

### Introduction:

The Inflation Reduction Act (IRA), approved by Congress and signed by President Biden in August 2022, is the most significant federal action to address the climate crisis in U.S. history.

It includes important provisions to incentivize investment in energy efficiency, storage, and renewable energy, with a bonus incentive applying to such projects when undertaken in low-income, tribal, or fossil fuel-dependent areas, or as part of a recognized affordable housing project.

The IRA addresses a stark need for higher-quality affordable units:

- Affordable housing residents face disproportionate energy burdens, spending 8.1% of their incomes on energy costs compared to 2.3% for the average household.<sup>1</sup> That burden is even higher in rural areas.
- Affordable housing is often energy inefficient and highly susceptible to storm damage due to the use of lower-quality construction materials or their placement on floodplains, where land is less expensive.<sup>2</sup>
- More than 40% of U.S. solar potential is concentrated in low- and middle-income (LMI) neighborhoods. Projects in these communities are also key to developing the clean energy workforce.<sup>3</sup>

This report describes IRA provisions that promote investment in energy efficient and renewable-powered affordable housing, with important considerations for residents, investors, and developers.

### Incentivizing the Construction of Energy Efficient and Renewable-Powered Affordable Housing:

- **Bonus tax credit (§48) in addition to the Investment Tax Credit (ITC) otherwise available for** qualifying solar and wind facilities, including associated energy storage, with a maximum net output of 5 MW and placed in low-income areas or on tribal lands (10% ITC) or part of a recognized affordable housing project (20% ITC). – §13103 (Department of Treasury).

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<sup>1</sup> Drehobl, A., Ross, L., & Ayala, R. “How High Are Household Energy Burdens? An Assessment of National and Metropolitan Energy Burden across the United States.” ACEEE. ([September 2020](#)).

<sup>2</sup> Ortiz, G. et al. A Perfect Storm. Extreme Weather as an Affordable Housing Crisis Multiplier. Center for American Progress. ([August 2019](#)).

<sup>3</sup> National Renewable Energy Laboratory (NREL). Rooftop Solar Technical Potential for Low-to-Moderate Income Households in the United States. ([April 2018](#)).

# Inflation Reduction Act of 2022

## ACORE Summary of Affordable Housing

- The bonus credit is subject to an annual cap of 1.8 GW, which Treasury must decide how to allocate within six months of the IRA's enactment. Developers of eligible units that meet [prevailing wage and apprenticeship requirements](#) during construction will receive an additional 10% to the base credit amount.
- **Extension of the energy efficient home credit (\$45L)** for developers of new housing that meets certain energy performance standards, including the Energy Star Multifamily New Construction (\$2,500 credit) and the DOE Zero Energy Ready Homes program (\$5,000 credit). – §13304 (Internal Revenue Service)
  - Developers should plan to complete an energy analysis performed or certified by a third-party professional, which is necessary to claim the \$45L credit. DOE provides information on options for completing energy analyses [here](#).
- **Expansion of energy efficient commercial building deduction (\$179D)** to incentivize the energy efficient construction or retrofit of commercial and multifamily buildings, including affordable housing, worth up to \$5 per square foot. – §13303 (Internal Revenue Service)
  - This credit only applies to properties four or more stories above grade that are placed in service in 2023 and beyond. According to the [U.S. Green Building Council](#), a 35% reduction in energy use intensity for a 40,000 square-foot property will net the [primary designer](#) a \$140,000 deduction.

### Improving Energy Efficiency and Lowering Energy Costs for Existing Affordable Housing Units:

- **\$1 billion to the Green and Resilient Retrofit Program (GRRP)** to make affordable housing more energy and water efficient through low-emission technologies, performance benchmarking, and cooperative agreements. – §30002 (Department of Housing and Urban Development)
  - Section 8, 202, and 811 properties under the 1959 Housing Act are eligible. Funding will be administered by the HUD Office of Multifamily Housing Programs, which is currently working on program design and plans to oversee multiple rounds of funding. President Biden's 2023 budget, which Congress will likely pass in a consolidated appropriations bill by the end of 2022, [requests \\$250 million](#) for the GRRP program, enough to provide roughly 5,000-10,000 multifamily affordable units with green retrofits and climate resiliency upgrades. Developers and owners of eligible properties can monitor GRRP updates [here](#).

