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
## Climate Provisions that Impact Housing: Direct Spending

<table>
<thead>
<tr>
<th>Program</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD’s Green and Resilient Retrofit Program (GRRP)</td>
<td>$1B</td>
</tr>
<tr>
<td>DOE’s Home Energy Performance Based, Whole House Rebates (Homes)</td>
<td>$4.3B</td>
</tr>
<tr>
<td>DOE’s High-Efficiency Electric Home Rebate Program (HEEHR)</td>
<td>$4.5B</td>
</tr>
<tr>
<td>EPA’s Greenhouse Gas Reduction Fund</td>
<td>$27B</td>
</tr>
<tr>
<td>EPA’s Environmental and Climate Justice Block Grants</td>
<td>$3B</td>
</tr>
<tr>
<td>DOE - Building Energy Codes</td>
<td>$1B</td>
</tr>
</tbody>
</table>
## Climate Provisions that Impact Housing: Tax Credits

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>48</td>
<td>Commercial Investment Tax Credit (ITC)</td>
</tr>
<tr>
<td>45L</td>
<td>New Energy Efficient Home Credit</td>
</tr>
<tr>
<td>179D</td>
<td>Commercial Buildings Energy-Efficiency Tax Deduction</td>
</tr>
</tbody>
</table>
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
INFLATION REDUCTION ACT

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 and Tribes 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

<table>
<thead>
<tr>
<th>Energy Savings Level</th>
<th>Maximum Rebate</th>
</tr>
</thead>
<tbody>
<tr>
<td>15% or more</td>
<td>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</td>
</tr>
<tr>
<td>20-34%</td>
<td>Lesser of $4,000/ dwelling unit or 80% of project cost</td>
</tr>
<tr>
<td>35% or more</td>
<td>Lesser of $8,000/ dwelling unit or 80% of the project cost</td>
</tr>
</tbody>
</table>
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_

<table>
<thead>
<tr>
<th>Description</th>
<th>Maximum Allowable Rebate</th>
</tr>
</thead>
<tbody>
<tr>
<td>An entity receiving multiple rebates</td>
<td>Maximum allowable rebate: $14,000</td>
</tr>
<tr>
<td>Multifamily w/ 50% or more residents w/ incomes between 80-150% AMI</td>
<td>Up to 50% of the cost of the electrification project</td>
</tr>
<tr>
<td>Multifamily w/ 50% or more residents w/ incomes less than 80% AMI</td>
<td>100% of the cost of the electrification project</td>
</tr>
</tbody>
</table>

**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
Inflation Reduction Act

**NOTEWORTHY PROVISIONS**

- **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

<table>
<thead>
<tr>
<th>MEETS PREVAILING WAGE?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENERGY STAR New Construction</td>
<td>$2,500 per unit</td>
<td>$500 per unit</td>
</tr>
<tr>
<td>DOE's Zero Energy Ready Homes</td>
<td>$5,000 per unit</td>
<td>$1,000 per unit</td>
</tr>
</tbody>
</table>

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

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

October 13, 2022

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**NOTEWORTHY PROVISIONS**

- **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:

<table>
<thead>
<tr>
<th>Project Construction</th>
<th>Required % of Domestic Content</th>
<th>Required % of Domestic Content for Offshore Wind</th>
</tr>
</thead>
<tbody>
<tr>
<td>If construction begins before Jan. 1, 2025</td>
<td>40%</td>
<td>20%</td>
</tr>
<tr>
<td>If construction begins on or after Jan. 1, 2025 and before Jan. 1, 2026</td>
<td>45%</td>
<td>27.5%</td>
</tr>
<tr>
<td>If construction begins on or after Jan. 1, 2026 and before Jan. 1, 2027</td>
<td>50%</td>
<td>35%</td>
</tr>
<tr>
<td>If construction begins on or after Jan. 1, 2027 and before Jan. 1, 2028</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>If construction begins on or after Jan. 1, 2028</td>
<td>55%</td>
<td>55%</td>
</tr>
</tbody>
</table>
Inflation Reduction Act

**NOTEWORTHY PROVISIONS**

• **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.

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

...no basis reduction for:

“purposes of determining eligible basis under section 42”
Solar Investment Tax Credits

**sans LIHTC Basis Reduction**

<table>
<thead>
<tr>
<th>Category</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar Tax Credits</td>
<td>30%</td>
</tr>
<tr>
<td>Qualifying Low-Income Residential Building or Benefit Project</td>
<td>20%</td>
</tr>
<tr>
<td>Domestic Content</td>
<td>10%</td>
</tr>
<tr>
<td>Energy Community</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70%</strong></td>
</tr>
</tbody>
</table>

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

...no basis reduction for:

“purposes of determining eligible basis under section 42”
Solar Investment Tax Credits

sans LIHTC Basis Reduction

Pre-IRA 26% ITC
2020-2021

Post-IRA
2022-2032

70% ITC for facilities with domestic content bonus, located in an “energy” community, AND with affordable housing bonus

60% for facilities with either domestic content bonus OR located in an “energy” community (but not both) AND with affordable housing bonus

50% ITC for facilities with domestic content bonus AND located in an “energy” community, OR with affordable housing bonus (regardless of content or location)

40% ITC for facilities with domestic content bonus OR located in an “energy” community

30% ITC for facilities of less than 1 MW or those meeting labor standards 60 days after Treasury publishes

6% ITC for facilities >1 MW not meeting labor standards 60 days after Treasury publishes

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

- 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
Inflation Reduction Act

**15% Corporate Minimum Book Tax**

- **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
- Oct 2022: RFI Comments due
- Sept 2028: All funds must be spent

DOE's Rebates Programs
- Aug 2024: HOMES and HEEHR state spending plans due to DOE for approval.
- Sept 2031: All funds must be spent

EPA's Greenhouse Gas Reduction Fund
- Feb 2023: EPA to start distributing Funds
- Sept 2024: GGRF Grants must be complete

Treasury's Bonus Affordable Housing Solar (ITC)
- Nov 2022: RFI Comments due
- Feb 2023: Guidance Released
- Jan 2032: Tax Credits Expire
Q & A
Thank You!