State Housing Finance Agency Roles In Reducing Household Energy Costs

Opportunities Through New Federal Legislation

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Boxes

Foreward: State Housing Finance Agency Roles in Reducing Household Energy Costs

The mission of state housing finance agencies (HFAs) to meet the affordable homeownership and rental housing needs of their states increasingly involves policies and programs that reduce household energy costs. Simply put, state HFAs recognize helping homeowners, renters, and landlords save on energy supports housing affordability.

Two recent federal laws authorized an unprecedented amount of funding and incentives for improving energy efficiency and increasing use of renewable energy in low- and moderate-income homes and apartments. The Infrastructure Investment and Jobs Act of 2021 (IIJA) provided a one-time appropriation of $3.5 billion (roughly 10 times the usual annual appropriation) for the Weatherization Assistance Program (WAP). The Inflation Reduction Act of 2022 (IRA) authorized more than $18 billion in grants and at least $36.5 billion in tax credits for housing-related energy purposes over the next 10 years.

Building on their prior energy experience, HFAs expect to play important roles in delivering, leveraging, and promoting these new resources. While HFA involvement will vary considerably by state, the agencies stand to be significant players in cutting energy expenses for the homes and projects they finance in the years to come.

Two new reports published by the National Council of State Housing Agencies (NCSHA) provide the first comprehensive review of state HFA energy-related initiatives. One report illustrates HFA activities that pre-date the IIJA and IRA through detailed case studies of seven exemplary HFA initiatives. The other examines potential new HFA roles in response to those laws, based on an assessment of the newly authorized programs and interviews with HFA staff and other experts.

NCSHA engaged Abt Associates to produce these reports and the views expressed in them are solely those of the firm. We are grateful to the research team and the HFA staff and partners who spoke with them in their research process. We also thank the Wells Fargo Foundation for its generous financial support for this project.

HFA Energy Efforts That Predate the IIJA and IRA: Case Studies[1]

As of 2022, according to NCSHA survey data,[i] 16 HFAs administer the WAP program, which primarily supports energy improvements of single-family owner-occupied homes, and in some states also funds multifamily apartment upgrades. The case study of the New Mexico Mortgage Finance Authority illustrates the latter.

For many years, HFAs have encouraged energy efficiency in multifamily properties they finance through their administration of the Low Income Housing Tax Credit (Housing Credit) and, to a lesser extent, other agency programs.

[1] While this report focuses on HFA support for improving energy performance in new and existing homes, HFAs also play a major role delivering emergency assistance to help economically vulnerable households stay current on their utilities. As of 2022, according to NCSHA survey data, 13 HFAs administer the federal Low Income Home Energy Assistance program, and many agencies have used federal Emergency Rental Assistance and Homeowner Assistance Fund dollars for similar purposes.

A 2023 report by the Blue Green Alliance Foundation found 18 agencies "require or incentivize new construction properties to improve energy performance through an ENERGY STAR certification" through their Housing Credit programs.[ii] A 2022 study by the American Council for an Energy Efficient Economy, using a somewhat different methodology, identified 21 HFAs that require or incentivize various levels of energy performance in the Housing Credit and/or a similar program.[iii] The case study featuring the Georgia Department of Community Affairs describes an example of such efforts.

More broadly, 22 state HFAs administer a different or additional energy efficiency subsidy or financing program, serving either or both owner-occupied and rental properties in their states, according to NCSHA survey data.[iv] The case study examples of the Alaska Housing Finance Corporation, North Carolina Housing Finance Agency, Minnesota Housing, New York State Homes and Community Renewal, and the Washington State Housing Finance Commission illustrate the breadth of approaches.

Across these approaches, HFAs — like the affordable housing industry overall — generally have been more focused on energy efficiency than renewable energy. The emphasis on renewables in the IRA may shift the balance somewhat, as discussed below.

Potential New HFA Energy Efforts in Response to Federal Legislation: Analysis

Since the enactment of the IIJA and IRA, the National Council of State Housing Agencies has provided extensive recommendations to policymakers in multiple federal agencies for optimizing the housing-related provisions of the two laws, reflecting the experience and priorities of state HFAs. While most of the foundational federal rules — general guidance, proposed and final regulations, notices of funding availability, and the like — have been issued for the key programs, more remains to come, and across the board, the implementation of policies and delivery of resources also awaits action at the state and local levels, by the agencies and organizations that will administer most of the money.

The Abt Associates researchers retained by NCSHA reviewed the federal rules as of mid-summer and spoke with HFA staff and partners to develop an assessment of how and where HFAs could, in their view, play roles in developing and administering these new programs, recognizing that most of them are still in formation. In summary, they suggest HFAs may be able to:

- Help identify eligible properties and support potential applicants for the new Green and Resilient Retrofit Program of the U.S. Department of Housing and Urban Development (HUD);
- Bring specific housing market knowledge and lending capabilities to inform design of state implementation plans for two new U.S. Department of Energy (DOE) home energy rebate programs;
- Administer or support their states' WAP programs to expand upgrades of multifamily properties, as well as single-family homes; and
- Potentially deploy financing for housing projects using resources that will be made available via the U.S. Environmental Protection Agency's (EPA) new Greenhouse Gas Reduction Fund.

HFAs have found Abt's advice timely and compelling — indeed, a number were already acting along the lines the researchers suggested and more may be expected to do so. For example, seven HFAs are the applicants on behalf of their states for the $7 billion available through the IRA-authorized Solar for All Program, administered by the EPA, and more are playing a supporting role in their states' proposals.

Among both the HFAs active on energy issues before the IIJA and IRA and those playing or planning to play a major role in new programs the laws authorized are agencies from all regions of the country and states of all sizes. A future report will provide an update on how state HFAs built on their established energy efforts to help ensure the IIJA and IRA housing funds were most beneficial to low- and moderate-income households across the country.

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[i] National Council of State Housing Agencies, *State HFA Factbook: 2022 NCSHA Annual Survey Results* (October 2023).

[ii] Blue Green Alliance Foundation, “Building a Better Affordable Housing Future” (2023).

[iii] American Council for an Energy Efficient Economy, “2022 State Energy Efficiency Scorecard” (December 2022).

[iv] National Council of State Housing Agencies, *State HFA Factbook: 2022 NCSHA Annual Survey Results* (October 2023).

1. Introduction

The **Infrastructure Investment and Jobs Act** (IIJA) of 2021 and the **Inflation Reduction Act** (IRA) of 2022 created and expanded programs to promote residential energy efficiency and renewable energy production.[1] As key state-level institutions focused on affordable housing, housing finance agencies (HFAs) are well positioned to contribute to the implementation and success of these programs. HFAs bring valuable experience serving households of low and moderate income and can help ensure the benefits of new programs effectively reach members of disadvantaged communities. Engaging with new or expanded programs also presents an opportunity for HFAs to grow or establish their presence within existing networks of agencies and organizations working on issues related to energy efficiency and renewable energy production.

This report provides an assessment of new opportunities for impactful HFA engagement with programs established or expanded by IIJA and IRA, with a particular focus on identifying and addressing the implementation challenges HFAs and others will face. The report also draws attention to broader considerations HFAs — as well as other housing-sector organizations — should account for as they seek to establish a place in the rapidly evolving renewable energy ecosystem.

This report is organized into the following sections:

- **Section 1: Introduction.** After introducing the study that informed this report, this section summarizes the key themes we identified that define the opportunities and challenges associated with the energy efficiency and renewable energy production provisions of the IIJA and IRA.
- **Section 2: New Resources for Residential Energy Efficiency and Renewable Energy Production** provides brief summaries of five important new programs and tax incentives established or expanded by IIJA or IRA.
- **Section 3: Action Items: Priority Opportunities for HFA Impact** focuses on four priority implementation challenges facing programs established or expanded by IIJA or IRA and makes recommendations for how HFAs can address these implementation challenges.
- **Section 4: Establishing a Place in the Renewable Energy Ecosystem** takes a broader look at how HFAs can evaluate their state's renewable energy ecosystem and build critical partnerships.

1.1 Energy Resources for Housing

The National Council of State Housing Agencies (NCSHA) commissioned Abt Associates and the Tingerthal Group to carry out a study that would identify new opportunities and challenges related to HFA engagement with residential energy programs and develop a deeper understanding of existing HFA programming in this policy domain.

