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ENIX

2024

**Incorporating Energy and
Water Conservation in
Affordable Housing**



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**Incorporating Energy and Water
Conservation in Affordable Housing**

Key Funding Opportunities in the Inflation Reduction Act (IRA)

Grant and Loan Programs

- ✓ National Clean Investment Fund
- ✓ Clean Communities Investment Accelerator
- ✓ Solar for All
- ✓ Innovative Energy Loan Guarantees
- ✓ Green and Resilient Retrofit Program

Tax Credits

- ✓ §45L New Energy Efficient Home Tax Credit
- ✓ §48 Clean Energy Investment Tax Credit



IRA Grant and Loan Programs Available for Housing

| Program | EPA <i>Greenhouse Gas Reduction Fund</i> | | | DOE | HUD |
|---------------------|--|---|---|---|--|
| | National Clean Investment Fund | Clean Communities Investment Accelerator | Solar For All | Innovative Energy Loan Guarantees (Title 17) | Green and Resilient Retrofit Program |
| New Funds Available | \$14 BILLION (3 Grants) | \$6 BILLION (5 Grants) | \$7 BILLION (60 Grants) | \$3.6 BILLION Credit Subsidy (~\$40B par) | \$2 BILLION (~600 Loans/Grants) |
| Timeline | Grantees Selected: April 2024 EPA Contracts Expected: Sept. 2024 Deadline for Funds to Grantees: October 2024 | | | Applications Open; Spend by Sept. 2026 | Applications Closed ; Additional Rounds <i>Possible</i> |
| Primary Recipients | Non-Profits | Non-Profits | States, Tribes, Municipalities, Non-Profits | Projects/Portfolios Funded by “State Energy Financing Institutions” | Sponsors of HUD-Assisted Projects (e.g., §§8, 202, 236, 811) |
| End Use | Financial Products for Projects that Curb GHG Emissions | Grants to Build Clean Energy Financing Capacity | Grants/Loans to Expand Solar Access in Low-Income Areas | Loan Guarantees for Projects that Curb GHG Emissions | Grants/Loans to Green Existing Affordable Housing |

Greenhouse Gas Reduction Fund (GGRF) Programs

Crosscutting Requirements

- ✓ BABA
- ✓ Davis-Bacon
- ⊘ NEPA

Priority Project Categories

- Distributed Power Generation and Storage
- Transportation Pollution Reduction
- Decarbonization Retrofits of Existing Buildings (EPA Example: “grid-interactive appliance electrification in affordable multifamily housing alongside energy efficiency, indoor air quality improvements, and solar”)

Funding Reserved for Low-Income/Disadvantaged Communities

National Clean Investment Fund = **40%**
Clean Communities Investment Accelerator = **100%**
Solar For All = **100%**

GGRF: National Clean Investment Fund (\$14B)

Purpose

Provide financial products to businesses, communities, community lenders, and others for qualified projects that accelerate progress towards energy independence and net-zero emissions

Financing Details

- Grantees will “provide capital to community lenders through structures such as warehouse facilities and loan purchasing programs so that community lenders can finance additional projects”
- Eligible end uses include “loans, equity investments, loan guarantees, credit enhancements, forgivable and partially forgivable loans, purchase of loans, lines of credit, and debt with equity features” (NOT grants)
- EPA expects “substantially better-than-market interest rates passed through to borrowers”
- Some funds will be available for predevelopment expenditures (e.g., site assessments, feasibility studies)

| Grantees | |
|--|-------------|
|  CLIMATE UNITED | \$7B |
|  Coalition for Green Capital | \$5B |
|  | \$2B |

GGRF: Clean Communities Investment Accelerator (\$6B)

Purpose

Build the clean financing capacity of networks of public, quasi-public, and nonprofit community lenders—including community development financial institutions, credit unions, green banks, housing finance agencies, and minority depository institutions

Financing Details

Grantees will provide 3 types of assistance to community lenders:

- Capitalization Funding (no more than \$5 million per lender)
 - One-time subgrants and/or
 - One-time commitments to provide subsidies for qualifying transactions
- Technical Assistance Subawards (no more than \$625,000 per community lender; paired with capitalization funding)
- Technical Assistance Services

| Grantees | |
|----------|---------|
| | \$2.29B |
| | \$1.87B |
| | \$940MM |
| | \$500MM |
| | \$400MM |



GGRF: Solar for All (\$7B)

Purpose

Enable low-income and disadvantaged communities to deploy or benefit from residential rooftop and community solar photovoltaic (PV) projects, associated storage, upgrades and repairs, and related workforce training opportunities

