



Inflation Reduction Act

Intersection of climate investments and affordable housing

October 13, 2022
1 – 2pm ET



WELCOME



Jacqueline Waggoner

President, Solutions
Division

About us

We focus on the greatest need – the massive shortage of affordable rental homes – to achieve three goals:



Increase Housing Supply

Preserve and produce good homes that people can afford



Advance Racial Equity

After decades of systematic racism in housing



Build Resilience & Upward Mobility

Support residents and strengthen communities to be resilient to the unpredictable

Speakers



Krista Egger, Enterprise



Michael Novogradac, Novogradac



Liz Osborn, Enterprise



Ayate Temsamani, Enterprise



Mihir Parikh, Enterprise



Michelle Diller, Enterprise

AGENDA:

1. OVERVIEW OF PROVISIONS

2. DEEPER DIVE

DIRECT SPENDING

TAX CREDITS

3. NEXT STEPS

4. Q&A

INFLATION REDUCTION ACT



FEDERAL AGENCIES



HUD

EPA

DOE

Treasury

Climate Provisions that Impact Housing: Direct Spending

\$1B

HUD'S GREEN AND RESILIENT
RETROFIT PROGRAM (GRRP)

\$4.3B

DOE'S HOME ENERGY
PERFORMANCE BASED, WHOLE
HOUSE REBATES (HOMES)

\$4.5B

DOE'S HIGH-EFFICIENCY ELECTRIC
HOME REBATE PROGRAM (HEEHR)

\$27B

EPA'S GREENHOUSE GAS
REDUCTION FUND

\$3B

EPA'S ENVIRONMENTAL AND
CLIMATE JUSTICE BLOCK GRANTS

\$1B

DOE - BUILDING ENERGY CODES

Climate Provisions that Impact Housing: Tax Credits

48

COMMERCIAL INVESTMENT TAX
CREDIT (ITC)

45L

NEW ENERGY EFFICIENT HOME
CREDIT

179D

COMMERCIAL BUILDINGS
ENERGY-EFFICIENCY TAX
DEDUCTION

DEEPER DIVE

GREEN AND RESILIENT RETROFIT PROGRAM (GRRP)

Improving Energy Efficiency, Water Efficiency and/or Climate Resilience of Affordable Housing



Administering Agency: U.S. Department of Housing and Urban Affairs (HUD)

Eligible Recipients: Owners and sponsors of privately owned, HUD subsidized properties that agree to an extended period of affordability

\$1B through September 2028

- \$837.5M for grants and direct loans, including to subsidize up to \$4B in direct loans
- \$120M for program administration
- \$42.5M to benchmark energy and water use for eligible properties

GREEN AND RESILIENT RETROFIT PROGRAM (GRRP)

Improving Energy Efficiency, Water Efficiency and/or Climate Resilience of Affordable Housing

Uses

- Energy and water benchmarking
- Improve energy or water efficiency, indoor air quality or sustainability
- Implement the use of low-emission technologies, materials, or processes, including:
 - zero emission electricity generation,
 - energy storage, or
 - building electrification
- Address climate resilience

***HUD has an active RFI seeking input to this program, comments due October 27**

GREENHOUSE GAS REDUCTION FUND

Unlock meaningful climate investments and advance environmental justice

Administering Agency: U.S. Environmental Protection Agency (EPA)



Eligible Recipients: Nonprofit, States, and other institutions

- designed to provide capital, leverage capital, and provide other forms of financial assistance for the rapid deployment of low- and zero-emission products, technologies, and services,
- does not take deposits other than deposits from repayments and other revenue from providing financial assistance,
- is funded by public or charitable contributions, and
- invests in or finances projects alone or in conjunction with other investors

GREENHOUSE GAS REDUCTION FUND

Unlock meaningful climate investments and advance environmental justice

\$27 Billion through September 30, 2024 (\$15B low-income and disadvantaged communities)

- \$7B in grants to provide financial assistance, including grants and loans, and technical assistance to allow low-income/disadvantaged communities to deploy or benefit from zero-emission technologies
- \$8B in grants to provide financial and technical assistance in low-income and disadvantaged communities
- \$11.97B to provide financial and technical assistance

Uses

- Use federal dollars to leverage private investments in projects that combat climate change to:
 - Provide financial assistance to qualified projects at the national, regional, State, and local levels,
 - Prioritize investment in qualified projects that would otherwise lack access to financing, and
 - Retain, manage, recycle, and monetize repayments and other revenue from providing financial assistance.