The assessments presented in this final report represent findings from this study and are informed by a series of HFA case studies, consultations with HFA staff, stakeholder interviews, and document review. Detailed findings from the HFA case studies are presented separately in a supplemental report.

[1] The IIJA is also commonly referred to as the Bipartisan Infrastructure Law. For consistency, we refer to this legislation as the IIJA throughout this report.

1.2 Key Themes

In assessing the opportunities and challenges associated with the energy efficiency and renewable energy production programs in the IIJA and IRA, we identified three key themes:

1. **Programs created or expanded by IIJA and IRA have created concrete and time-sensitive opportunities for HFAs to shape new programs and deploy new resources.** We detail four such opportunities in Section 3. These opportunities all capitalize on organizational strengths HFAs bring to residential energy work. These strengths include (1) deep housing market knowledge and established relationships with lenders, developers, contractors, and property owners that enable HFAs to support consumer outreach efforts or assist program applicants; (2) experience serving low- and moderate-income renters and homeowners that can inform the more effective delivery of new services or products to these populations; (3) experience supporting complex, braided financing arrangements for affordable housing projects; and (4) capacity to directly deploy or support new financial products.

   We see clear opportunities for HFAs to make impactful contributions to the implementation of at least four programs created or expanded by IIJA and IRA. First, we believe HFAs can play a valuable role in identifying eligible properties and supporting potential applicants for the new Green and Resilient Retrofit Program (GRRP) of the U.S. Department of Housing and Urban Development (HUD). Second, we see HFAs as bringing specific housing market knowledge and lending capabilities that will be valuable to the design of state implementation plans for two new U.S. Department of Energy (DOE) home energy rebate programs. Third, we note several ways HFAs that administer or support their state's Weatherization Assistance Program (WAP) can work to expand the delivery of weatherization services to multifamily properties. Fourth, we believe HFAs can play an important role in deploying financing for housing projects using resources the U.S. Environmental Protection Agency (EPA) will make available via the new Greenhouse Gas Reduction Fund (GGRF).

2. **Many features of effective programs and collaborations will be state specific.** As we detail in Section 4, a key takeaway of this report is that HFAs and other housing organizations should begin by taking stock of the renewable energy ecosystem that already exists in their states. Programs and collaborations that maximize HFA impact are likely to depend on a wide range of factors, including state utility policy and energy codes, the existing infrastructure of energy auditors and contractors, and the age or structure of the state's housing stock.

3. **HFAs should work intentionally and quickly to build or strengthen relationships with state energy offices.** Feedback from HFA staff indicated that, although many agencies have an existing relationship with their state energy office (SEO), the nature of these relationships varies widely. Some agencies described close, long-term partnerships whereas others reported minimal contact or early-stage relationships. As we detail in Section 4, several of the case studies summarized in this report highlight examples of how HFA-SEO partnerships have resulted in new and innovative programs that build on a set of complementary capabilities. Strong relationships with SEOs will help position HFAs to effectively access and implement new funding streams for energy efficiency and renewable energy production in the IIJA and IRA.

1.3 Additional Resources

Many of the HFAs we heard from during the course of the study expressed a desire for additional information and guidance about new programs and resources related to energy efficiency and renewable energy production. A comprehensive synopsis of current program guidance was beyond the scope of this report, but we have included links throughout the report that direct readers to more detailed information or guidance regarding specific programs. We also provide below a list of sites that provide comprehensive resources on this topic (see "Resource Repository" box). We caution readers that, at the time of this report's publication in August 2023, many new IIJA and IRA programs remain under active development. Given the rapid pace of new developments, information contained in linked resources, or even in this report itself, might no longer be completely up to date. Most of the specific program webpages offer the opportunity to register to receive program updates, which we strongly recommend given the evolving nature of these programs.

Resource Repository

- **National Housing Trust** has launched a series of IRA Bootcamps, designed to help state agencies, developers, and property owners access new IRA funding sources.
- **National Association of State Energy Officials (NASEO)** publishes policy briefs on a range of energy topics, including HFA-SEO collaboration, and provides contact information for SEOs.
- **American Green Bank Consortium** provides information on the Coalition for Green Capital website about existing green banks and other institutions that provide financing for clean energy projects.
- **RMI** is a nonprofit, non-partisan organization of residential energy experts working to advance the transition to clean and renewable energy.

2. New Resources for Residential Energy Efficiency and Renewable Energy Production: An Overview

In this section, we briefly summarize several important new programs and tax incentives established or expanded by IIJA or IRA. We also provide links to additional program resources and brief explanations of how HFAs might play a role in the design or implementation of these programs. We explore four of these opportunities in greater detail in Section 3.

2.1 Green and Resilient Retrofit Program

HUD's GRRP will provide direct grant and loan funding to eligible HUD-assisted multifamily properties to support projects that improve energy efficiency, reduce carbon emissions, develop renewable energy production capacity, or improve climate resiliency. Eligible properties include those receiving multifamily Section 8 project-based rental assistance and those receiving Section 202 or Section 811 rental assistance for supportive housing for people who are elderly or have disabilities. The IRA provided GRRP with $837.5 million in funding to distribute and as much as $4 billion in loan authority.

Build America, Buy America Requirements

Included as part of the IIJA, the Build America, Buy America (BABA) provisions require that public infrastructure programs funded under the IIJA as well as other federal infrastructure programs (including some programs funded through the IRA) rely on American-made materials and manufactured goods. For covered projects, BABA requires all iron and steel items, all manufactured products, and all construction materials be manufactured in the United States. Federal agencies have the authority to waive BABA requirements, but such waivers must be time-limited and designed in a manner that allows domestic markets to build capacity and meet demand.

The details of whether, when, and how BABA procurement requirements apply may vary by agency, program, or specific project. For example, building owners applying for GRRP assistance must comply with BABA requirements if they are a "Non-Federal Entity" — such as a state, local government, or nonprofit organization — but not if they are a for-profit corporation. Additionally, GRRP applicants may be subject to a pre-existing waiver of general applicability already published by HUD. Additional details regarding BABA requirements for GRRP applicants can be found in Section 10.3 of the GRRP Program Notice.

Because BABA implementation and applicability can vary, we recommend HFAs review program guidance on a case-by-case basis to understand how these procurement rules may apply to a specific program or project. In some IRA programs, BABA provisions are not required, but projects that comply with BABA may be eligible for additional resources.

Prospective applicants — eligible property owners — may apply for grant funds or financing via one of three award cohorts. The **Elements cohort** provides smaller awards for adding specific eligible items — such as heat pumps or solar panels — within the scope of a refinance project that has already started the financing process. The **Leading Edge cohort** provides larger awards for retrofit projects that achieve an advanced green building certification. The **Comprehensive cohort** provides the largest available awards, focused on properties with a pressing need for intensive retrofits. Comprehensive awards are intended to be accessible to property owners who might lack experience with recapitalization, energy retrofits, or green construction and are accompanied by technical assistance from a HUD-provided contractor. HUD has made approximately $140 million available for Elements awards, approximately $400 million available for Leading Edge awards, and approximately $1.47 billion available for Comprehensive awards.

Applications for HUD GRRP funding are currently open. Rolling application deadlines for the three award cohorts extend through May 2024. As discussed in Section 3, HFAs are well positioned to identify multifamily assisted properties in their state that could benefit from this funding to improve energy efficiency and project sustainability.

HUD GRRP Resources

- **GRRP Program Overview**: This HUD webpage introduces the GRRP program, addresses FAQs, and provides an up-to-date repository of program application forms, fact sheets, announcements, and notices of funding opportunity.
- **GRRP Webinar**: This HUD webinar, recorded on May 2023, provides an overview of the GRRP program and the three GRRP funding cohorts: Elements, Leading Edge, and Comprehensive.
- **GRRP Frequently Asked Questions**: These HUD FAQs address common questions regarding GRRP eligibility, the application process, and award requirements.

2.2 Home Energy Rebate Programs

The IRA included $8.8 billion in appropriations for two new home energy rebate programs, to be administered by DOE.