Financing Details

- Grantees may offer assistance in the form of “subgrants, rebates, subsidies, other incentive payments, or loans”
- Assistance may generate program income, including through “repayments of the principal on loans, interest on loans, loan origination fees and...income from investments”
- EPA framework explicitly references support for individual households and common areas in multifamily buildings
- Grantees may also use funds for technical assistance for both program design and implementation

Grantees

- **36 States | \$4,062,980,000**
- **12 Nonprofits | \$940,700,000**
- **6 Tribes, Tribal Nonprofits, Tribal Consortia | \$441,600,000**
- **5 Multistate Nonprofits | \$967,460,000**
- **1 Municipality with Statewide Authority (Harris County, Texas) | \$249,700,000**

See EPA website for full list: <https://www.epa.gov/greenhouse-gas-reduction-fund/solar-all>

DOE Innovative Energy Loan Guarantees (\$3.6B)

Purpose

Provide federally backed loan guarantees to help finance projects that support clean energy deployment and energy infrastructure reinvestment to reduce greenhouse gas emissions and air pollution

Background

- Existing program administered by DOE's Loan Programs Office (LPO)
- IRA waived "innovative technology" requirement for projects funded by a "State Energy Financing Institution" (SEFI) (which can include housing finance agencies, economic development authorities, state green banks, state energy offices, etc.)
- IRA authorized \$3.6B of additional credit subsidy to the program, which could fund approximately \$40B of loans

Eligibility

- Projects in the U.S. that avoid, reduce, or sequester anthropogenic emissions of greenhouse gases
- Must have received qualifying support from a SEFI (e.g., subordinate loan, loan loss reserve, equity, guarantee)



IRA Grant and Loan Programs: Potential HFA Uses

| | National Clean Investment Fund | Solar for All | Innovative Energy Loan Guarantees |
|-------------------------------|---|---|---|
| Activities HFAs Could Support | <ul style="list-style-type: none"> ▪ Electric vehicle (EV) charging stations ▪ Installation of energy efficient systems/upgrades (e.g., electric appliances, electrical panel upgrades, clean back-up power, solar PV) ▪ Building to high energy certification standards (e.g., LEED, Energy Star, Greenpoint, Earth Craft, Passive House) | <ul style="list-style-type: none"> ▪ New community solar photovoltaic (PV) projects and associated storage ▪ Upgrades and repairs of existing solar infrastructure ▪ Workforce training opportunities (e.g., solar PV installation training) | <ul style="list-style-type: none"> ▪ Construction of new single-family and multifamily residential housing projects to high energy efficiency, renewable energy, storage, resilience, and/or grid interactivity standards ▪ Installation of on-site renewables, building EV infrastructure, and improving the overall energy efficiency of existing single-family and multifamily homes |
| Products HFAs Could Provide | <ul style="list-style-type: none"> ▪ Preferred equity investments in projects to install EV charging stations at housing sites ▪ Permanent loans underwritten to prospective energy savings for multifamily housing projects that install efficient upgrades ▪ Bridge loans to housing developers who install energy efficient systems in projects and later receive tax credits ▪ Revolving lines of credit for pre-development expenses on major energy efficiency projects | <ul style="list-style-type: none"> ▪ Permanent loan participations for affordable multifamily projects that install solar PV ▪ Loans underwritten to prospective energy savings for multifamily buildings with no PV or obsolete/broken PV infrastructure ▪ Bridge loans to low-income homeowners who install solar PV and later receive rebates ▪ Grants to local non-profits to train solar PV installers | <ul style="list-style-type: none"> ▪ HFA-originated, low-cost loans to support new energy efficient projects or upgrades of existing projects ▪ Pooling, credit enhancement, and sale of existing loans to recycle agency funds and increase impact |

✓ Clean Communities Investment Accelerator funds could be used to build HFA capacity to support any of these products

Potential Next Steps for HFAs (Next 90 Days)

- **Assess Needs, Priorities, and Resources.** Assess community needs, the agency’s programmatic priorities in the green lending/investment space, and agency resources to participate.

 - *What types of projects/products do constituents need?*
 - *What role should the agency play in providing them?*
 - *What resources are available to support that role (including cash, staff, and potential project pipeline)?*
- **Identify Funding Opportunities.** Identify the IRA grant and loan programs consistent with agency priorities and resources.
- **Identify Funders.** Identify the IRA funding recipients (e.g., non-profit GGRF grantees) ready to deploy capital.

