOCIODEMOGRAPHICS OF RENT STABILIZED TENANTS

Rent stabilized tenants are **more likely to be Hispanic** and less likely to be White or Asian than non-regulated tenants.



# FAMILY COMPOSITION

	Renter-Occupied Units				
	Rent Stabilized			Private, Non-Regulated	
	Estimate	Margin of Error		Estimate	Margin of Error
Average Household Size	2.24	+/-0.03		2.5	+/-0.03
Households with 1+ Adult Age 62 or older	31%	+/-1.6%		19%	+/-1.5%

Source: 2017 New York City Housing and Vacancy Survey (NYCHVS)

# FAMILY COMPOSITION

	Renter-Occupied Units				
	Rent Stabilized			Private, Non-Regulated	
	Estimate	Margin of Error		Estimate	Margin of Error
Average Household Size	2.24	+/-0.03		2.5	+/-0.03
Households with 1+ Adult Age 62 or older	31%	+/-1.6%		19%	+/-1.5%

Source: 2017 New York City Housing and Vacancy Survey (NYCHVS)

# FAMILY COMPOSITION

	Renter-Occupied Units				
	Rent Stabilized			Private, Non-Regulated	
	Estimate	Margin of Error		Estimate	Margin of Error
Average Household Size	2.24	+/-0.03		2.5	+/-0.03
Households with 1+ Adult Age 62 or older	31%	+/-1.6%		19%	+/-1.5%

Source: 2017 New York City Housing and Vacancy Survey (NYCHVS)

# BUILDING CHARACTERISTICS

Building with rent-regulated units tend to be...

- **more densely populated**

...than non-regulated

large multifamily properties.



# BUILDING CHARACTERISTICS

Building with rent-regulated units tend to be...

- **more densely populated**
- **smaller** (18% more low-rise buildings)

...than non-regulated

large multifamily properties.

# BUILDING CHARACTERISTICS

Building with rent-regulated units tend to be...

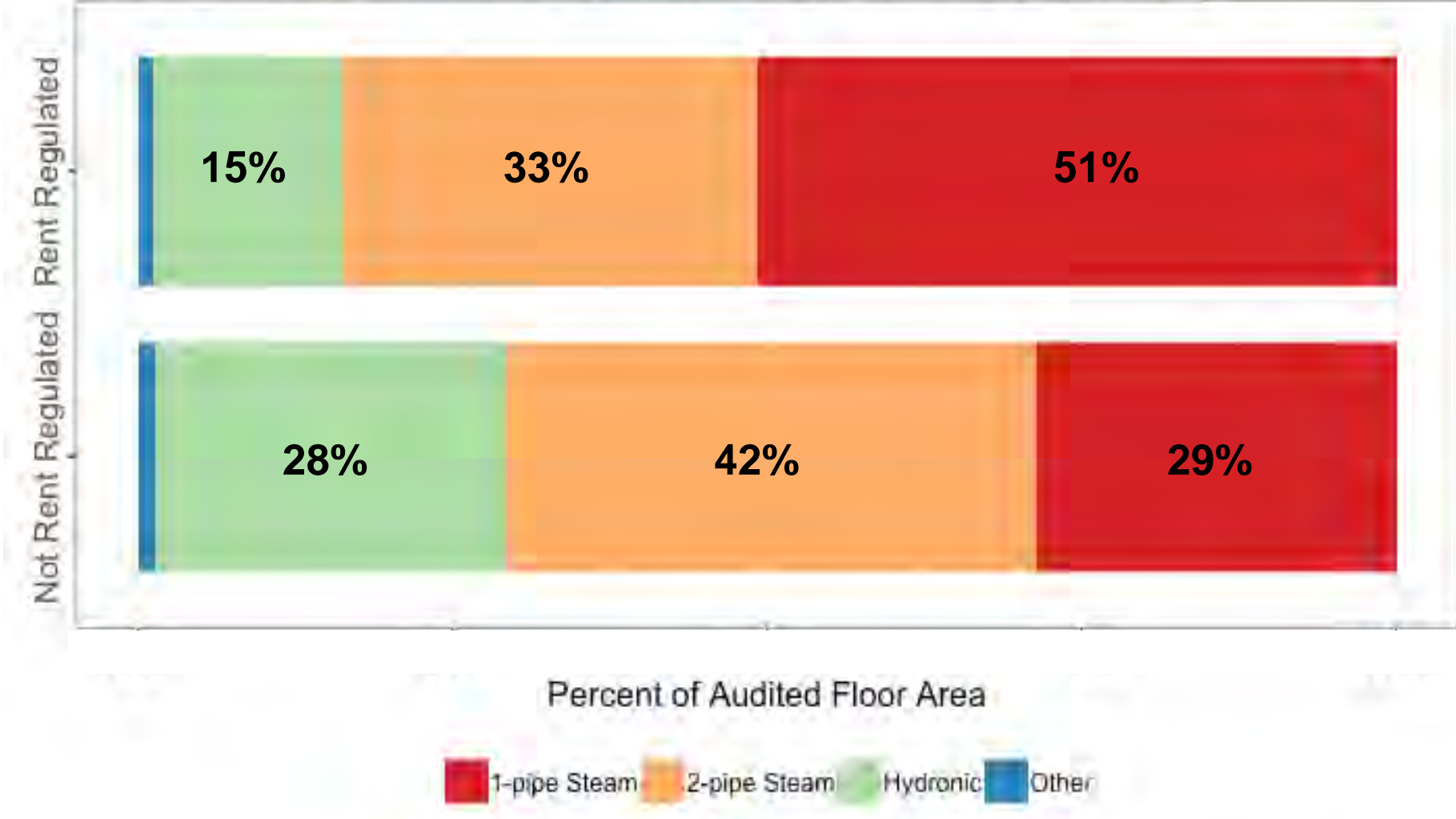
- **more densely populated**
- **smaller** (18% more low-rise buildings)
- **older** (19% more buildings built before 1980)