HOME ENERGY PERFORMANCE BASED, WHOLE HOUSE REBATES (HOMES)

Savings based retrofit program



Administering Agency: U.S. Department of Energy (DOE): State energy offices will develop and administer

Eligible Recipients: Homeowners, multifamily building owners and intermediary entities that may receive rebates on behalf of homeowners and multifamily building owners

\$4.3B available Jan 1, 2023 through FY2031

- Up to 20% of a state's grant allocation may be used for planning and administrative activities
- Rebates between \$4,000 - \$8,000 for LMI individuals who earn less than 80% of the area median income (up to \$8,000 capped at 80% of project cost)

HOME ENERGY PERFORMANCE BASED, WHOLE HOUSE REBATES (HOMES)

Savings based retrofit program

Uses:

- Rebates will be provided based on the percentage of energy savings and income
- LMI multifamily with more than 50% of dwelling units occupied by households with incomes at or below 80% qualify for higher incentive levels

Energy Savings Level	Maximum Rebate
15% or more	A payment rate per kWh saved up to \$4,000 for a 20% reduction in energy use per dwelling unit for the average multifamily building in the state or 80% of the project cost
20-34%	Lesser of \$4,000/ dwelling unit or 80% of project cost
35% or more	Lesser of \$8,000/ dwelling unit or 80% of the project cost

HIGH-EFFICIENCY ELECTRIC HOME REBATE PROGRAM (HEEHR)

Income based incentive structure for new construction and retrofits for qualified home electrification projects

Administering Agency: U.S. Department of Energy (DOE): State energy offices and Tribes will develop and administer



Eligible Recipients: LMI homeowners, multifamily building owners and third-party entities carrying out a qualified electrification project on behalf of one of the former entities

\$4.5B through FY2031

- Up to 20% of a state's grant allocation may be used for planning and administrative activities
- Point of sale rebates for electrification upgrades up to \$14,000

HIGH-EFFICIENCY ELECTRIC HOME REBATE PROGRAM (HEEHR)

Income based incentive structure for new construction and retrofits for qualified home electrification projects

An entity receiving multiple rebates	Maximum allowable rebate: \$14,000
Multifamily w/ 50% or more residents w/ incomes between 80-150% AMI	Up to 50% of the cost of the electrification project
Multifamily w/ 50% or more residents w/ incomes less than 80% AMI	100% of the cost of the electrification project

Uses:

- Rebates for new construction and retrofits for qualified electrification projects
 - Installation of new, efficient electric appliances - (QEPs)
 - Includes heat pump HVAC systems, HPWHs, electric cooking appliances, heat pump clothes dryers, and enabling measures - upgraded circuit panels, insulation, and wiring

The Inflation Reduction Act: What does it mean for Affordable Housing?

Enterprise Webinar

Michael J. Novogradac

Managing Partner

Novogradac & Company LLP

 @Novogradac

October 13, 2022

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NOTEWORTHY PROVISIONS



Sect. 45L- New Energy Efficient Home Credit Extension & Increase

... no basis adjustment in:
“determining the adjusted basis of any building under Section 42”

- **Extends credit** from 1/1/2022 through 12/31/2032
- Building must meet the national and regional requirements of the most recent ENERGY STAR New Construction standards starting in 2023
 - In 2022, energy standard is 2006 IECC and credit amount is \$2,000/unit (\$1,000/unit for manufactured homes)
- Tax credit amounts **vary** depending on the **level of building energy performance** and whether **prevailing wage requirements** for building construction are met

		MEETS PREVAILING WAGE?	
		Yes	No
ENERGY STANDARD	ENERGY STAR New Construction	\$2,500 per unit	\$500 per unit
	DOE's Zero Energy Ready Homes	\$5,000 per unit	\$1,000 per unit

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NOTEWORTHY PROVISIONS



Sect. 48- Renewable Energy Investment Tax Credit (ITC), including Bonus Credit for Affordable Housing/Low-Income Communities with no LIHTC Basis Reduction

- **Extends** and **modifies** the ITC retroactively to 30% starting 1/1/2022 and through 12/31/2032 (with transition to tech neutral ITC on 1/1/2025)
- Facility financed must be less than 1 MW or meet labor standards providing prevailing wages and apprenticeship programs no later than 60 days after Treasury publishes guidance (which is expected in 1st quarter of 2023)
- **10% ITC domestic content bonus** available 1/1/2023 according to this schedule:

Project Construction	Required % of Domestic Content	Required % of Domestic Content for Offshore Wind
If construction begins before Jan. 1, 2025	40%	20%
If construction begins on or after Jan. 1, 2025 and before Jan. 1, 2026	45%	27.5%
If construction begins on or after Jan. 1, 2026 and before Jan. 1, 2027	50%	35%
If construction begins on or after Jan. 1, 2027 and before Jan. 1, 2028	55%	45%
If construction begins on or after Jan. 1, 2028	55%	55%