 - *Which entities does the agency know/work with already?*
 - *Which entities are focused on the right geography and program areas?*
 - *Which entities have already rolled out programs?*
- **Engage with Funders.** Engage with funders to discuss agency/funder priorities and resources, funder program terms, and funder application processes.
- **Start Applying!**

| Key Dates | |
|---|-------------------------|
| EPA Agreements with GGRF Grantees Finalized | September 2024* |
| Many GGRF Program Term Sheets Issued | September/October 2024* |
| Deadline for EPA to Disburse GGRF Funds to Recipients | October 2024 |
| First Loans/Investments Made Under New GGRF Programs | November/December 2024* |

*Estimates based on recent discussions with some GGRF recipients



September 30, 2024

Inflation Reduction Act: *Housing-Related Tax Incentives and Rebates*

Disclaimers

- The content in this presentation is provided for general informational purposes only and **is not tax guidance**.
- The information shared relies upon simplifications and generalizations to convey high-level points about Inflation Reduction Act tax and other provisions.
- Content in this presentation is primarily based upon regulations and other tax guidance provided at IRS.gov. Please refer to guidance issued by the IRS for detailed and authoritative information.

The Inflation Reduction Act

- The Inflation Reduction Act (IRA) is the **largest investment in clean energy** in United States history, and much of that investment is **delivered via tax incentives**.
- The U.S. Department of the Treasury is the federal agency responsible for **administering the tax code** and is **playing a central role** in implementing the Inflation Reduction Act's clean energy and energy efficiency tax incentives.
- The Inflation Reduction Act includes **tax incentives for a broad range of activities and types of beneficiaries**, as well as **certain cross-cutting provisions and bonuses** that apply to multiple incentives, making them more accessible and/or financially significant.
- The Inflation Reduction Act also includes funding for Home Energy Rebates allocated by the U.S. Department of Energy and administered by individual states and Indian tribes.

Potential IRA Benefits for Developers/ Building Owners

- Immediate savings through reduced costs for equipment and other building components
- Reduced energy usage over the long term, benefiting both the building owner and building residents
- For solar and battery storage installation, ability to maintain power during power outages
- For solar, in certain jurisdictions, ability to monetize extra energy produced, generating a supplemental revenue stream
- Ability to market to potential tenants interested in “green” living



Overview of Key Tax Incentives/Rebates for Housing Projects

(for multifamily developers, building owners, resident landlords)

- Investment Tax Credit (ITC) (48, 48E) – IRS Form 3468
- New Energy Efficient Homes Credit (45L) – IRS Form 8908
- Energy Efficiency Commercial Buildings Deduction (179D) – IRS Form 3115
- Charging/Refueling Stations Credit (30C) – IRS Form 8911
- Energy Efficient Home Improvements Credit (25C) – IRS Form 5695
 - Requires that the landlord/property owner also be resident in the home
- DOE Home Energy Rebates (HOMES & HEAR) – State-level application process

Investment Tax Credit (ITC) (48/48E)

Investments in renewable energy projects, including solar, wind, and geothermal

- Credit Amount: **6%** baseline for a qualified investment
 - Increases to **30%** for projects:
 - smaller than 1 MW; or that meet [prevailing wage and registered apprenticeship \(PWA\) requirements](#)
- Bonus Credits may increase the tax credit amount further
 - Low-Income Communities – 48(e) (10-20%) (requires special application)
 - Initial 30-day application window closed on June 27; applications now accepted on rolling basis; 1.8 gigawatts (GW) each year
 - Energy Communities (10%) – brownfields, fossil fuel employment, coal mine closure sites
 - Domestic Content (10%) – for steel or iron, and manufactured products
- *Note: Per IRA amendments, ITC claims no longer reduce the investment basis for purposes of LIHTC*

New Energy Efficient Homes Credit (45L)

- The 45L Tax Credit applies only to new construction or substantial reconstruction/rehabilitation
 - Homes can be sold or rented
 - Homes can be single family, manufactured or multifamily (requirements vary)
- Tax credit is up to \$5,000 per home/unit, and can be claimed for the year the home is sold/rented
- To qualify for the credit, the home must, at minimum, be certified as meeting relevant [Energy Star National Program requirements](#) (up to \$2,500 per home/unit)
- To qualify for an increased credit, the home must be certified as meeting [Department of Energy Zero Energy Ready Home \(ZERH\) Program requirements](#) (up to \$5,000 per home/unit - \$2,000 pre-IRA)
 - For multifamily, the credit is \$1,000, unless PWA requirements are met
- Energy Rating Companies can certify that the relevant standards are met, leveraging approved software
- *Notes:*
 - *45L is not eligible for Direct Pay (direct claim by tax exempt entities)*
 - *Per IRA amendments, 45L claims no longer reduce the investment basis for purposes of LIHTC*



Energy Efficiency Buildings Deduction (179D)

