



March 3, 2023

U.S. Department of Energy
Office of State and Community Energy Programs
1000 Independence Ave, SW
Washington DC, 20585

To Whom it May Concern:

On behalf of the A Call to Invest in Our Neighborhoods (ACTION) Campaign, we appreciate the opportunity to make recommendations to the U.S. Department of Energy (DOE) in association with its Request for Information (RFI) regarding the development of best practices for the Home Energy Rebate programs in accordance with the Inflation Reduction Act.

The ACTION Campaign is a national, grassroots coalition of approximately 2,400 national, state, and local organizations and businesses that advocates for affordable housing production and preservation through the Low-Income Housing Tax Credit (Housing Credit). We urge the Department of Energy to ensure strong coordination between the Home Energy Rebate program and the Housing Credit to enhance energy efficiency in affordable housing. As such, we offer two recommendations for your consideration:

Allow Rebates to be structured as loans. Nearly all affordable rental housing built and preserved today relies heavily on Low Income Housing Tax Credit (Housing Credit) equity. Historically, energy rebates have been treated like grants rather than loans. However, there are major impediments to the use of any federal grant in Housing Credit developments. First, federal grants reduce eligible basis in Housing Credit developments. Essentially, this means the amount of Housing Credit equity a project is eligible for is reduced proportionally when a grant is used as part of the financing. In addition, grants are treated as taxable income to investors, which means that investors pay correspondingly less for Housing Credits. Ultimately, the grants do not add net resources to the project, thus there is a significant disincentive by developers to accept a grant.

This challenge can be addressed by structuring rebates as loans. Loans do not reduce the tax credits developers receive and are not taxable. In almost all circumstances, resources that are combined with Housing Credits to allow for project feasibility and meeting other public policy priorities are structured in this manner.

There are examples of energy programs that take this approach. The Maryland MEEHA program is ratepayer-funded. Participants can choose whether to receive the rebates as a grant or a loan. The Clean Energy Initiative, co-administered by NYSERDA

and the N.Y. housing finance agency, provides loans to decarbonize Housing Credit-financed housing.

Help owners leverage other funding sources, like the Section 45L tax credit. DOE should provide guidance that section 45L tax credits and 179D tax deductions can be used in conjunction with the Home Energy Rebate program to maximize funding for deep energy retrofits. The IRA language is clear that the same household cannot receive both HEEHRA and HOMES rebates or combine the rebates with a Federal grant for the same single upgrade but is silent on combining rebates with tax credits. By inference, we believe this gives DOE the flexibility to allow the coordination of these programs.

The ACTION Campaign appreciates the opportunity to provide input on DOE's RFI. Please do not hesitate to reach out to ACTION co-chairs, Scott Hoekman with Enterprise Community Partners (shoekman@enterprisecommunity.com) or Jennifer Schwartz with the National Council of State Housing Agencies (jschwartz@ncsha.org), with any questions.

Sincerely,

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