The **Home Efficiency Rebate Program** will provide rebates to homeowners, multifamily property owners, and rebate aggregators for whole-house energy efficiency retrofits that reduce modeled energy usage by at least 20 percent or measured energy usage by at least 15 percent (see "Modeled vs. Measured Energy Performance" box). Exact amounts of Home Efficiency Rebates will depend on the level of energy efficiency improvements achieved and whether the household(s) served has a low or moderate income.

Modeled vs. Measured Energy Performance

Modeled: A modeling approach to estimating energy usage uses software to predict energy savings that are likely to result from a set of specified improvements. The IRA includes requirements for how performance models are calibrated to improve accuracy.

Measured: A measurement approach to estimating energy usage involves comparing observed levels of energy consumption pre- and post-retrofit. The IRA requires measured performance evaluations to use advanced, open-source measurement software.

The **Home Electrification and Appliance Rebate Program** will provide point-of-sale rebates to homeowners, multifamily property owners, and other eligible entities carrying out qualified electrification projects to offset the costs of eligible improvements, such as electric heat pumps, stoves, and clothes dryers. Rebate amounts will vary by household income, with low- and moderate-income households eligible to receive more extensive rebates.

DOE will allocate funding for both rebate programs via formula grants to SEOs. DOE will review SEO applications for funding on a rolling basis through January 25, 2025. Prior to planned program launch, SEOs are also required to develop and submit a State Implementation Blueprint that provides additional detail about how program requirements will be met. As discussed in Section 3, HFAs are well positioned to inform the development of these State Implementation Blueprints and might be able to deploy or support financing tools that can expand consumer access to these rebates.

DOE Home Energy Rebate Program Resources

- **Home Energy Rebate Programs**: This DOE webpage provides an overview of both rebate programs and includes a repository of program announcements and resources.
- **Energy Rebate Program Webinar**: This DOE webinar from November 2022 introduces new DOE programs authorized under the IRA, including the new home energy rebate programs.
- **The Inflation Reduction Act: Financial Incentives for Residential Energy Efficiency and Electrification Projects**: This Congressional Research Service brief provides a summary of the IRA provisions that authorized the creation of the two DOE Home Energy Rebate Programs.

2.3 Weatherization Assistance Program

Administered by DOE, WAP provides formula grant funding to state agencies that contract with local community action agencies and other organizations to provide eligible weatherization services to low-income households. Although WAP has been in operation for more than 40 years, newly available resources and administrative flexibility have created opportunities for delivering weatherization services to a greater number and more diverse array of eligible properties:

- First, the IIJA included a one-time appropriation of $3.5 billion in formula funding for WAP.
- Second, the IIJA exempted WAP projects serving properties with fewer than five units from Davis-Bacon prevailing wage requirements (see "Davis-Bacon Prevailing Wage Requirements" box). That exemption reduces costs and administrative burdens for serving small multi-unit properties — a segment of the housing market that has been historically underserved by WAP.[2]
- Third, in recent years, DOE has taken action to streamline the process for verifying the income eligibility of multifamily properties.
- Finally, the Consolidated Appropriations Act of 2022 created a new **Weatherization Readiness Fund** (WRF) to help fund necessary repairs in eligible properties that have not received weatherization services due to serious safety or habitability issues.

Davis-Bacon Prevailing Wage Requirements

The Davis-Bacon Act requires all government contractors and subcontractors to pay laborers and mechanics wages and fringe benefits that are no less than those determined by the U.S. Department of Labor to be prevailing among similar classes of employees working on similar projects in the same area.

Historically, WAP was not subject to Davis-Bacon prevailing wage requirements. However, that changed with the American Recovery and Reinvestment Act of 2009, which required all projects using act funds, including WAP projects, must meet Davis-Bacon requirements.

IIJA funding includes similar prevailing wage requirements but exempts WAP projects serving buildings with fewer than five units from these requirements.

As discussed in Section 3, HFAs that administer or support state weatherization programs are well positioned to use these new resources and flexibilities to build capacity for multifamily weatherization.

WAP Resources

- **Weatherization Assistance Program**: This DOE webpage is the central repository for WAP resources, including program notices and memorandums, provider toolkits, program fact sheets, and training materials.
- **Streamlining Eligibility Determinations for Multifamily Weatherization**: This DOE webinar from October 2022 provides an overview of then-recent Weatherization Program Notices 22-5 and 22-12 that help streamline the process for determining the weatherization eligibility of multifamily properties.
- **Weatherization Readiness Fund**: This DOE webinar from January 2023 provides an overview of the fund and of recent Weatherization Program Notice 23-4, which expanded the scope of eligible fund uses.

[2] Martín, Carlos, "Harnessing the IIJA's Weatherization Assistance Program to Leave No Household in the Cold," Joint Center for Housing Studies (January 31, 2023).

2.4 Greenhouse Gas Reduction Fund

The IRA included $27 billion for the creation of the GGRF, a competitive grant fund to be administered by the EPA. GGRF funds are intended to mobilize private investment to increase the deployment of renewable technologies, build financing capacity for decarbonization projects, and spur the adoption of distributed solar energy production. Funds from the GGRF will be distributed via three competitions: the National Clean Investment Fund, the Clean Communities Investment Accelerator, and the Solar for All competition. Consistent with the Justice40 Initiative, 40 percent of GGRF competition funding will flow to defined disadvantaged communities.

The Justice40 Initiative

The Justice40 Initiative is an effort by the Biden administration to ensure that historically underserved and disadvantaged communities receive at least 40 percent of the benefits from new and existing federal resources deployed to address climate change, clean energy transformations, transit improvements, pollution remediation, affordable housing preservation and development, and the development of critical water infrastructure.

As outlined in the Interim Implementation Guidance for the Justice40 Initiative, disadvantaged communities may be defined geographically (as in the case of a neighborhood or census tract) or where a geographically dispersed set of individuals experience common conditions.

To support federal agencies with the geographic identification of disadvantaged communities and promote consistency, the White House Council on Environmental Quality developed the Climate and Economic Justice Screening Tool (CEJST), which identifies disadvantaged census tracts.

Although the White House has required that CEJST become the primary tool for the geographic identification of disadvantaged communities under Justice40, agencies are still allowed to identify additional geographically-defined disadvantaged communities as appropriate and consistent with existing guidance. Additionally, agencies may develop their own definitions for geographically dispersed disadvantaged communities with common conditions.

For example, in the GGRF Notices of Funding Opportunity, the EPA defines a disadvantaged community as encompassing: (1) census tracts identified by CEJST; (2) additional census block groups identified by the Environmental Justice Screening Tool (EJScreen); (3) geographically dispersed low-income households; and (4) properties providing affordable housing. In contrast, for the Home Energy Rebate Programs, DOE defines a disadvantaged community as one identified by the CEJST mapping tool but notes states may adopt alternative definitions with DOE approval.

Because specific definitions of disadvantaged communities will vary across the programs covered by the Justice40 initiative, we recommend HFAs review program guidance on a case-by-case basis to understand specific Justice40 requirements.

The **National Clean Investment Fund** competition will provide $14 billion in grants to two or three national nonprofit organizations or coalitions to deliver financing to businesses, communities, community lenders, and other organizations carrying out qualified clean technology projects. The **Clean Communities Investment Accelerator** competition will provide $6 billion in grants to two to seven “hub” nonprofit organizations or coalitions. Hub organizations or coalitions will oversee the disbursement of capitalization funding and technical assistance to community lenders in order to increase access to financing for cost-saving and pollution-reducing clean technology projects. The **Solar for All** competition will provide $7 billion in grants to as many as 60 states, tribal governments, municipalities, and nonprofits to expand access to residential and community solar energy production. Applicants for the Solar for All competition are required to submit notices of intent by October 12, 2023. National and hub coalitions applying for the National Clean Investment Fund and Clean Communities Investment Accelerator competitions must submit applications by October 12, 2023.