- **\$4.3 billion to state agencies via the HOMES rebate program** to lower the cost of whole-building energy efficiency upgrades, with higher discounts provided to residential units claiming more than 50% of households at or below 80% area median income (AMI) or less than 200% of the poverty line. – §50121 (Department of Energy)
  - State agencies are responsible for developing their own programs to house funds under this provision. DOE recently announced state [allocations](#), pending details on the \$225 million for tribes. The agency expects funds to be available next spring following a request for input earlier in 2023. In the meantime, parties can monitor the development of their state's programs using this [database](#).
- **\$4.5 billion to state energy agencies via the High-Efficiency Electric Home Rebate Act program (HEEHRA)** to fund the installation of new wiring, electric appliances, insulation, and other cost-saving retrofits for households with incomes below 150% of AMI and multifamily buildings with more than 50% of dwelling units below 150% AMI. – §50122 (Department of Energy)
  - HEEHRA rebates provide point-of-sale discounts for both the purchase and installation of energy efficient equipment, capped at \$14,000 per low-income household. Like the program above, funds are expected to be [distributed](#) to state energy offices and tribes by spring 2023, which could be available to the public later in the year. Residents and developers can use this [resource](#) to locate qualified contractors, who can receive up to \$500 for installing qualifying equipment or appliances.

### Bolstering Climate and Disaster Resilience of Affordable Housing:

- **\$3 billion in neighborhood access and equity grants** to improve the walkability, safety, and affordability of communities adversely impacted by pollution from nearby transportation and energy projects. – §60501 (Federal Highway Administration)
  - Developers and investors pursuing funding for such projects should check the FHWA tab under the federal grants [website](#) to complete an application, pending the release of agency [guidance](#).
- **\$1.5 billion in state and local grants** through the Urban and Community Forestry Program to fund tree-planting and other cooling projects in underserved communities. – §23303 (U.S. Forest Service)
  - Developers looking to enhance the availability of green space in affordable housing communities and, by extension, improve their climate resilience should visit this [page](#) listing state coordinators and program websites that can provide specific guidance for accessing funds now.

### Spurring Green Investment in Affordable Housing Communities:

- **\$15 billion out of the \$27 billion in total funding under the Greenhouse Gas Reduction Fund** to support climate projects in low-income and disadvantaged communities through grants, loans, and technical assistance provided by nonprofit financial institutions, such as green banks. – §60103 (Environmental Protection Agency)
  - EPA is currently launching a stakeholder engagement campaign to implement program funds, which will be available through September 30, 2024. Developers should consider responding to the agency’s request for information before December 5, 2022 and should monitor the EPA website for a [new program homepage](#) that will provide program guidance and implementation updates. National listening sessions on the program were held on November 1 and 9, recordings of which can be found [here](#).
- **\$2.8 billion for environmental and climate justice block grants** to fund community-led projects that address pollution burdens, climate risks, and other environmental harms predicated in low-income, minority, and disadvantaged communities. – §60201 (Environmental Protection Agency)
  - Developers, investors, and residents looking to secure block grants for projects related to affordable housing should expect guidance from EPA’s newly established [Office of Environmental Justice and External Civil Rights](#), which will oversee the delivery of funds under this section. EPA updates this [page](#) with information on applying to its current grant opportunities.

### Additional Resources:

- Rocky Mountain Institute article on [converting brownfields into clean energy “brightfields”](#)
- Franklin Energy guide on [whole building energy upgrades for LMI families](#)
- Clean Energy Group study on [solar and battery storage paired with affordable housing](#)
- Energy Efficiency for All report on [best practices for affordable housing energy efficiency programs](#)