



**Intro. 980**

**Memorandum In Opposition**

The Rent Stabilization Association represents 25,000 diverse owners and managers who collectively manage over one million units of housing in every neighborhood and community throughout the City. We thank the Committee for giving us the opportunity to testify on behalf of our members in opposition to Intro. 980 of 2018, which amends the administrative code of the city of New York in relation to phasing out the use of fuel oil grade No. 4.

In 2010 when the City Council passed Local law 43 of 2010, it was recognized as important legislation that would achieve cleaner air through fuel conversions by reducing particulate matter and sulfur dioxide emissions to benefit the residents of New York City through cleaner air and a healthier environment. These benefits were achieved through the cooperation of all stakeholders whereby the city's real estate industry partnered with government in formulating a timeline that could realistically meet the aims of the legislation.

As the costs to achieve these clear air targets are substantial, the parties negotiated a two-step timetable to effectuate the conversions from No. 6 fuel oil to No. 4 fuel oil first, and then from No. 4 to No. 2 or an interruptible, dual-fuel system or firm natural gas system by 2030. This timeline as established allowed for a phase-in so that the costs could be budgeted over a multi-year period and also recognized the value of monetizing the longevity of current equipment by not requiring the replacement or upgrade of equipment that still was within the recommended useful life. The full conversion was linked to coincide with boiler replacement cycles that would ease financial and compliance burdens.

During the last decade this plan to achieve cleaner air and make NYC greener has been working. By 2016, the city had achieved 100 percent compliance on the elimination of No. 6 fuel oil in all 6,000 required buildings with conversions to fuel oil No. 4 or 2 or natural gas options having been effectuated. And owners have developed plans to continue these conversions.

The process and timeline were clear in how and when to convert from No. 6 to 4 fuel oil and then from 4 to 2 or dual interruptible or firm gas systems. In the early years, the City undertook regulatory changes to reduce paperwork to speed-up the approval process by eliminating duplicative paperwork and design filings with the aim of reducing the costs of conversion and compliance hurdles and providing assistance to make conversions possible. Buildings undertook these measures knowing that this would be a two-step process and they would have another 15 years to complete the conversion. Buildings had a timetable in which they could evaluate how best to finance these changes. The real estate industry has relied on the timelines set forth in the

law for the last decade to make budgeting and maintenance choices. To be asked at this point to fast-track this the process by five years is both financially and logistically unreasonable.

It is important to recognize that the costs to undertake such projects can be substantial. While the costs to convert from No. 6 to 4 were approximately \$10,000 per building, the costs to convert to a dual interruptible system or firm natural gas is estimated to be in the hundreds of thousands of dollars. It is unreasonable to accelerate this by five years at a time when recouping the improvement costs has been capped by the HSTPA, when vacancies are at an all-time high, when rent collections at an all-time low and when compliance costs are being ignored by the RGB in assessing rent increases. There is no funding source that would make an immediate conversion possible for most owners.

Boiler and burner equipment, gas lines, asbestos removal, gas meter room construction, buried oil tank removal, chimney liner and chimney relocation, these costs, all of which are substantial, taken together means the gas conversion process can easily reach \$500,000 for a modest-sized building: onerous in the best of times, crippling in current conditions. Owners may be forced into making a short-sighted adaptation to No. 2 fuel oil in a reduced conversion period when natural gas might have been the better and preferred long-term solution.

Beyond the financial, there are logistical hurdles to consider. A gas conversion relies not only on equipment modifications within and to the building, but access to gas lines, for which buildings must rely on the gas suppliers. In order to access the gas itself, there may need to be a longer main, new gas piping, or gas boosters even in buildings that already have some gas service. And that is assuming that the supplier has the capacity in its existing main lines to meet the increased demand, otherwise new gas lines need to be installed. The building is at the mercy of the supplier and also subject to DOT limitations should opening streets be required. In the best of cases a reasonable timeline for conversion is up to one year.

In crafting the original legislation, the Council recognized that the costs would be more significant to achieve a conversion to No. 2 fuel oil or natural gas systems, so there was a plan established to meet this target by 2030. The industry has been working diligently to achieve this, despite obstacles and costs. Changing this plan at a time of industry collapse is misguided and unattainable.

For these reasons, the RSA is opposed to Intro. 980.