The GGRF notices of funding opportunity for the National Clean Investment Fund and the Clean Communities Investment Accelerator identify several priority project categories, including projects that result in the development of net-zero emissions buildings, such as a decarbonization retrofit of affordable multifamily housing that reduces or eliminates the building's greenhouse gas emissions.[3]

Many features of what GGRF implementation ultimately looks like will be defined by the structures established by the relatively small number of national hub grantees. However, based on the information already available, we believe HFAs can play an important role in deploying GGRF resources. We discuss these opportunities in more detail in Section 3. We encourage HFAs to stay alert to information about the organizations and coalitions that intend to pursue these hub opportunities for residential properties and to build relationships with them in order to learn about more specific funding opportunities in the future.

GGRF Resources

- **Greenhouse Gas Reduction Fund**: This EPA webpage provides an overview of GGRF resources and program announcements.
- **National Clean Investment Fund**: This EPA webpage provides a link to the notice of funding opportunity for the National Clean Investment Fund competition as well as to additional resources for this competition.
- **Clean Communities Investment Accelerator**: This EPA webpage provides a link to the notice of funding opportunity for the Clean Communities Investment Accelerator competition as well as to additional resources for this competition.
- **Solar for All**: This EPA webpage provides a link to the notice of funding opportunity for the Solar for All competition as well as to additional resources for this competition.

2.5 Tax Credit Incentives

The IRA renewed and expanded several tax credit incentives intended to promote residential energy efficiency or renewable energy production. The IRA expanded the set of stackable **Section 48/48E Energy Investment Tax Credit** (ITC) bonuses, increasing credit amounts for renewable energy facilities placed in service in low-income communities, installed as part of a qualified low-income residential building project, or situated in a defined energy community (for an example of how these bonuses can be stacked to expand the credit amount available for certain projects, see "ITC Stackable Bonuses" box).

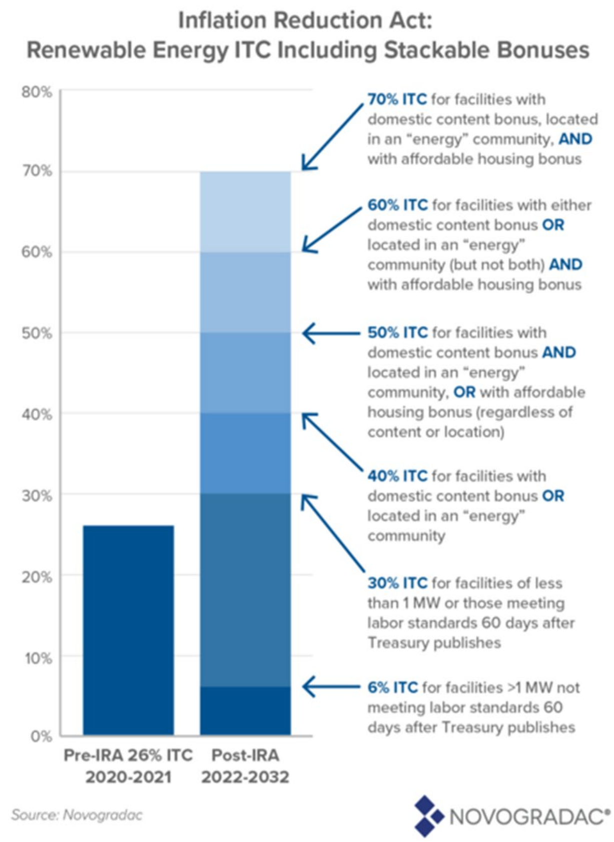
The IRA modified the ITC so that the credit no longer reduces the eligible basis for projects financed by Low-Income Housing Tax Credits (LIHTC). This change will be particularly attractive for projects applying for tax-exempt bonds and four percent LIHTC. Because the eligible basis for these projects will include the value of renewable energy investments, four percent credit amounts will now be calculated using this higher basis amount. New credit delivery mechanisms included in the IRA — elective pay and transferability — are also likely to make these credits more accessible for the owners and developers of affordable housing.

[3] GGRF uses the definition of net-zero emissions building provided in Section 4.4 of Executive Order 14057 Implementing Instructions. As noted in the GGRF Notices of Funding Opportunity and in the Executive Order 14057 Implementing Instructions, the objectives of net-zero emissions building design involve not only the reduction of carbon emissions but also improvements to water efficiency and environmental resilience.

The IRA also extended and expanded the **Section 45L New Energy Efficient Home Tax Credit** (45L Credit) to support the development of energy-efficient single-family homes. 45L credit amounts depend on the level of energy performance achieved and whether or not the project met local prevailing wage standards. As with the ITC, the IRA modified the 45L credit so it does not reduce the eligible basis for LIHTC-funded projects.

The ITC and the 45L credits are likely to be attractive resources for developers of affordable housing. However, the interplay of credit bonuses and other affordable housing resources will make the work of optimizing the effective use of these credits complex. We encourage HFAs to be alert to these new tax credit incentives as they work with developers and LIHTC applicants to address funding gaps and effectively braid different sources of funding and financing for affordable housing development.

ITC Stackable Bonuses: An Example



Source: [“The Inflation Reduction Act: An Overview of Clean Energy Provisions and Their Impact on Affordable Housing,” Novogradac (novoco.com).]

IRA Tax Credit Resources

- **The Inflation Reduction Act: An Overview of Clean Energy Provisions and Their Impact on Affordable Housing**: This Novogradac blog post from January 2023 summarizes new tax provisions in the IRA, including the ITC and 45L Credits.
- **Fact Sheet: Four Ways the Inflation Reduction Act’s Tax Incentives Will Support Building an Equitable Clean Energy Economy**: This Treasury Department fact sheet provides a brief high-level overview of tax incentives in the IRA.
- **IRA-Defined Energy Communities**: This DOE Communities Working Group webpage summarizes the IRA’s definition of an energy community, addresses FAQs, and provides a mapping tool for identifying communities.

3. Action Items: Priority Opportunities for HFA Impact

In this section, we examine four priority opportunities for HFAs to engage with new or expanded IRA and IIJA programs. We selected these examples because they present concrete and time-sensitive opportunities for HFAs to support program design and delivery in ways that leverage core, pre-existing HFA capacities, such as deep housing market knowledge and established relationships, experience serving low- and moderate-income populations, and the ability to directly deploy or support new financing tools. Although we focus on four priority opportunities here, we emphasize these are not the only options available for HFAs that seek to promote residential energy efficiency or renewable energy production. We believe the organizational strengths HFAs could bring to these specific opportunities also apply more generally to HFA engagement with residential energy programs.

3.1 Identify Eligible HUD-Assisted Multifamily Properties That Could Benefit from HUD GRRP Funds

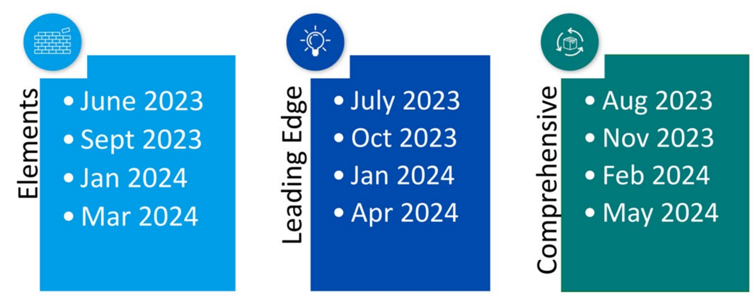
Summary

HFAs can help identify eligible HUD-assisted multifamily properties in their states and support the owners of eligible properties in applying for GRRP funds for energy retrofits that will improve energy efficiency and financial sustainability.

The Implementation Challenge

Between March and May 2023, HUD published notices of funding opportunity for each of the three GRRP award cohorts: Elements, Leading Edge, and Comprehensive. For each award cohort, applications will be accepted and reviewed across a series of four application periods (see "GRRP Award Application Timelines" box) extended through early 2024. Because GRRP funds are awarded on a competitive basis to the owners of eligible HUD-assisted properties, a key implementation challenge will be ensuring eligible property owners are aware of these new resources and receive the information and support necessary to successfully pursue them before the application windows close.

GRRP Award Application Timelines



Source: "Introducing the Green and Resilient Retrofit Program," HUD Office of Recapitalization (May 2023).

This challenge could prove more acute for the properties that could benefit most from Comprehensive GRRP awards. Comprehensive awards come with technical assistance for owners new to recapitalization and green retrofit projects. However, given this lack of experience, the owners most likely to benefit from such technical assistance also might be those least likely to apply without encouragement and support.