- The 179D Tax Deduction applies to existing building retrofits and new construction
- Relevant energy efficiency measures relate to:
 - the interior lighting systems,
 - the heating, cooling, ventilation, and hot water systems, and/or
 - the building envelope.
- 179D deductions become available if building is certified by a licensed contractor/engineer
 - The certification confirms that energy/power savings amount to at least 25%
 - DOE publishes a list of [software programs](#) that can be used to calculate savings
- The 179D deduction amount is up to \$5.00 per square foot (from \$1.80 pre-IRA)
 - The maximum deduction requires that energy savings reach 50% and prevailing wage and apprenticeship requirements are met
- *Note: For development projects advanced by nonprofits that can not leverage the deduction, the value of the deduction can be transferred/allocated to the designer/contractor*



EV Charging/Refueling Station Credit (30C)

Investments in alternative fuel vehicle refueling and charging property

- **Credit Amount:** Base-level 6% credit that increases to 30% if PWA requirements are met (\$100,000 limit for business property)
- **Installation Location Requirement:** Must be installed in an eligible census tract
 - Map of eligible census tracts (low-income or rural communities) is available here: [Refueling Infrastructure Tax Credit | Argonne National Laboratory \(anl.gov\)](#)
 - 2/3rds of Americans live in eligible census tracts
- *Notes:*
 - *The credit can be claimed based upon the “placed-in-service” date*
 - *Alternative fuels include electricity, ethanol, natural gas, hydrogen, biodiesel, etc.*

Energy Efficient Home Improvement Credit (25C)

- **Credit Amount:** Tax credit covers 30% of the cost, up to certain annual limits
- **Product Eligibility:** Product purchased must be a qualifying product
 - Heat pumps/heat pump systems, water heaters, central air conditioners, furnaces, boilers must meet Consortium for Energy Efficiency (CEE) highest efficiency tier, not including any advanced tier
 - Exterior doors must be ENERGY STAR certified in the relevant climate zone; Exterior windows and skylights must meet the ENERGY STAR Most Efficient standard
 - Insulation must meet International Energy Conservation Code standards
 - Panelboards must be installed according to National Electric Code and have a load capacity of at least 200 amps
- **Credit Maximums:** Tax credit amount is capped at various levels annually, depending upon the product
 - \$2,000 in total for a heat pump/heat pump system, heat pump water heater, biomass stove, and/or biomass boilers
 - \$1,200 in total for all other 25C upgrades, with maximums applicable to individual products
 - The credit maximum resets each year and there is no lifetime cap
- **Individual Taxpayer Income limits:** No taxpayer income limits



DOE Rebate Programs (HOMES/HEAR)

- DOE Rebates for **whole-home retrofits (HOMES)** and for certain **electrification upgrades (HEAR)** that are available in the single-family housing context for households with incomes less than 80% AMI or less than 150% AMI may also be available in multifamily buildings where:
 - at least 50% of the households have incomes below 80% AMI or below 150% AMI, as applicable; and
 - other Rebate Program requirements are met (20% or more in modeled energy savings, eligible electrification equipment, not for new construction, etc.)
- Rebates can amount to up to \$8,000 (HOMES) or \$14,000 (HEAR) per unit
- Rebates administered via State Energy Offices
 - States may have differing approaches to the portion of their Rebate Program funds made available for multifamily contexts
 - Once state programs launch, developers/building owners can seek to reserve a rebate allocation
 - States, such as Wisconsin and Maine, have launched the multifamily component of their rebate program

Direct Pay/Elective Pay (for Tax-Exempt Entities)

- Given that most IRA investment is provided through tax incentives, measures needed to be taken to ensure tax-exempt entities (municipalities, nonprofits, Public Housing Authorities, etc.) could benefit.
- Under a novel provision known as “**Direct Pay**”, tax-exempt entities can benefit from certain tax incentives and receive tax-free cash payments to cover a portion of the cost of major capital investments, as long as all requirements are met, including pre-filing registration.
- Tax credits can provide significant levels of assistance to nonprofits as they complete solar or other clean energy installations.
- The tax incentives accessed through Direct Pay are generally uncapped in amount and are not subject to a competitive process, as with many grant programs.
- The Investment Tax Credit and 30C can be accessed via Direct Pay

Paths to Increased IRA Tax Incentive/Rebate Uptake

- **Increased Program Convergence:** Many HFAs already have requirements and incentives that either overlap with or approach the relevant eligibility standards for tax incentives/rebates
- **Increased Awareness:** More entities need to know that credit amounts have increased, that bonus credits are available, that tax-exempt entities can make claims, that LIHTC investment basis is not reduced, etc.
- **More Precedent Examples/Case Studies**
- **More Low-Cost Financing Options Paired w/ Incentives/Rebates:** The Greenhouse Gas Reduction Fund will help to provide additional low-cost financing options

