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March 20, 2025

The GAP Fund: Quantifying Unmet Need

Key Findings

- Between 550,000 and 1.1 million low- and moderate-income (LMI) households could benefit from home remediation support before accessing energy-efficiency programs.
- At least 15 percent of homes need essential remediations that must be completed before other weatherization of energy efficiency investments can be made.
    - 15 percent of renter-occupied homes are deemed structurally inadequate according to the American Housing Survey.
    - 4 percent of owner-occupied homes are deemed structurally inadequate according to the American Housing Survey.
- Investing $200 million per year could remediate a minimum of 10,000 homes per year.
- There are 3,670,000 low- or moderate-income (LMI) households in New York who could benefit from funding assistance to make energy efficiency upgrades, using programs like EmPower+ and the Affordable Multifamily Energy Efficiency Program (AMEEP).
    - 2 million LMI households live in 1-4 unit buildings.
    - 1.7 million LMI households live in buildings with more than 4 units.

Introduction

In 2019, New York State committed to the Climate Leadership & Community Protection Act (CLCPA) which included the ambitious and important goal of reducing greenhouse gas emissions in the State by 40 percent relative to their 1990 level by 2030. To meet this goal, residential buildings all across the State must take steps to reduce their energy usage and transition to using all electric energy.

For low- and moderate- income New Yorkers, making upgrades to energy efficiency can be a daunting task, as it requires large up-front financial investment. Many energy efficiency measures can result in long-term savings for residents, but the near-term cost of making the upgrade can be prohibitive. One important and ground-breaking component of the CLCPA was the requirement that at least 35 percent of CLCPA funds be directed to "Disadvantaged Communities" (DACs). The CLCPA has designated 35 percent of all New York census tracts as DACs and includes low-income New Yorkers—those making less than 60 percent of their local AMI—in any part of the state to be disadvantaged, as well as those on other social assistance programs.[i]

New York has established several incentive programs to help LMI residents upgrade their homes to improve energy efficiency and move towards electrification (See Table 3, at the end of this document, for a full list of the state's programs). For example, the EmPower+ program, run by the New York State Energy Research and Development Authority provides incentive payments for low- and moderate-income (LMI) households to install energy-saving technologies, such as improved insulation, air sealing, ventilation, heat pump installation, and others. That program awards up to $10,000 of incentive payments to households below 50 percent of the Area Median Income (AMI) and up to $5,000 for households above 50 but below 80 percent of AMI. Programs like this are essential in the climate transition because they support families that otherwise would not be able to make important investments.

One major problem facing many New York residents is that their homes may not be in good enough condition to qualify for the energy-efficiency and electrification programs. For example, a home that has a leaky roof may need upgrades to the roofing before being qualified to receive support for energy-efficiency upgrades through EmPower+. Many of these homes are owned or occupied by individuals who do not have the means to pay for necessary repairs. Improvements to the building may have long-term savings, but again, are not able to be financed by low- and moderate- income families.

This "gap" in funding—funding for homes in need of repair and rehabilitation before weatherization and energy upgrades can be completed—must be addressed through an expanded program funded and administered by the state. The GAP fund (S8535/A9180) proposes such a program. Funds from the GAP fund would be used to retrofit and remediate unsafe or unhealthy buildings so that they are prepared to make upgrades to energy efficiency and electrification.

This brief demonstrates the need for such a fund, by 1) estimating the number of New Yorkers considered to be low- or moderate-income (LMI) and in need of supportive investment during the climate transition, 2) estimating the number of LMI New Yorkers who need housing remediation before doing energy efficiency upgrades, and 3) estimating the total cost of supporting New York families with these needed remediations.

Describing the scale of the issue

New York has 8.4 million households, of which 3.7 million earn less than 80 percent of their local AMI, a measure of the local average wage that is defined by the U.S. Department of Housing and Urban Development (HUD). Though New York's residential energy efficiency programs use different income eligibility thresholds, the 80 percent of AMI number can be thought of as an "upper bound" of income eligibility, meaning that it includes all households who are eligible for any of these state programs. The 80 percent of AMI threshold also applies directly to the EmPower+ program, one of New York's largest energy efficiency programs.