The Opportunity for HFA Impact

HFAs can use their knowledge of the affordable multifamily housing landscape in their states to ensure eligible HUD-assisted multifamily property owners are aware of — and apply for — GRRP funds while they are available.

- **Existing Relationships with Property Owners**: HFAs operating as Performance-Based Contract Administrators for HUD's Section 8 Project-Based Rental Assistance Program and HFAs holding senior or subordinated debt on GRRP-eligible, HUD-assisted properties have pre-existing, ongoing relationships with potential GRRP applicants. These HFAs are especially well positioned to help identify properties likely to qualify for GRRP funds. To develop an initial sense of whether there are properties within their portfolios that would benefit from GRRP funds, HFAs might wish to assess their HUD contract and loan portfolios using a carbon emissions calculator — such as the SAHF Multifamily Portfolio Carbon Emissions Calculator.

- **Awareness of Planned and Ongoing Retrofit and Recapitalization Projects**: GRRP's Elements and Leading Edge award cohorts focus on providing funding to enhance projects that are already moving through the design, funding, and development pipeline. Given HFAs' central role in project finance for affordable housing developments, they could have a unique line of sight on in-process retrofit projects for which supplemental GRRP funds could help pay for additional energy-related improvements or make it possible for a project to achieve a more ambitious and costly green building certification.

HFAs in Action: North Carolina Housing Finance Agency's SystemVision™ Energy Guarantee Program

HFAs work to build a wide range of critical bridges between funding programs or implementation experts and the developers, owners, and residents of affordable housing who stand to benefit from program resources and technical expertise. Here is an example.

In North Carolina, the North Carolina Housing Finance Agency (NCHFA) and Advanced Energy, a nonprofit energy consulting firm, have partnered for more than two decades to operate the SystemVision™ Energy Guarantee Program, which provides construction and retrofit subsidies for eligible projects that meet Advanced Energy's SystemVision energy performance and air quality standards. Completed homes come with two-year guarantees that, assuming appropriate system usage, room comfort will not differ more than three degrees from the thermostat setting and that heating and cooling costs will not exceed a pre-specified amount. If energy usage for heating and cooling exceeds the guaranteed level, Advanced Energy will cover the difference in cost while working to address the issue.

When describing the catalyst for the partnership with NCHFA, Advanced Energy staff noted that organization leadership had wanted to bring high-energy performance standards developed for market-rate construction into the market for affordably priced homes. Partnership with NCHFA provided not only critical financial support for the SystemVision Energy Guarantee Program but also access to NCHFA's extensive network of affordable housing developers, owners, and non-profit partners. NCHFA and Advanced Energy estimate that, since the Energy Guarantee Program's inception in 2001, it has supported the construction and certification of more than 6,200 homes.

HFAs' central position in the affordable housing finance ecosystem makes them valuable implementation partners for initiatives to improve residential energy efficiency or renewable energy production. A more detailed case study of the SystemVision™ Energy Guarantee Program is presented in the **Case Study Supplement**.

3.2 Support the Development of State Implementation Plans for DOE Home Energy Rebates

Summary

By working to help SEOs better understand the housing landscape, HFAs can help homeowners in their states access valuable energy rebates. HFAs can also provide bridge financing to help lower-income households pay for improvements in advance of receiving certain rebates.

The Implementation Challenge

To access formula grant funds for the two Home Energy Rebate Programs, DOE will require SEOs to submit applications for funding (by no later than January 25, 2025) and State Implementation Blueprints (implementation blueprints) that detail how the rebate programs will be administered. Implementation blueprints must include dedicated sections detailing a Community Benefits Plan that outlines how each rebate program will: (1) undertake community and labor engagement; (2) develop and support a skilled workforce; (3) incorporate diversity, equity, inclusion, and accessibility; and (4) address Justice40 requirements that 40 percent of program benefits flow to disadvantaged communities.[4] Implementation blueprints must also detail education and outreach strategies to ensure eligible consumers have the information and support they need to access rebates. As SEOs work to prepare applications and develop implementation blueprints, they will need input from housing experts and stakeholders to ensure rebate funds are deployed effectively and equitably.

HFAs in Action: Alaska Housing Finance Corporation's Home Energy Rebate Program

HFAs have played a direct role in the design and implementation of past energy-related rebate programs. For example, in 2008, the Alaska Housing Finance Corporation (AHFC) established its Home Energy Rebate Program, funded using state oil revenue proceeds.

Alaska homeowners who applied to the rebate program would contact a certified energy auditor to arrange for an "as-is" home energy rating, using AHFC's AkWarm energy modeling software. As part of this assessment, the auditor would assist the homeowner in determining which eligible energy improvements could help them achieve a higher energy rating level. Once eligible improvements were selected and carried out, an energy auditor would return to conduct a second home energy rating. Rebate amounts were determined based on the level of performance improvement achieved and were paid directly to the participating homeowner. Between 2008 and 2018 (the last year the rebate program received funding), AHFC's Home Energy Rebate Program served more than 26,000 homeowners, with rebates averaging approximately $7,000 and homeowner out-of-pocket costs averaging approximately $5,000. An independent evaluation of the Home Energy Rebate Program estimated that energy cost savings for homeowners were sufficient to repay out-of-pocket costs in approximately four years.

AHFC's effort to develop a large cadre of qualified energy auditors was central to the success of the Home Energy Rebate Program. AHFC supported the establishment of an auditor training and certification program and helped connect homeowners with certified auditors. AHFC has continued to maintain the auditor training program even though the rebate program has not received funding since 2018. Access to rebate funds was bolstered by AHFC's Renovation Loan Program, which helps finance renovations to existing homes, including energy improvements. Renovation loans were frequently used to cover other necessary home improvements not covered by the rebate program and to assist homeowners in covering out-of-pocket costs.

The **Case Study Supplement** includes a more detailed case summary of AHFC's Home Energy Rebate Program.

The Opportunity for HFA Impact

HFAs that act quickly to build relationships with their SEO counterparts have an opportunity to identify themselves as key implementation partners for the two DOE Home Energy Rebate Programs. Doing so can help ensure the perspectives and expertise of housing stakeholders are adequately incorporated into SEO implementation blueprints, helping to position property owners within an HFA's state to take full advantage of these important credits. The following are some ways to help maximize this opportunity:

- **Build on Existing Capacities**: Implementation of the Home Efficiency Rebate will require the development or expansion of numerous capacities within each state, such as increasing the number of energy auditors, performance modelers, and contractors who have the necessary qualifications and experience to carry out whole-house energy retrofits. HFAs that administer or support WAP activities in their states will be especially well positioned to identify local implementation partners with experience carrying out energy retrofits.

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[4] The Program Requirements and Application Instructions for the DOE Home Energy Rebates define disadvantaged communities as the census tracts identified by CJEST. However, states may adopt alternative definitions for disadvantaged communities with DOE approval.

- **Advocate for Broad Access**: As mission-driven organizations with experience addressing the affordable housing needs of state residents, HFAs can help SEOs consider how to make rebate funds more accessible for low- or moderate-income homeowners and affordable rental properties. Advocating for set-asides or the targeting of rebate funds can help ensure rebate funds are distributed to disadvantaged communities in a manner consistent with Justice40 Initiative objectives.
- **Assist with Consumer Outreach**: HFAs already possess experience rolling out new financial tools and products to housing consumers and implementation partners. HFAs could thus play an especially important role in supporting SEOs with the development of consumer outreach and education strategies. Additionally, during the course of existing work with borrowers, property owners, contractors, and developers, HFA staff can help ensure potential rebate recipients are aware of these new resources. HFAs can also play a role helping consumers and developers understand how Home Energy Rebates might reduce their eligible basis for various tax credits.
- **Explore Bridge Financing Solutions**: The Home Electrification and Appliance Rebates will be provided in a manner that enables point-of-sale discounts for qualified electrification projects. A point-of-sale approach can help reduce the upfront capital required for a qualified project and make these improvements more accessible for low-income homeowners or for the owners of affordable rental properties. In contrast, Home Efficiency Rebates for whole-house retrofit projects might not be available to homeowners until work has been completed and certified. Low-income households or affordable property owners who lack upfront capital to fund retrofit projects could be unable to access Home Efficiency Rebates. HFAs interested in supporting access to Home Efficiency Rebates for low-income households or affordable property owners might explore the feasibility of loan products that would help cover upfront costs and bridge to the receipt of the rebate. HFAs might support the rollout of such products — where feasible — either as capital providers or as direct lenders.[5]