Resources

- Treasury Department Two-Pager on Housing-Related Tax Incentives: [IRA Landlords Flyer FINAL.pdf \(treasury.gov\)](#)
- DOE Case Study (Rebates + LIHTC): [Case Study \(Multifamily\): DOE Rebates and the LIHTC](#)
- 30C EV Charger Explainer: [30C Explainer - Biz.pdf \(treasury.gov\)](#); [30C Explainer - TxE.pdf \(treasury.gov\)](#)

Clean Energy/Energy Efficiency Incentives and Residential Real Estate Properties
(for housing developers, building owners, and resident landlords)
Please visit [IRS.gov/CleanEnergy](#) and [Treasury.gov/IRA](#) for additional information.

DID YOU KNOW?
Certain clean energy installations and energy efficiency improvements to residential properties are eligible for tax credits or deductions. (Prevailing Wage and Apprenticeship requirements are applicable in certain cases, providing greater value to credits and deductions)

| TAX CREDITS | Investment or Production Tax Credits (48, 48E, 45, 45Y) |
|--|---|
| <p>New Energy-Efficient Homes Credit (45L)</p> <ul style="list-style-type: none"> Up to \$5,000 business tax credit for construction of new energy-efficient homes or units in multifamily properties Energy efficiency can result in lower monthly expenses To qualify, contractors must meet relevant Energy Star requirements or, for the maximum credit amount, Zero Energy Ready program requirements Not available to governments or tax-exempt entities | <ul style="list-style-type: none"> Business tax credits for investments in wind, solar, energy storage, and other types of clean energy generation Investment credit is up to 30% of investment basis (can be more if bonus credits are applicable, such as for affordable multifamily), while production credit is a per kilowatt-hour credit for electricity production Can be accessed by governments, tax-exempt entities, and other applicable entities via Elective Pay For more information, please visit Treasury.gov/IRA-ResourceHub |
| <p>EV Charger/Refueling Property Credit (30C)</p> <ul style="list-style-type: none"> Tax credits for property that recharges electric vehicles or stores or dispenses clean-burning fuel Property must be installed in a qualifying low-income or non-urban census tract. See qualifying geographies here Chargers may appeal to growing number of electric vehicle and plug-in electric vehicle drivers Can be accessed by governments, tax-exempt entities, and other applicable entities via Elective Pay | <p>Energy-Efficient Home Improvement Credit (25C)</p> <ul style="list-style-type: none"> Landlords, who are not also residents of the dwelling, may not claim this credit 30% maximum credit for qualifying improvements, such as heat pumps, other efficient HVAC systems, building envelope improvements, and more Subject to annual credit limits For more information, please visit IRS.gov/HomeEnergy |
| TAX DEDUCTIONS | Depreciation of Capital Expenses |
| <p>Energy-Efficient Commercial Buildings Deduction (179D)</p> <ul style="list-style-type: none"> Tax deduction up to \$5.00 per sq. ft. for depreciable improvements to interior lighting systems, HVAC/water systems, and building envelope that reduce total annual energy and power costs of such systems Available to commercial building owners or long-term lessees, including certain multifamily residential properties Energy/power savings must be at least 25% (50% for maximum deduction) For more information, please visit Treasury.gov/IRA-ResourceHub | <ul style="list-style-type: none"> In general, businesses, including real estate properties, may deduct depreciation of capital expenses from their income This would include capital investments in clean energy for residential properties, such as for heat pumps, electrical upgrades, and solar power equipment |

Existing Residential Real Estate

| Installation/Improvement | Consider the following credits and deductions: |
|---|--|
| Solar Panels Providing Energy to the Building | <ul style="list-style-type: none"> 48 and 48E Investment Tax Credit or 45 and 45Y Production Tax Credit <ul style="list-style-type: none"> Bonus Credits (Low-Income Communities -- 48(e) and 48E(h), Energy Communities, Domestic Content) |
| EV Chargers on the Property | <ul style="list-style-type: none"> 30C Alternative Fuel Vehicle Refueling Property Credit |
| HVAC and Building Envelope Improvements | <ul style="list-style-type: none"> 25C Energy-Efficient Home Improvement Credit (energy efficient upgrades for windows, skylights, doors, insulation, HVAC such as heat pumps) or 179D Energy-Efficient Commercial Buildings Deduction (installation of certain interior lighting systems, building envelope, or HVAC systems in an existing building) |
| Clean Energy Capital Expenses | <ul style="list-style-type: none"> The depreciation from clean energy capital expenses may be deducted from a taxpayer's income |

