

Residents of Island House Association  
PO Box 178  
New York, NY 10044

To: Public Service Commission, New York

June 1 2015

This is a rebuttal of the premise expressed in the Notice of Intent to Submeter, filed on February 3, 2015 by the owner of Island House, David Hirschhorn, on behalf of his company, Island House Preservation Partners, and the residential unit of the building, a condominium named Island House Tenants Corporation.

The notice of Intent to Submeter should be rejected by the commission for following reasons:

- 1) The building is electrically heated, and in such cases Petition to Submeter should be used.
- 2) The building is not a condominium, or co-op, the residential unit of the building, named Island House Tenant Corporation, and created after the exit of the building from the Mitchell Lama program by the owner, is still in entirety owned by Mr. Hirschhorn and his investment partners. This is still a residential building.
- 3) The electric baseboard heaters used in all apartments are 40 years old, have never been properly cleaned as part of the regular maintenance, and do not have programmable thermostats. Because of the dirt, corrosion, and often impact damage on the heater fins (where the stream of air passes through and absorbs heat from the heater before exiting), the heaters have in most cases lost a significant part of their efficiency in heat transfer to the room.
- 4) The building walls and windows are not properly sealed, there are a lot of cracks and porous seams where the heat is escaping the apartments. The RAND engineering study, recently completed on the building, did not contain energy audit, and specifically could not ascertain the presence of adequate insulation, or existence of insulating material inside the building walls at all, a possible violation of the NYC building code.  
Because the heating is electric, and electric heat typically makes up to 70% of the total yearly electric consumption in the apartment, the building condition has a disproportional and unfair impact on the total bill amount the residents will have to pay once the cost of heating is transferred to them.  
We will be paying more for the heat losses through the building walls and windows, than the amount of heat that actually stays in the apartment, and that represents a much bigger part of the total bill than any amount the residents are expected to save in a poorly sealed electrically heated building, with no programmable thermostats and other energy efficiency upgrades (according to the PSC study on similarly built buildings, residents themselves can save only about 7%).
- 5) The building construction is not favorable to submetering, it was constructed economically, and in the spirit of ML buildings of the time period (early to mid 1970's), when electric heat was

cheap, and it was cheaper to put more heaters than more insulation. Therefore, there is a big variation in heating needs of the individual apartments, depending on their weather and wind exposure, and where are they located within the building (sunny side or shade, top floors or bottom floors, wind exposure and number of outside walls in the apartment). The difference in submetered billing amounts between the same size apartments, depending where they are located inside the building, will be significantly larger (50-60%, or even more) than the amount of expected individual apartment savings with resident conservation efforts (7%).

This will in effect only achieve the redistribution of cost of heating across the building, heavily burdening the residents of cold apartments, and rewarding the residents of warm apartments, with only the average apartments staying at the same amounts billed now through the rent (as average through the building, the way the building was designed as master metered cheaply built electrically heated ML building).

The similar effect already happened in the neighboring Roosevelt Landings building, similarly built and with similar baseboard heaters at the time, where in 2009 the submetering was stayed because the variation in shadow bills the residents received was staggering, and much more than the DHCR approved rent reduction.

As a result of that case, the submeter regulation was updated in 2012 and much more strict Petition to Submeter requirements were adopted for electrically heated buildings. By filing the Notice of Intent, the building owner would not be required to abide by the strict Petition requirements as updated in 2012.

6) The residents, future shareholders, are not adequately informed about the large seasonal variation in electrical bills (big spike in winter months, as a result of baseboard electrical heating used), and the significant variation in electrical bills across the similar size apartments in the building, depending on the weather exposure, that will become apparent once the submetered billing starts. Since this variation is largely a result of the building's construction (cheap, affordable housing, less insulation because of cheap electrical heat at the time), a significant portion of residents will be unfairly burdened by disproportionately higher electrical bills than they expected from the offering plan and projected maintenance costs. The projected numbers for electrical costs, as presented in the offering plan, seem very low considering this is an electrically heated building, and seem to be staying essentially the same between 2007 and 2012 (the last year the full building financial report is available in the offering plan), while in the same period the gas bill increased 60%, and water/sewer bill increased 58%. The ratio of electrical and water & sewer bill for 2012 (the electrical bill for the building was only 3.2 higher than water/sewer bill) seems impossibly low for an electrically heated building, especially when in 2007 the electrical bill was 5 times higher than the water/sewer bill. Repeated requests from a number of concerned residents/ future shareholders to see the actual Con Ed bills, instead of the summary report as presented to the AG, were unanswered and ignored by the sponsor as "conspiracy theories".

7) Please note that the new model apartment (551 Main St Apt 204) that is owned by the landlord and was refurbished and created as a model apartment to show to outside buyers actually does have a programmable thermostat in the living room. It also has a wireless thermostat located on the wall within easy reach. Since the Corcoran sales agents who were showing this apartment to potential buyers on May 31 2015 stated that all other apartments that are currently being refurbished for sale to outside sellers will have the same features, our concern is that the landlord will in fact provide these features to all the empty apartments he owns at the moment and will be

selling to outside buyers. This will put insider buyers (who are buying at affordable prices because of their limited incomes and restrictions put in place in order to keep those units affordable) at a disadvantage where they will not be able to control their heat consumption and will consequently be billed with larger electric charges than those in market price apartments. Consequently these large charges may eventually force insider purchasers to sell their units and move out in order to be able to make ends meet. Since sales of insider-bought apartments are restricted in many ways (including limiting its sales price), there are loopholes which will help the landlord buy those units at limited prices from these people and then resell them at market rates. In addition, since all these units are rental at the moment, no tenant is allowed to make improvements and install programmable heating units and thermostats.

In light of the above mentioned facts, the submetering of the building will create an undue harm for a significant part of the building's residents, if the application of Notice of Intent to Submeter is approved without wide ranging building improvements, sealing of the cracks on inside and outside walls, new windows, new baseboard heaters and programmable thermostats, as well as one year of shadow billing to determine will the building pass a "stress test" of no harm for at least 60% of submetered apartments.

Sincerely

Residents of Island House Association