3.3 Use IIJA WAP Funds to Build Multifamily Weatherization Capacity

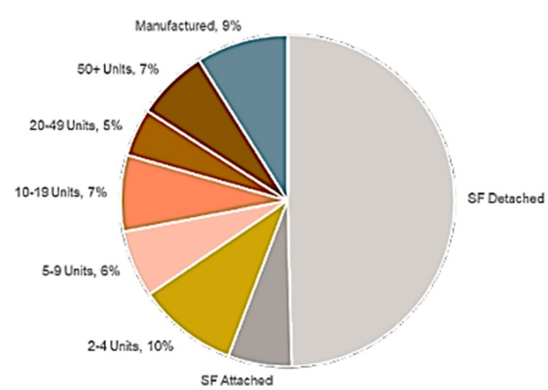
Summary

HFAs that administer or support state weatherization programs can use IIJA funding and new administrative flexibilities to expand the delivery of weatherization services to affordable multifamily properties. HFAs can accelerate the expansion of multifamily weatherization capacity by building new partnerships with organizations that already possess the necessary technical expertise to handle complex multifamily retrofits.

The Implementation Challenge

Historically, weatherization programs have focused overwhelmingly on delivering weatherization services to single-family properties. Yet more than one-third of WAP-

WAP-Eligible Households by Housing Type, 2021



Source: "Targeting Weatherization: Supporting Low-Income Renters in Multifamily Properties Through the Infrastructure Investment and Jobs Act's Funding of the Weatherization Assistance Program and Beyond," Joint Center for Housing Studies, Harvard University (January 2023).

5 The Program Requirements & Application Instructions for the DOE Home Energy Rebates specifically note that, "activities to improve access to rebates, facilitating leverage of private funds and financing mechanisms" are an allowable administrative cost for the Home Efficiency Rebate Program (p.6). SEOs must include descriptions of how they intend to maximize rebate impacts, including the integration of rebates with other sources of financing or funding, as part of their applications and/or implementation blueprints.

eligible households live in multifamily properties (see "WAP-Eligible Households by Housing Type, 2021" box). Weatherization programs rely on local networks of community action agencies to deliver these services using in-house staff and qualified private contractors. Though many local implementation partners bring decades of valuable experience to single-family weatherization work, relatively few have the technical capacity or expertise necessary to effectively deliver more complex weatherization services to affordable multifamily properties.

The Opportunity for HFA Impact

For HFAs that oversee or help support state weatherization programs, IIJA funding presents an opportunity to expand capacity for serving multifamily properties.[6] Developing this capacity can expand access to weatherization improvements to the large number of WAP-eligible households who reside in multifamily housing, reducing their utility costs and improving project sustainability. The following are steps HFAs could take to maximize this opportunity:

- **Identify Experienced Multifamily Implementation Partners**: Leveraging the expertise of organizations that already possess technical expertise in multifamily energy efficiency can help accelerate the development of multifamily weatherization capacity. For example, the New Mexico Mortgage Finance Authority has developed a successful partnership with the International Center for Appropriate and Sustainable Technology (ICAST), a nonprofit sustainable engineering organization, to deliver weatherization services to multifamily properties (see "HFAs in Action: New Mexico Mortgage Finance Authority's Energy$mart Weatherization Program" box).

HFAs in Action: New Mexico Mortgage Finance Authority's Energy$mart Weatherization Program

The New Mexico Mortgage Finance Authority (MFA) administers WAP in New Mexico as the Energy$mart Weatherization Program. MFA works with two established regional subgrantees to deliver weatherization services to single-family properties. Prior to 2014, these subgrantees also provided multifamily weatherization services. In 2014, recognizing the distinct set of technical challenges involved in multifamily weatherization, MFA partnered with the International Center for Appropriate and Sustainable Technology (ICAST), a nonprofit sustainable engineering organization, to help deliver multifamily weatherization services.

Initially, ICAST operated under the management of MFA's two pre-existing regional subgrantees. However, MFA concluded that this structure created an additional layer of management and oversight and that the subrecipients focused primarily on single-family weatherization work. In 2019, MFA made ICAST an independent WAP subrecipient focused exclusively on multifamily weatherization. This change helped streamline the delivery of multifamily weatherization services. In the early years of the partnership with ICAST, MFA staff played an important role in helping ICAST build relationships with multifamily property owners and managers across New Mexico. Today, ICAST has established relationships across the state and manages the pipeline of multifamily projects more independently. ICAST has also helped MFA identify and pursue competitive funding opportunities to support and expand multifamily weatherization efforts in the state.

The **Case Study Supplement** includes a more detailed case summary of MFA's Energy$mart Weatherization Program.

[6] For a detailed analysis of multifamily weatherization challenges and opportunities, see C. Martin, M. Bueno, M. Johnson, F. Montes, and R. Frost, "Targeting Weatherization: Supporting Low-Income Renters in Multifamily Properties Through the Infrastructure Investment and Jobs Act's Funding of the Weatherization Assistance Program and Beyond," Joint Center for Housing Studies, Harvard University (2023).

- **Invest in Building Technical Capacity**: In addition to identifying experienced multifamily implementation partners, HFAs can support the deployment of training and technical assistance resources to their existing WAP networks. In some cases, HFAs might be able to dedicate existing state or agency resources towards training and technical assistance efforts (see "HFAs in Action: Alaska Housing Finance Corporation's Home Energy Rebate Program" box). In other cases, HFAs might engage with the recipients of new DOE funding programs designed to help develop the workforce necessary for delivering residential energy efficiency improvements at scale. For example, IRA and IIJA appropriations to DOE included $200 million in funding for the Home Energy Efficiency Contractor Training Grants program and $40 million in funding for the Energy Auditor Training Grant program, to support programs to train those workers.
- **Take Advantage of Streamlined Processes for Verifying Multifamily Eligibility**: Since 2010, DOE has published lists of public housing, assisted multifamily housing, and LIHTC projects that meet WAP income requirements without the need for additional verification. In 2022, DOE published WPN 22-5, which further streamlined the eligibility verification process by extending categorical eligibility to WAP applicants who meet HUD's income eligibility requirements. With respect to multifamily eligibility verification, this streamlined process should make it easier for WAP grantees and subgrantee networks to establish the eligibility of privately owned multifamily buildings that house residents receiving tenant-based rental assistance (e.g., Section 8 Housing Choice Vouchers).

3.4 Help Ensure GGRF Resources Support Investments in Housing

Summary

HFAs can help ensure GGRF resources are used to support investments in residential energy efficiency and renewable energy production. By directing GGRF resources to support the development or retrofitting of affordable housing, HFAs can help the coalitions that receive GGRF awards meet Justice40 objectives.

The Implementation Challenge

Two of the three GGRF award competitions — the National Clean Investment Fund and the Clean Communities Investment Accelerator — will rely on a small number of national or "hub" grantees (or grantee coalitions) to manage and distribute large funding awards. Because of the GGRF's broad focus, it will not necessarily be the case that all (or any) of the awarded hub grantees develop programs that are specifically focused on directing GGRF resources towards residential properties.

Additionally, the effective deployment of GGRF funds will depend on effective coalition building and relationships between national hub grantees and broader networks of state and local financial institutions — such as green banks, community development financial institutions, and HFAs — which will provide financing that drives project implementation.

The Opportunity for HFA Impact

Many details of GGRF implementation and administration will not be finalized for some time. These details will depend on structures established by the small number of national and hub grantee coalitions selected by EPA to administer the National Clean Investment Fund and the Clean Communities Investment Accelerator. However, the following are steps HFAs can take now to position themselves to access GGRF resources as they become available:

- **Identify and Engage with Housing-Focused GGRF Coalitions**: We encourage HFAs to stay alert to announcements and information about the hub coalitions that intend to submit applications to the National Clean Investment Fund or Clean Communities Investment Accelerator competitions. Reaching out to prospective applicants can allow HFAs to build relationships and learn how hub coalitions are thinking about the management of GGRF awards.