New Residential Construction

| Installation/Improvement | Consider the following credits and deductions: |
|---|--|
| Energy-Efficient New Home Construction | <ul style="list-style-type: none"> 45L New Energy-Efficient Homes Credit |
| Solar Panels Providing Energy to the Building | <ul style="list-style-type: none"> 48 and 48E Investment Tax Credit or 45 and 45Y Production Tax Credit <ul style="list-style-type: none"> Bonus Credits (Low-Income Communities -- 48(e) and 48E(h), Energy Communities, Domestic Content) |
| EV Chargers on the Property | <ul style="list-style-type: none"> 30C Alternative Fuel Vehicle Refueling Property Credit |
| Energy-Efficient HVAC and Building Envelope Systems | <ul style="list-style-type: none"> 179D Energy-Efficient Commercial Buildings Deduction (installation of certain interior lighting systems, building envelope, or HVAC systems in new buildings) |
| Clean Energy Capital Expenses | <ul style="list-style-type: none"> The depreciation from clean energy capital expenses may be deducted from a taxpayer's income |

Find out more about Clean Energy Tax Incentives, please visit [Treasury Department's www.Treasury.gov/IRA](#)

A low-angle photograph of a modern, multi-story residential building with light-colored horizontal siding and white railings on the balconies. The sky is bright blue with some white clouds. The text is overlaid on the lower left portion of the image.

Inflation Reduction Act (IRA) Programs for Financing Affordable Housing

September 2024

About Guidehouse and our Federal Grants Management

Public Sector
 Bringing the power of our federal, state, and local management consulting, technology consulting, grants management, and economic development practices...

Private Sector
 ...with our deep experience with healthcare systems, pharmaceuticals, utilities, infrastructure, finance, industrial and large corporations

We have cross-cutting expertise in Affordable Housing, Energy, Public-Sector Program Administration, Financial Services, Grants Management, and Technology



Healthcare:
7 of the top 10 hospital systems (by Member Hospital Beds)*



Financial Services:
8 of the 10 largest U.S. banks



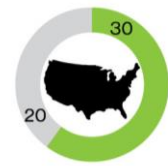
Life Sciences:
38 of the top 50 pharmaceutical companies**



Energy:
60 of the world's largest electric and gas utilities***



Public Sector:
15 (all) executive departments of the U.S. Federal Government



State & Local Government:
30 out of 50 States

Our Firm



50+ locations globally



16,500+ employees



6 generations of professionals



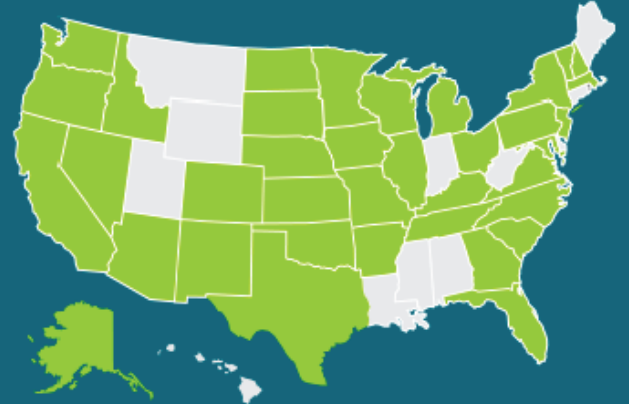
33 languages fluently spoken



46% hold professional certifications

Grants Management Experience

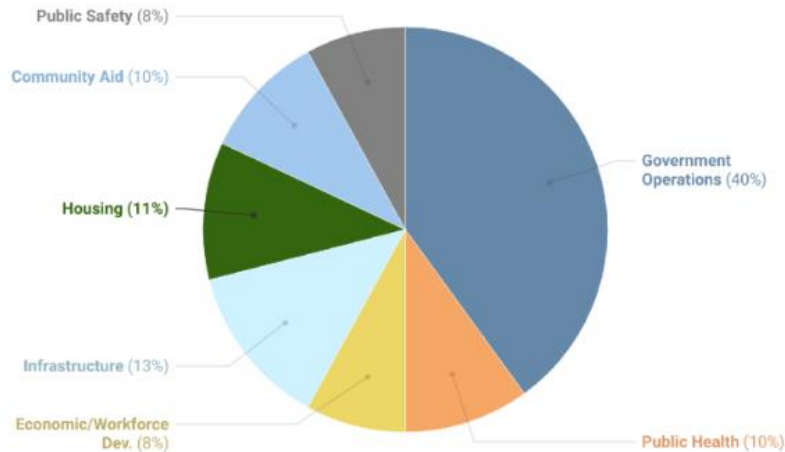
Perspectives from across the country



To complement our federal grants management experience, Guidehouse brings **three decades of experience** with energy efficiency and rebate programs. With over 16,500 employees, our team includes over **2,000 experts** with experience in the design, implementation, execution, and evaluation of programs, including low-income programs and whole home programs.