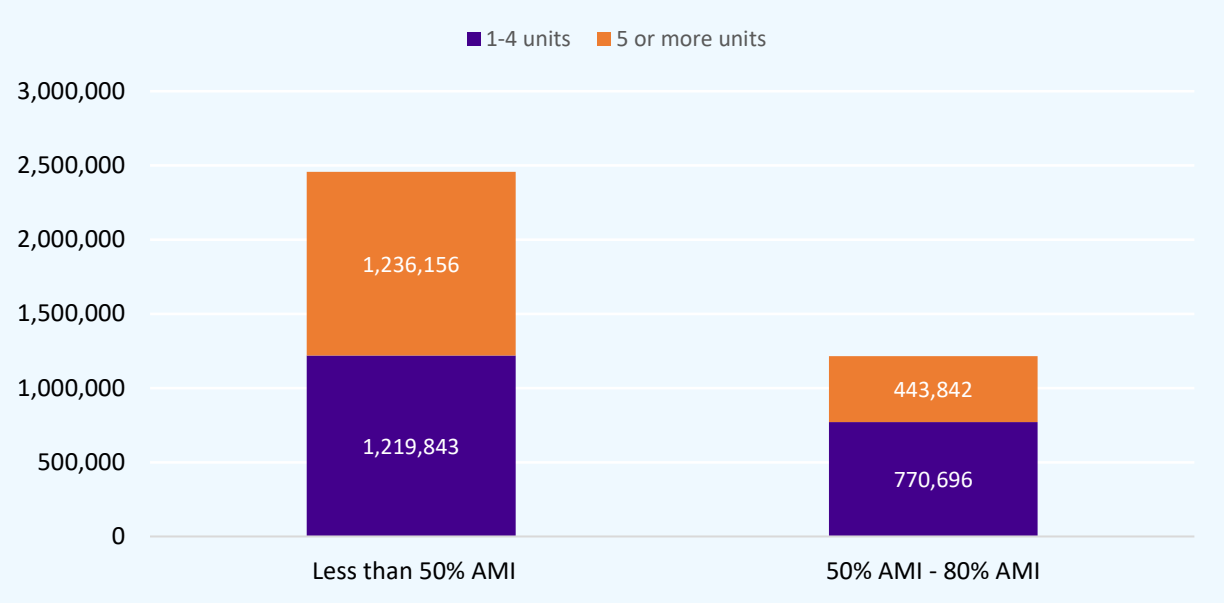
LMI households—those making below 80 percent of their local AMI—make up about 43 percent of all New York households. About 2.5 million earn less than 50 percent of their local AMI—29 percent of all households. About 1.2 million earn between 50 percent and 80 percent of their local AMI—14 percent of all households.

Table 1. New York State households who qualify for state energy-upgrade programs.

	1-4 units	5 or more units	All buildings
Less than 50% AMI	1,219,843	1,236,156	2,455,999
50% AMI - 80% AMI	770,696	443,842	1,214,538
All households earning less than 80% AMI	1,990,539	1,679,998	3,670,537

Source: American Community Survey

Figure 1. Income-eligible New Yorkers, by residential building type.