Some coalitions might develop applications that focus on particular project domains, including housing. For example, in June 2023, Calvert Impact, the Community Preservation Corporation, and Self-Help established Climate United, a consortium that will apply for one of the GGRF National Clean Investment Fund awards. The consortium's focus on affordable housing decarbonization leverages the expertise and capabilities of coalition members as well as supporting partners, which include the Housing Partnership Network, the Mortgage Bankers Association, and the National Association of Affordable Housing Lenders.

- **Prepare to Apply for GGRF Capitalization Funds**: As established lending institutions with expertise supporting investments in affordable housing, HFAs could be strong candidates for subawards made under the National Clean Investment Fund and Clean Communities Investment Accelerator. The national hub coalitions that administer the National Clean Investment Fund will make subawards directly to the sponsors of eligible projects *and* to community lenders (including HFAs) to support lending activities that finance eligible activities. The hub coalitions that administer the Clean Communities Investment Accelerator will oversee the disbursement of capitalization awards of up to $10 million per subrecipient to community lenders to support similar lending activities. Subawards under these programs are not yet available and many details regarding the process of applying for these subawards will depend on the specific coalitions selected to administer each program. However, we encourage HFAs to prepare to apply for capitalization subawards by tracking updates about the GGRF competitions and reviewing the notices of funding opportunity for both GGRF programs to learn more about eligible activities.
- **Identify and Support State Solar for All Applicants**: While all notices of intent to apply for funding under the GGRF Solar for All competition were due by August 14, 2023, applications for the competition itself are not due until October 12, 2023. We thus encourage HFAs to identify and engage with the agency or nonprofit organization in their state that intends to lead the state's Solar for All application.[7] State applicants considering using Solar for All funds to provide financial assistance in the form of loans or financing tools might benefit from consulting with HFA staff, especially in states where HFAs offer existing loan products that can be used to finance residential solar.
- **Help Address Justice40 Objectives**: In the GGRF notices of funding opportunity, the EPA lays out a definition of low-income and disadvantaged communities that specifically includes properties providing affordable housing to low-income individuals and households. That is, GGRF activities that direct funding towards eligible affordable rental housing projects can contribute to Justice40 objectives, even if the affordable rental housing project is located outside of a geographically-defined disadvantaged community, such as those defined by the CEJST or EJScreen mapping tools (see "The Justice40 Initiative" box).[8] HFAs are well positioned to help direct GGRF resources to affordable housing projects, thus helping the national and hub coalitions responsible for administering the GGRF competitions meet Justice40 objectives.

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7 The Solar for All Notice of Funding Opportunity provides for up to 56 awards to be made to states and territories, up to five awards for programs that serve American Indian and Alaska Native Communities, and up to 10 awards to be made to organizations or coalitions serving communities across multiple states.

8 The GGRF Notices of Funding Opportunity define properties providing affordable housing to low-income individuals and families as rental housing in which rents do not exceed 30 percent of 80 percent area median income for at least half of residential units. The definition applies to both assisted properties with active affordability covenants (e.g., LIHTC, HUD assisted, or USDA assisted) and naturally occurring, unsubsidized affordable housing.

4. Establishing a Place in the Renewable Energy Ecosystem

In this section, we take a broader look at how HFAs and other housing-focused organizations can assess their states' renewable energy ecosystem and build critical partnerships. We emphasize that the most effective interventions HFAs can implement to support improvements in residential energy efficiency or renewable energy production are likely to be state specific and emerge from strong partnerships with state energy offices and other organizations that already possess a high level of energy-focused expertise.

4.1 Take Stock of Existing Resources and Infrastructure

The landscape of existing state programs and stakeholders working to improve housing sustainability and energy efficiency can vary widely from state to state. To help identify ways to effectively promote residential energy efficiency or renewable energy production in their states, HFAs and other housing-focused organizations should start by taking stock of existing energy programs and policies, as well as the work already being carried out by state agencies, utility companies, and nonprofit organizations.

- **State Energy Offices**: SEOs are typically central stakeholders in state renewable energy ecosystems. HFAs should prioritize establishing and strengthening their relationships with their SEO counterparts. We discuss HFA-SEO relationships in more detail in **Section 4.2 Establish and Strengthen SEO Partnerships** below.
- **Organizations Implementing WAP and LIHEAP**: Even in the case of longstanding national programs such as WAP or the Low-Income Home Energy Assistance Program (LIHEAP), state-specific configurations of lead agencies and local implementation partners can vary widely. For example, the New Mexico Mortgage Finance Authority works with a small network of WAP providers — consisting of just two regional community action agencies that provide single-family weatherization services and a third provider, ICAST, focused exclusively on multifamily weatherization. In contrast, other HFAs reported working with WAP networks consisting of dozens of local community action agencies.
- **Utility Companies and Ratepayer Programs**: Many utility companies operate or support ratepayer-funded programs designed to improve energy efficiency. The availability and design of these programs vary from state to state. Several HFAs identified utility company programs as an important source of funding for HFA energy-efficiency programs. In New York, the Clean Energy Initiative, a program operated in partnership by the HFA and SEO, relies on resources provided by utility companies via a requirement that companies invest in energy conservation efforts (see "HFAs in Action: New York State Homes and Community Renewal's Clean Energy Initiative and Climate Friendly Homes Fund" box).
- **Financial Institutions**: In some states, other financial institutions, such as mission-driven green banks or community development financial institutions, already might offer financing tools and products designed to promote residential energy efficiency or renewable energy production. The configuration and focus of these institutions can vary widely from state to state. For example, in New York, the NY Green Bank, established in 2010, is administered by the SEO, the New York State Energy Research and Development Authority (NYSERDA). In Massachusetts, a newly established green bank — the Massachusetts Community Climate Bank — will be housed within the state HFA, MassHousing.

- **State Energy Codes**: States (and some localities) establish and maintain energy codes for residential buildings. DOE analyses of state energy codes indicate that levels of energy code efficiency have improved over time but continue to vary across states.[9] Improvements to baseline standards for residential energy efficiency can have important implications for the design and impact of programs that establish energy performance improvement goals intended to exceed baseline standards (see "HFAs in Action: Washington State Housing Finance Commission's Sustainable Energy Trust" box).

HFAs in Action: Washington State Housing Finance Commission's Sustainable Energy Trust

HFAs should be alert to ways in which improvements to state energy codes can affect the deployment of financing or funding resources.

The Washington State Housing Finance Commission (WSHFC) established its Sustainable Energy Trust (SET) in 2009. SET provides loans of as much as $1 million at favorable interest rates to support a wide range of energy-related projects, including high-efficiency new construction, residential clean energy production, and energy retrofits for multifamily housing. Since its inception, SET has financed more than 35 projects and deployed more than $33 million in project financing. WSHFC staff noted Washington has developed a strict set of energy codes for multifamily housing, as well as its own set of green building standards — the Evergreen Sustainable Development Standard — for all new affordable housing construction financed by the state's Housing Trust Fund. Staff noted that, with these codes and standards in place, new construction projects that already meet high-energy efficiency standards can be financed via other WSHFC programs. This has enabled WSHFC to dedicate a larger share of SET financing for existing property retrofits and improvements.

The **Case Study Supplement** includes a more detailed case summary of WSHFC's Sustainable Energy Trust.

- **Nonprofit Organizations**: Local and national nonprofit organizations working on energy-related issues can operate their own independent programs, provide sources of financing, or offer valuable technical expertise. For example, the partnerships described above between MFA and ICAST and between NCHFA and Advanced Energy allowed HFAs to leverage the expertise of nonprofit partners to expand their delivery of weatherization services and energy-efficiency improvements (see "North Carolina Housing Finance Agency's SystemVision™ Energy Guarantee Program" and "HFAs in Action: New Mexico Mortgage Finance Authority's Energy$mart Weatherization Program" boxes above).
- **Green Building Certification Standards**: Green building certification standards, such as the U.S. Green Building Council's LEED certification and Enterprise Community Partners' Green Communities certification, can be useful "off-the-shelf" tools for promoting building sustainability via more ambitious building standards (see "HFAs in Action: Georgia Housing and Finance Authority's Green Building Certification Requirements" box).
- Identifying the key players, policies, and programs already in place — including those noted above — is an essential first step for HFAs and other housing-focused organizations seeking to find a niche in the renewable energy ecosystem. The specific features of this ecosystem vary from state to state and will determine the most appropriate and impactful role for HFAs and other housing-focused organizations to play. In some states, it might make sense for HFAs to take a leading role in standing up new programs or expanding existing ones. In other states, it might be more appropriate for HFAs to operate in more of a consulting role, providing housing-focused feedback and support to other state agencies or established green organizations that need assistance to more effectively engage homeowners or multifamily property owners.