Jurisdictions across the U.S. are using American Rescue Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) to fill housing financing gaps. But those funds need to be obligated by end of 2024 and expended by end of 2026... So, what's next?

Large cities and counties have committed more than a tenth of their SLFRF appropriations to housing projects



Housing investments



Source: Brookings Metro, NLC, and NACo analysis of U.S. Treasury data covering 92 cities/consolidated city-counties and 244 counties.



CASE STUDY

Travis County Develops 2,000 Units of Housing to Address Homelessness

Guidehouse assisted Travis County, Texas, with program design and management, financial analysis, real estate project review, and compliance oversight as part of an ongoing project.

The Inflation Reduction Act (IRA) provides substantial funds and changes to tax credits that can be used for financing energy efficient and resilient affordable housing. But the programs are dispersed between agencies and have different requirements, creating new complexity for aligning funds with projects and stacking these sources.



Home Energy Rebates

- Home Efficiency Rebates
- Home Electrification and Appliance Rebates



Green and Resilient Retrofit Program (GRRP)

Greenhouse Gas Reduction Fund

- Solar for All (SFA)
- National Clean Investment Fund (NCIF)
- Clean Communities Investment Accelerator (CCIA)




Section 48(e) Investment Tax Credit

Section 45L Tax Credits for Zero Energy Ready Homes

Program detail overview

Funds have just started to hit the street, but largely for reimbursement of stand-up expenses expended to date. Many entities expect to make first investments before the end of 2024 or early 2025.




Programs under the Greenhouse Gas Reduction Fund (GGRF)

| | National Clean Investment Fund (NCIF) | Clean Communities Investment Accelerator (CCIA) | Solar for All |
|---|--|---|--|
| Agency: |  |  |  |
| Funding Amount: | \$14B | \$6B | \$7B |
| Awardees: | Climate United Fund, Coalition for Green Capital, Power Forward Communities | Opportunity Finance Network, Inclusiv, Justice Climate Fund, Appalachian Community Capital, Native CFI Network | 49 state-level awardees, 6 tribal awards, 5 innovative multistate awards |
| Eligible Uses: | <ul style="list-style-type: none"> Affordable financing for clean technology projects nationwide, partnering with private-sector investors, developers, community organizations, and others to deploy projects, mobilize private capital at scale | <ul style="list-style-type: none"> Financial assistance to deploy distributed energy, net-zero buildings, and zero-emissions transportation projects | <ul style="list-style-type: none"> Intended to provide access to zero emissions technologies (residential rooftop solar, residential-serving community solar, associated storage, enabling upgrades for low income and disadvantaged communities) |
| Access for Low-Income and Disadvantaged Communities (LIDAC): | 40% of capital must flow to LIDAC | 100% of capital must flow to LIDAC | 100% of capital must flow to LIDAC |

HUD has made 182 awards across the three cohorts to-date

Rebates are available in ME, NY, WI, NM, and AZ; 6 states have approved applications from DOE

48(e): 2023 resulted in \$3.5B from 49k+ solar facilities in low income communities; 50k+ applications to-date in 2024

| | Green and Resilient Retrofit Program (GRRP) | Home Energy Rebates | Tax Credits |
|---------------------------|--|---|---|
| Specific Programs: | N/A | Home Efficiency Rebate Program (HER) and Home Electrification and Appliance Rebate Program (HEAR) | 45L Tax Credits for Zero Energy Ready Homes and Sec. 48 Investment Tax Credit |
| Agency: |  HUD |  DOE |  Treasury |
| Funding Amount: | Total: \$837.5M available as grants or loans made directly to project development sponsors | Total: \$8.8B available as rebates. Funds allocated to state energy offices (SEO) who issue rebates to eligible applicants | 45L: Tax credit of up to \$500-\$5k per unit Sec. 48: Tax credit or elective pay* of 6%-30% of investment basis, with bonuses available |
| Applicant: | <ul style="list-style-type: none"> Multi-family owners and developers of HUD financed buildings with project-based assistance including PBRA, RAD Conversions, Section 202, 811, 236 | <ul style="list-style-type: none"> Owners of eligible single-family and multi-family properties. Tenants may apply in some circumstances. | 45L: Eligible contractor who owns the home and has basis during construction Sec. 48: Taxpayer who owns Energy Property, or certain public and nonprofit entities |
| Eligible Uses: | <ul style="list-style-type: none"> Three program cohorts: Elements, Leading Edge, and Comprehensive Substantially improve utility efficiency and reduce emissions Address climate resilience Implement the use of zero-emission electricity generation and energy storage Minimize embodied carbon Support whole-building electrification | <ul style="list-style-type: none"> An SEO may use up to 20% of awarded funds for planning, administration, or TA An SEO must use at least 80% of awarded funds to provide single-family and multifamily households with rebates that result in minimum 20% modeled or measured energy savings (HER); or purchase of qualified products and/or qualified electrification projects (HEAR) | <ul style="list-style-type: none"> 45L: New or substantially reconstructed homes that meet applicable ENERGY STAR home program or DOE Zero Energy Ready Home (ZERH) program requirements Sec 48: Energy Property including electric generation and energy storage (e.g., solar, wind, geothermal) |