...than non-regulated

large multifamily properties.

# CENTRAL HEATING DISTRIBUTION TYPE

Central Heating Distribution System in Large Multifamily Properties



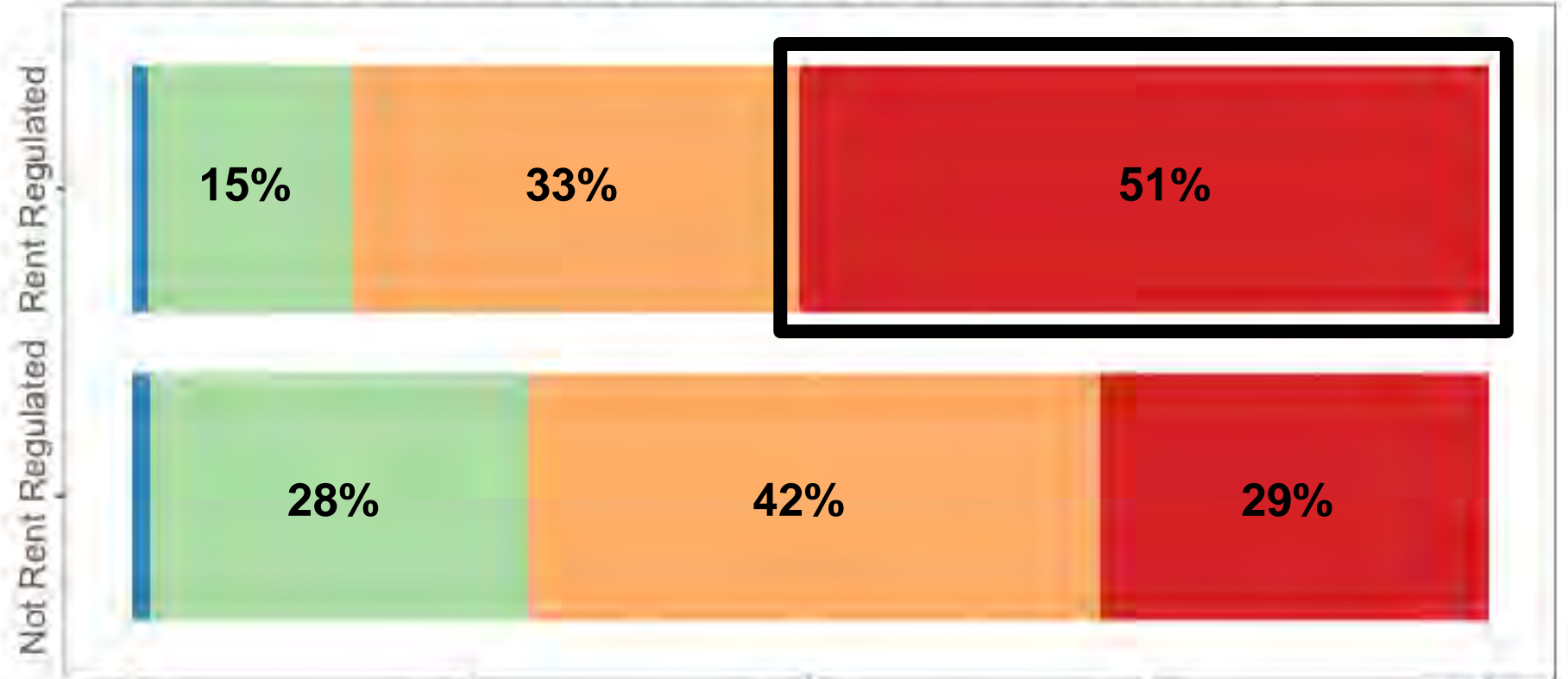
Source: Local Law 84 2016 Benchmarking Data  
URBAN GREEN COUNCIL BuildingEnergy NYC 2018