Inflation Reduction Act

NOTEWORTHY PROVISIONS



Sect. 48 - Renewable Energy Investment Tax Credit (ITC),

+ Bonus Credits

. . . no basis reduction for:

“purposes of determining eligible basis under section 42”

- **Another 10% ITC bonus** available 1/1/2023 for facilities located in “energy communities”, which include:
 - Brownfield sites,
 - Census tracts (including adjacent tracts) where coal mines closed after 1999 or coal-fired power plants retired after 2009, and
 - Census tracts (including adjacent tracts) where fossil fuel industries contributed significantly to employment or tax base after 2009 and have unemployment rates higher than the national average
- **Bonus ITC credit** for facilities with maximum net output of 5 MW connected to low-income communities (10%) and affordable housing (20%)
- **Bonus credit** is available in 2023-2032 but is limited to 1.8 gigawatts in each calendar year with unused amounts carried forward
- Treasury must develop the procedures for allocating 1.8 gigawatt to eligible facilities within six months after the bill is enacted.

Solar Investment Tax Credits

sans LIHTC Basis Reduction



Sect. 48 - Renewable Energy Investment Tax Credit (ITC), + Bonus Credits
... no basis reduction for:
“purposes of determining eligible basis under section 42”

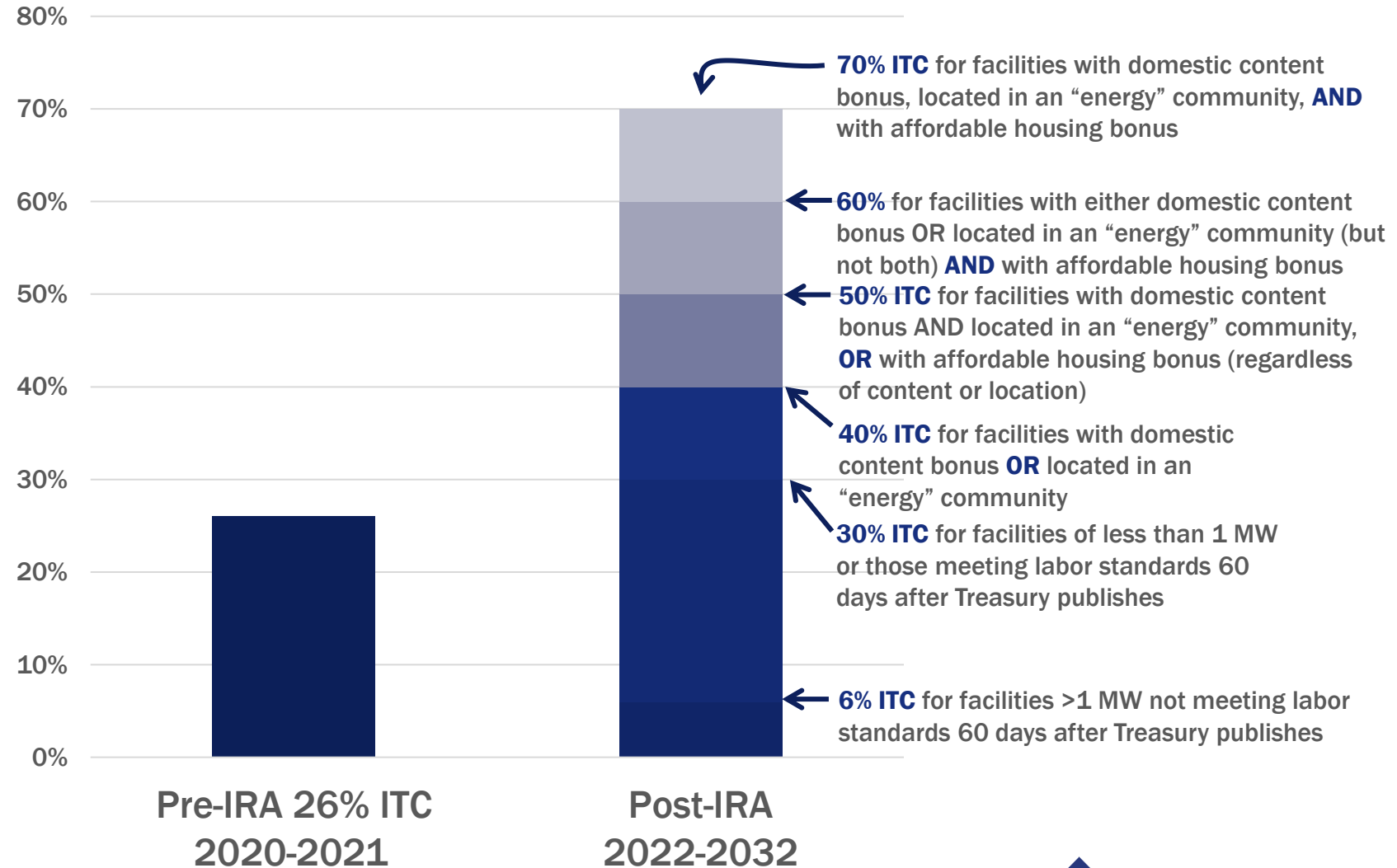
Solar Tax Credits	30%
Qualifying Low-Income Residential Building or Benefit Project	20%
Domestic Content	10%
Energy Community	10%
<hr/>	
Total	70%