Source: American Community Survey

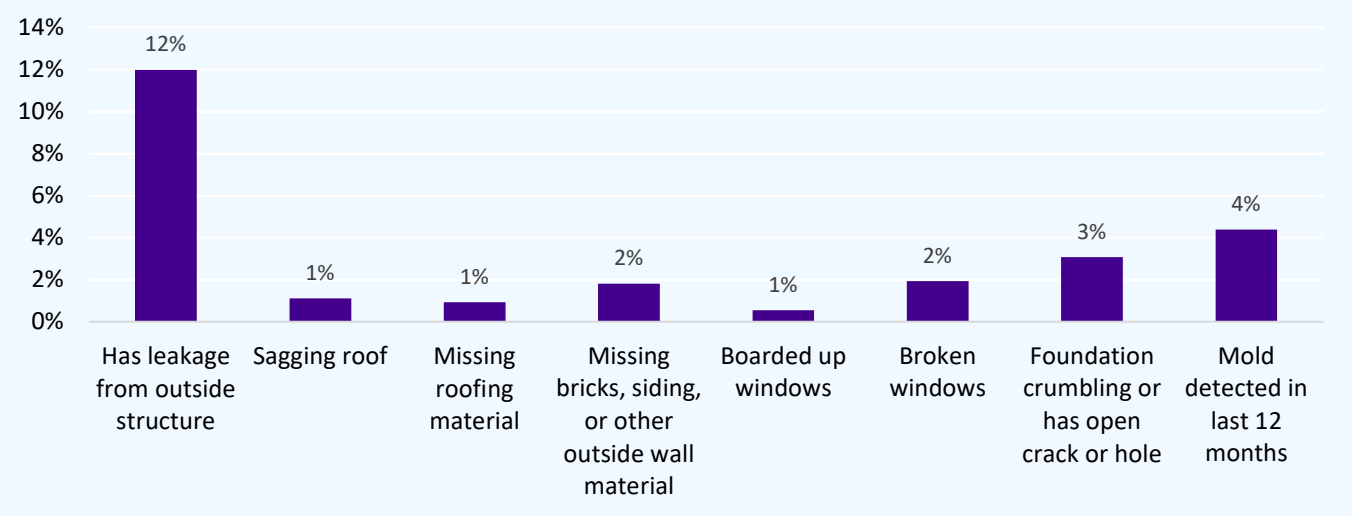
Many of New York's programs target specific housing types. For example, EmPower+ targets buildings with between 1 and 4 housing units, while Affordable Multifamily Energy Efficiency Program (AMEEP) and the Climate Friendly Homes program both target multifamily buildings with 5 or more units. There is great need for remediation and energy efficiency upgrades at all types of buildings in New York. The GAP fund extends over both types of housing so that there is a centra point of access for remediation funds, eliminating administrative burden and confusion.

Quantifying unmet need

When a housing unit has underlying issues that disqualify the residents from accessing incentive funding for programs like EmPower+ or the Weatherization Assistance Program (WAP), it is deemed a "deferral" from the program, and the household is asked to make improvements before re-trying to access the funds. However, in many cases, low- and moderate-income families cannot afford to make necessary upgrades. This is where a proposal such as the GAP Fund would come in, to support households that cannot otherwise pay for important safety upgrades.

The American Housing Survey gives more detail on the types of safety issues that homes in New York have, and their frequency. Figure 2 shows that 12 percent of homes have some sort of external leak (coming through the roof, walls, or basement), and 4 percent of homes have had signs of mold in the last 12 months. These statistics constitute a lower bound for the types of safety hazards that may need to be remedied before an energy efficiency project can take place.