# CENTRAL HEATING DISTRIBUTION TYPE

Central Heating Distribution System in Large Multifamily Properties

**51%**

of rent-regulated  
buildings use fuel-  
intensive  
**1-Pipe Steam  
Distribution**



Percent of Audited Floor Area

1-pipe Steam 2-pipe Steam Hydronic Other

# ENERGY TRENDS IN MULTIFAMILY HOUSING

	Median Site Electric EUI (kBtu/sf)	Median Site Fuel EUI (kBtu/sf)	Median Source EUI (kBtu/sf)
Rent-Regulated	14.9	69.5	122.7
Not Rent-Regulated	18.4	62.6	128.2

Source: Local Law 84 2016 Benchmarking Data

# ENERGY TRENDS IN MULTIFAMILY HOUSING

	Median Site Electric EUI (kBtu/sf)	Median Site Fuel EUI (kBtu/sf)	Median Source EUI (kBtu/sf)
Rent-Regulated	14.9	69.5	122.7
Not Rent-Regulated	18.4	62.6	128.2

Source: Local Law 84 2016 Benchmarking Data

# ENERGY TRENDS IN MULTIFAMILY HOUSING

	Median Site Electric EUI (kBtu/sf)	Median Site Fuel EUI (kBtu/sf)	Median Source EUI (kBtu/sf)
Rent-Regulated	14.9	69.5	122.7
Not Rent-Regulated	18.4	62.6	128.2

Source: Local Law 84 2016 Benchmarking Data

URBAN GREEN COUNCIL BuildingEnergy NYC 2018

# ENERGY TRENDS IN MULTIFAMILY HOUSING

	Median Site Electric EUI (kBtu/sf)	Median Site Fuel EUI (kBtu/sf)	Median Source EUI (kBtu/sf)
Rent-Regulated	14.9	69.5	122.7
Not Rent-Regulated	18.4	62.6	128.2

Source: Local Law 84 2016 Benchmarking Data



# **POLICY STRATEGIES**



- Released August 15, 2018
- Groundbreaking framework to cut carbon in NYC's large buildings
- Collaborative output from leading building and energy stakeholders

# ORGANIZATIONS SIGNED ON

- 32BJ SEIU
- AIA New York
- ALIGN: The Alliance for a Greater New York
- American Council of Engineering Companies of New York
- ASHRAE New York
- Bright Power
- Brookfield Properties
- Catholic Community Relations Council
- CodeGreen Solutions
- The Community Preservation Corporation
- Council of New York Cooperatives & Condominiums
- The Durst Organization
- Edison Energy
- EnergyWatch Inc.
- Enterprise Community Partners
- Environmental Defense Fund
- JLL
- Jewish Community Relations Council of New York
- Local Union No. 3 I.B.E.W.
- National Resources Defense Council
- New York League of Conservation Voters
- New York University
- New York Working Families
- New York Communities for Change
- Partnership for New York City
- Real Estate Board of New York
- Realty Operations Group
- Related Companies
- Rent Stabilization Association
- Rudin Management Company, Inc.
- SL Green Realty Corp.
- Steven Winter Associates
- Sustainable Energy Partnerships
- UA Plumbers Local Union No. 1
- Vornado Realty Trust

## HOW WE GOT THERE

42 participating organizations

70 representatives

5 working groups

8 months and 1,300 meeting hours

# THE BLUEPRINT

## Major Impacts

**20%**  
**BUILDING ENERGY  
REDUCTION BY 2030**

Balancing current costs with future uncertainties, these proposals will set large buildings on a realistic path to 80x50.

**36%**  
**PROGRESS  
TO 80x50**

NYC buildings will be a third of the way to their 2050 CO<sub>2</sub> goal.



**50K**  
**BUILDINGS  
AFFECTED**

All buildings over 25,000 square feet will be included.

# STRATEGY FOR RENT-REGULATED SECTOR

- Instead of reduction targets, require these buildings to complete no/low-cost measures that are non-MCI
- Provide incentives and programs to make up any shortfall to 20% savings

# OTHER STRATEGIES

- Codes and standards + replacement cycles
- Prescriptive requirements
- Adjusted energy performance mandate
- Programs, financing, incentives

# PANEL DISCUSSION



# PANELISTS



**LINDSAY ROBBINS**

Natural Resources Defense  
Council (NRDC)



**PETE SIKORA**

New York Communities for  
Change



**MARC ZULUAGA**

Steven Winter Associates,  
Inc.

# THE CHALLENGE OF ENERGY EFFICIENCY IN RENT-REGULATED HOUSING

BuildingEnergy NYC  
October 4, 2018