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[9] Detailed analyses of state energy codes are carried out by the DOE's Building Energy Codes Program.

HFAs in Action: Georgia Housing and Finance Authority's Green Building Certification Requirements

Using established, third-party standards and requirements developed by green building experts can provide an effective way for HFAs to integrate best practices into their programming without having to assume direct responsibility for the development and updating of these standards.

In the 2010s, the Georgia Housing and Finance Authority (GHFA) incorporated a set of sustainability provisions into its LIHTC Qualified Allocation Plan (QAP). Applicants were awarded points for establishing that projects would meet third-party green building certification requirements. Applicants who committed to more rigorous levels of certification were awarded more points. In 2019, GHFA revised its QAP sustainability provisions to establish threshold requirements (rather than incentive points) for a set of minimum third-party green building certifications, in order to improve compliance and enable smaller developers to effectively compete for credits.

GHFA staff identified three factors that made third-party certification programs a valuable centerpiece of GHFA's sustainability efforts. First, staff noted using third-party certification programs with their own inspection and quality assurance processes helped ensure more manageable administrative and inspection workloads for agency staff. Second, staff noted relying on specialized green building organization standards maintained confidence that standards reflect up-to-date best practices. And third, staff noted some green building standards included important, non-energy-related requirements that might fall outside the scope of energy codes or other baseline building requirements.

The **Case Study Supplement** includes a more detailed case summary of the sustainability provisions in GHFA's Qualified Allocation Plan.

4.2 Establish and Strengthen SEO Partnerships

Establishing and maintaining partnerships across a state's renewable energy ecosystem will be critical for effective HFA engagement with new and existing residential energy programs. At a minimum, HFAs and other housing organizations should act quickly to establish or strengthen existing relationships with SEOs. We strongly concur with the findings from a recent report released by the National Association of State Energy Officials that emphasized the value of HFA-SEO collaborations.

Many HFAs already have established relationships with SEOs. However, descriptions of these relationships by HFA staff suggest the nature of these relationships can vary widely. Many of the agencies we heard from over the course of this study reported strong, long-term relationships with their SEOs. These HFA staff reported working closely with SEO staff to ensure coordination and avoid duplication, to coordinate around weatherization and LIHEAP activities, and to advance shared energy-related goals. HFAs described SEO relationships that were often grounded in attending various state working groups or anchored by regular monthly check-ins.

In other cases, HFA staff reported having less regular SEO contact and challenges with early-stage relationships. In some cases, HFA staff described their relationships with SEOs as more casual or ad hoc, with agencies meeting as needed but not on any sort of established schedule.

We believe an effective HFA-SEO partnership is critical for the design and implementation of successful residential energy initiatives. HFAs and SEOs each bring essential and distinctive expertise to collaborations that enable programs neither agency could administer as effectively on its own. Below, we provide highlights from two HFA case studies that demonstrate the value of strong HFA-SEO partnerships (see "HFAs in Action: Minnesota Housing's Energy Fix Up Loan Program" and "HFAs in Action: New York State Homes and Community Renewal's Clean Energy Initiative and Climate Friendly Homes Fund" boxes).

HFAs in Action: New York State Homes and Community Renewal's Clean Energy Initiative and Climate Friendly Homes Fund

Since 2019, New York State Homes and Community Renewal (HCR) has operated two complementary programs to promote residential energy efficiency: the Clean Energy Initiative and Climate Friendly Homes Fund.

Operated in partnership with the New York State Energy Research and Development Authority (NYSERDA), the state energy office, the Clean Energy Initiative (CEI) supports owners of multifamily properties who are applying to HCR for a variety of affordable housing resources, including private activity bonds and LIHTC allocations. CEI provides applicants with free technical assistance to help them determine the most appropriate set of energy improvements to include in their projects, as well as identify additional sources of funding to help pay for the additional costs of those improvements.

The $250 million Climate Friendly Homes Fund provides financing for buildings with 5 to 50 units to replace older, less efficient building systems with all-electric, high-performance heating, cooling, and hot water systems. HCR has engaged the Community Preservation Corporation, an experienced community development financial institution (CDFI), to administer the program through a network of CDFIs and community development organizations.

HCR staff reported that the partnership with NYSERDA has made it possible to incorporate meaningful, energy-focused technical assistance into both programs. Staff noted increasing energy efficiency standards can result in levels of engineering complexity that are challenging to even the most sophisticated developers without technical energy expertise. HCR staff also noted building technical assistance and NYSERDA support into existing HCR application processes has simplified service delivery and made resources more accessible to owners and developers of affordable housing.

The **Case Study Supplement** includes a more detailed case summary of the Clean Energy Initiative and the Climate Friendly Homes Fund.

HFAs in Action: Minnesota Housing's Energy Fix Up Loan Program

The Minnesota Housing Finance Agency (Minnesota Housing) established its Fix Up Home Improvement Loan Program in 1976 to provide long-term, fixed-rate home improvement loans to income-qualified homeowners. As it does with its home mortgage programs, Minnesota Housing administers the program via a network of lending institutions that originate the home improvement loans, which are then sold to Minnesota Housing.

In 2014, the HFA partnered with Minnesota's state energy office (a division of the Minnesota Department of Commerce) to provide Energy Fix Up Loans: home improvement loans focused specifically on energy conservation improvements, including solar panel installation, to all households without regard to income limits. As with Minnesota Housing's existing home improvement loan products, Energy Fix Up Loans are originated by a network of financial institutions. The majority of Energy Fix Up Loans are originated by a single lending partner, the Center for Energy and Environment, a nonprofit organization that promotes residential energy efficiency through a variety of programs and financial products.

Minnesota Housing staff reported this successful HFA-SEO partnership built on a pre-existing relationship formed via a shared network of local service providers. In Minnesota, WAP is administered by the SEO, and weatherization services are delivered via a network of community action agencies. Minnesota Housing worked with many of these same local agencies to administer a home repair program for low-income homeowners. Equipped with new financial resources from the American Recovery and Reinvestment Act, the SEO wanted to increase the availability of financing for homeowners to make energy improvements to their homes. Aware of Minnesota Housing's pre-existing Fix Up Home Improvement Loan Program, the SEO initiated conversations with Minnesota Housing to see how the agencies could collaborate to deliver a similar, energy-focused financing product.

The **Case Study Supplement** includes a more detailed case summary of Minnesota Housing's Energy Fix-Up Loan Program.

5. Conclusion

Together, IIJA and IRA resources are likely to accelerate the growth of residential energy initiatives, nationwide. Ongoing challenges posed by climate change and rising energy costs suggest efforts to improve residential energy efficiency and renewable energy production will remain important for the foreseeable future. The availability of new funding and the opportunities the funding provides for forging new or expanded partnerships make this an opportune moment for HFAs and other housing-focused organizations to assess how they want to support residential energy improvements in their states.

HFAs and other housing organizations seeking to support this work are well positioned to do so. As the examples provided throughout this report indicate, HFAs bring valuable lending capabilities and housing market knowledge that energy-focused agencies and organizations might not possess. As mission-driven institutions, HFAs bring decades of experience delivering services and financial products designed to meet the housing needs of low- and moderate-income renters and homeowners.

As our findings also indicate, however, effective collaboration is at the core of successful HFA initiatives to promote residential energy efficiency or renewable energy production. State energy offices and nonprofit partners possess energy-focused, technical expertise that HFAs often lack. The effective implementation of DOE rebate programs and GGRF-funded projects will thus require input from multiple agencies and organizations that bring housing, financing, and energy expertise.