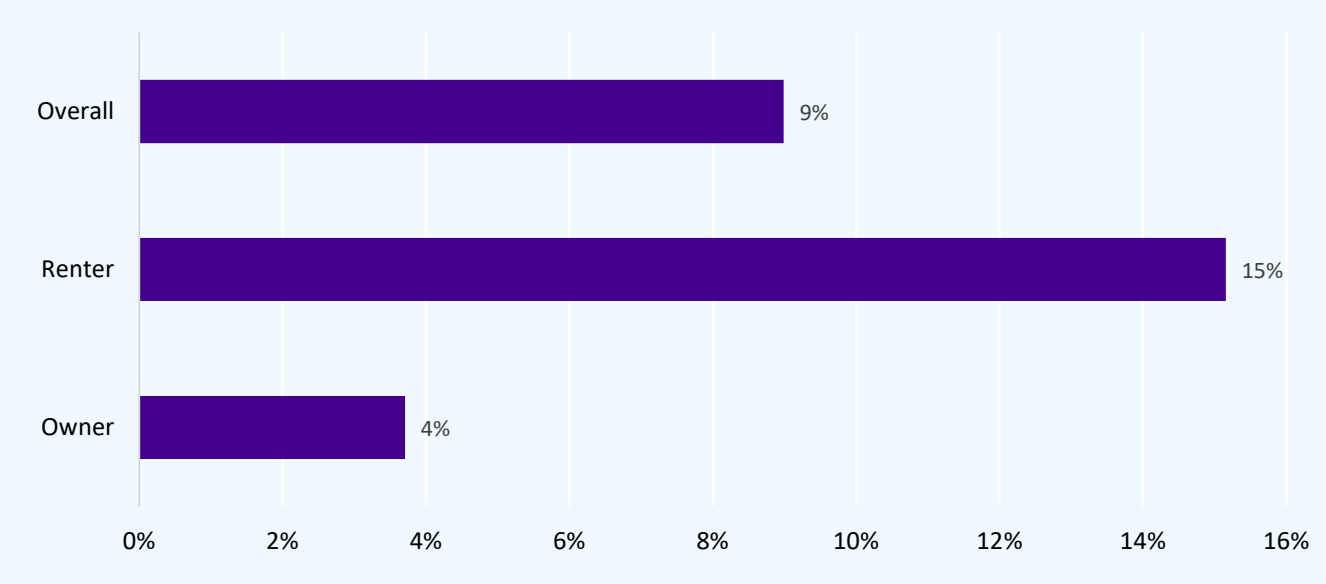
Figure 2. Share of New York homes with respective safety issues.



Source: American Housing Survey

In the overall New York population, about 9 percent of homes, approximately 750,000 households in New York, have some form of "inadequacy"—a term defined by the American Housing Survey that includes leak, problems with the foundation, problems with flooring, roofing, etc. For renter-occupied homes in New York, about 15 percent are deemed inadequate according to the American Housing Survey. For owner-occupied homes in New York, about 4 percent have inadequacies that potentially threaten health and safety. This points to the importance of providing services that can reach the rental population in addition to the homeowner population.

Figure 3. Share of New York housing structures deemed "inadequate" according to American Housing Survey.



Source: American Housing Survey

In addition to using data from the American Housing Survey, FPI conducted short interviews with 6 contractors authorized to do EmPower+ projects with the State.[1] The interviews were meant to shed light on the frequency with which contractors come across housing units that have too much damage or need too much work before being able to make energy efficiency upgrades. EmPower+ contractors answered that they see between 5%-35% of homes that need work done before the EmPower+ energy efficiency upgrade can be completed.

Combining these housing quality estimates with the statistics from the American Housing Survey, FPI conservatively estimates that at least 15 percent of homes in New York have some sort of safety concern that must be remedied before energy efficiency upgrades can be made. Applying this frequency to the population of LMI households in 1-4 unit buildings, we estimate that that approximately 300,000 low- and moderate-income households are likely in need of home remediation before accessing energy-efficiency programs. The frequency of remediation need could be as high as 30 percent of homes; if this is the case, then the number of LMI households in 1-4 unit buildings with remediation needs could be as high as 600,000. Applying the same logic to buildings with more than 4 units, FPI estimates that between 250,000 and 500,000 households living in buildings with 5+ units could benefit from remediation funds. Addressing the needs of these large multi-unit buildings is essential if the GAP fund is to serve renters and those who live in urban environments.

Altogether, FPI estimates that between 550,000 and 1.1 million households across New York could benefit from remediation funds that would prepare their homes to do important energy efficiency and electrification upgrades.

[1] Contractors were located in Brooklyn, Troy, Albany, Suffern, Marcy, Rochester, and Greene County. The interviews should not be understood as statistically significant.