*For certain public and nonprofit entities

Focus on Affordable Housing

Guidance, key program provisions, and agency publications emphasize how these funds can benefit affordable housing

Greenhouse Gas Reduction Funds

- One of the four definitions of LIDAC is affordable housing, defined as Multifamily housing with rents not exceeding 30% of 80% AMI for at least half of the residential units (enforced through an active affordability covenant); or Naturally Occurring Affordable Housing (NOAH) with rents not exceeding 30% of 80% AMI for at least half of residential units.

Home Energy Rebates

- Recipients must allocate a percentage of rebate funding for each of the programs in line with the recipient's percentage of low-income households; and reserve at least 10% of its rebate funding to serve low-income multifamily buildings. This allocation must be additional to and separate from the allocation for low-income households.
- The guidance provides a path for states and territories to use categorical eligibility to automatically approve households enrolled in other Federal programs that meet the income thresholds (public housing, more than 50% PBV/HCV, LIHTC)
- DOE published a case study for coordinating HER and LIHTCs

45L Credit

- A key change to the program with the IRA, the credit now does not reduce adjusted basis on Low-Income Housing Tax Credit Projects

48(e) Credit

- 20% increase is available to eligible solar and wind facilities that are part of a qualified low-income residential building or a qualified low-income economic benefit project.

Potential Challenges

The opportunity to harness this funding for affordable housing is significant, but there are challenges

- Opportunity to invest in energy efficient and resilient housing, but narrows the applicability of the funds (in contrast to ARPA)
- Programs allocated through different federal agencies to different types of recipients
- Different definitions used between programs (e.g., low-income households and disadvantaged communities)
- Complexity when seeking to combine program funds in the same project (stacking, braiding)
- Time consuming and complex monitoring, reporting, and compliance requirements
- Different cross-cutting requirements based on agency's governing statute
- To access maximum tax credit benefits triggers prevailing wage and apprenticeship requirements
- Still some uncertainty around applicability of Davis Bacon and Related Acts (DBRA) and Build America Buy America Act (BABA) and Buy America Preference (BAP)
- As with ARPA it's a great opportunity to access funds, but new programs will have evolving regulations that may change over time

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Thank You

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PHI ENIX



2024

**Incorporating Energy and Water
Conservation in Affordable Housing**

Dominium MW Solar Portfolio

- New construction focused since 2018
- Leveraging the 30% credit and 4% LIHTC directly with investors



| Stage | Facilities | MWh |
|--------------------|------------|-------|
| Placed In Service | 4 | 4.7 |
| Under Construction | 5 | 5.7 |
| Planned | 11 | 12.75 |

Sustainable Energy Investments

| Costs | Amount | Notes |
|-----------------------------------|--------|--|
| Envelope, Insulation, etc | \$ | LIHTC Basis |
| Solar Panels | \$\$\$ | LIHTC Basis, Solar Basis |
| Sub-Metering Infrastructure | \$\$ | LIHTC Basis |
| Maintenance Costs | \$ | Lower Debt Sizing |
| Revenue | Amount | Notes |
| Lower Costs | \$ | Higher Debt Sizing, Utility Cost Estimates |
| Higher Rent (Lower Utility Costs) | \$ | Higher Debt Sizing, Energy Consumption Model |
| Solar Credits | \$ | Credits on Solar Basis |
| LIHTCs | \$\$\$ | Credits on LIHTC Basis |
| Deferred Developer Fees | \$ | Deferred Fees |
| 45L Credits, Soft Loans, etc.. | \$ | Various Sources |
| ROI | \$ | |

Energy Efficiency: Everyone's Responsibility

- Developers/Owners
 - Lowering Energy Costs
 - Leveraging Tax Credits, Other Resources
- Residents
 - Responsible for Consumption
- State Agencies
 - Solar “Behind-the-Meter” Advocacy
 - Technical Assistance
 - QAP Regulations