Solar Investment Tax Credits

sans LIHTC Basis Reduction



Sect. 48 - Renewable Energy Investment Tax Credit (ITC), + Bonus Credits
... no basis reduction for: "purposes of determining eligible basis under section 42"



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BENEFITS



- **Additional Investor Equity**

- **IRC Section 45L** and **48E** energy credits
- Additional LIHTCs on added costs
- Additional tax losses



- **Additional borrowing capacity**

- Increased NOI
 - reduced utility allowance
 - lower common area energy costs

Section 179D



Section 179D Modification of Energy Efficient Commercial Buildings Deduction

- Applies only to buildings of **four stories or more above grade**
- Modifies the formula for computing the maximum amount of the energy-efficient commercial buildings deduction
 - Increases the deduction amount if new wage and apprenticeship requirements are met
 - Modifies the energy efficiency standard
 - Eliminates the partial deduction for property that does not meet the certification standard
 - Provides an alternative deduction for energy-efficient building retrofit property
- Deduction still **reduces LIHTC basis**
- Generally, applies to taxable years beginning after 2022
- Deduction for energy efficient retrofit property applies to property placed in service after 2022

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15% CORPORATE MINIMUM BOOK TAX

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- **15% Corp. Min. Tax on “Book” Income (mainly based on corp. financials)**
- Reduced by business credits (e.g., LIHTC)
- Book income adjusted for accelerated tax depreciation
- Need guidance from Treasury regarding treatment of partnership flow-through book losses when using proportional amortization method

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NEXT STEPS

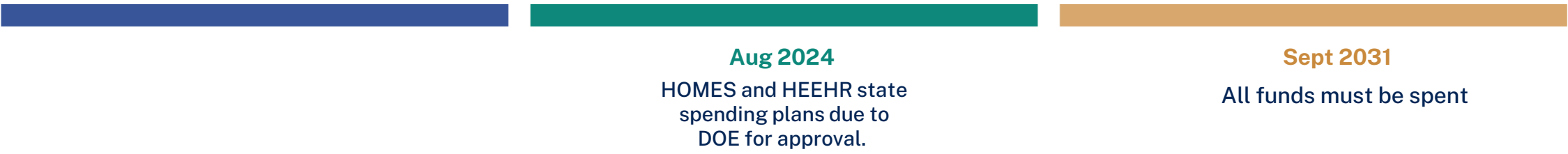
- Now is the time to weigh in with agencies as they draft regulations (HUD, EPA, DOE, Treasury)
- Funding for the various grant programs will start to roll out in 2023, but implementation will be long-term
- Continue to work at the State & Local level to advocate for affordable housing priorities and funding

Timeline for Program Implementation

HUD's Green and Resilient Retrofit Program



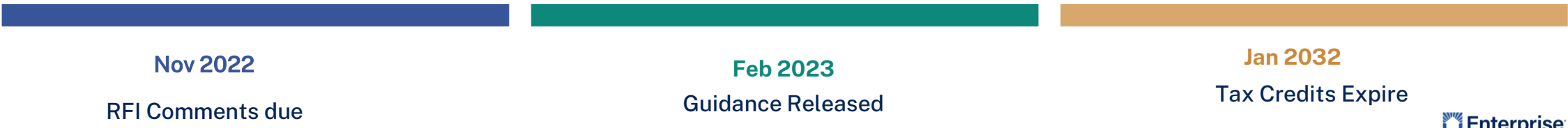
DOE's Rebates Programs



EPA's Greenhouse Gas Reduction Fund



Treasury's Bonus Affordable Housing Solar (ITC)



Q & A



Thank You!