Estimating the financial need

Finally, we estimate the total funding needed to support all eligible households with GAP funding. Using the estimates of total need in the State, we can approximate total cost to be approximately $11 billion. This assumes that the average cost of remediating a home is $20,000 (an estimate based on the average cost of remediation in New York's Weatherization Readiness Program[ii]). These are large investments, but could be done over a multi-year period with incremental investments. At $200 million per year and an average cost of $20,000 per home, there would be 10,000 households receiving essential upgrades to their homes each year—a significant improvement to New York families.

Conclusion

Meeting New York's CLCPA goals requires deep investment in improving energy efficiency and electrification across New York's residential buildings. In addition, the high cost of energy prices—especially over the last five years—demand policy intervention, so that people don't have to choose between "heating or eating."

The GAP fund proposal is designed to support low- and moderate- income New Yorkers in doing home repairs in preparation for energy-efficiency improvements or electrification. Currently, it is reported by contractors and others in the field that a significant proportion of households requesting energy-efficiency upgrades are not qualified due to disrepair of the home. In order to address the disrepair, many low-income households need financial support. The GAP fund is designed to address this precise gap in funding and move more households towards energy efficiency.

Acknowledgements

FPI thanks WE ACT 4 Change for financial support that made this report possible.

Table 2. New York State residential electrification and energy efficiency incentive programs.

Program	Description	Income Qualification	State Funding
EmPower/ EmPower+	State program that helps low- to moderate-income households make energy efficiency upgrades such as air sealing, insulation, ventilation, etc. Available to renters as well as homeowners. For 1-4 unit residential buildings.	Household income is below 80 percent of the State or Area Median Income (as defined by HUD) or lower.[iii]	Was funded at $200 million over the 2024 and 2025 fiscal years. Has not been appropriated yet for fiscal year 2026.[iv]
LIHEAP/HEAP	Federal program that helps low-income Americans pay their energy bills, weatherize and improve energy efficiency.	For a household of just one person, monthly income must be less than $3,322; for a household with two people, monthly income must be less than $4,345; etc.[v]	$340,283,934 (2021)[vi]
Weatherization Assistance Program (WAP)	WAP is a State program (funded largely with federal money from DOE) that helps income-eligible households make upgrades to homes that will result in saving energy. The program also includes administration of HEAP (see above) and the Weatherization Readiness Funds (WRF) which provides income eligible homes with repairs that prepare them for WAP improvements (similar to what the GAP fund will do).	Households must have incomes at or below 60% of state median income.	Program year 2025 is projected to have approximately $26.6 million in WAP funds. This is the last year of the 3-year contract with the US DOE.
Affordable Multifamily Energy Efficiency Program (AMEEP)	AMEEP offers incentives to multi-family affordable housing with the goal increasing uptake of energy efficiency technology.	Affordable multi-family buildings are defined as those that have at least 25% of units set aside for households earning less than 80% of the State or Area Median Income, or multi-family buildings that have regulatory agreements with a housing agency.	Joint project between NYSERDA and the Joint Utilities of New York.[vii]
Climate Friendly Homes Fund	State program that provides multifamily buildings with 5-150 units grants to support electrification.	Buildings must be regulated affordable housing or unregulated affordable housing in a Low-Moderate Income Qualified Census Track (HUD) or Disadvantaged Community (CLCPA).[viii]	$250 million over five years.[ix]

References

[i] New York State CLCPA, Disadvantaged Communities Criteria (https://climate.ny.gov/resources/disadvantaged-communities-criteria/)
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[iii] EmPower+ eligibility guidelines (https://www.nyserda.ny.gov/All-Programs/EmPower-New-York-Program/Eligibility-Guidelines)
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[vi] "A Light for Those in Need: LIHEAP Enters a Fifth Decade of Service," May 2022 (https://cdn.prod.website-files.com/625088a41425d19695c01ba8/62ab684c9babcf8d4da01c0f_LIHEAP%202022%20White%20Paper_FINAL.pdf)
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[viii] New York Climate Friendly Homes Fund (https://hcr.ny.gov/climate-friendly-homes-fund)
[ix] Ibid.