

Leveraging New and Existing Federal Funding Opportunities for Building Upgrades

January 20, 2023



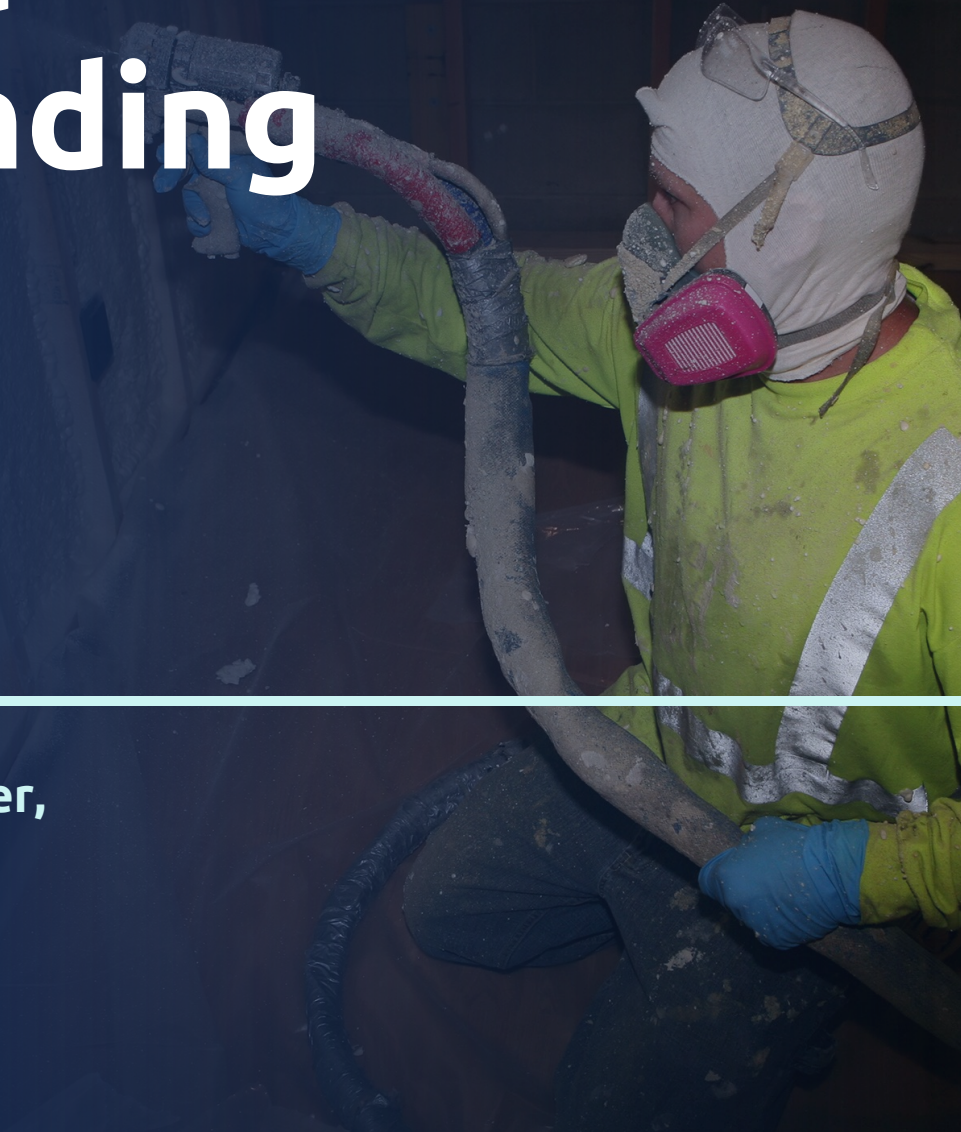
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Residential Retrofits
for Energy Equity



About R2E2

- Residential Retrofits for Energy Equity (R2E2) is a new nationwide initiative that will provide training to state, local, and tribal governments as well as community-based organizations and other partners to jumpstart energy upgrades for affordable housing that will lower utility bills, reduce greenhouse gas emissions, improve residents' health, create good-paying local jobs, and help advance racial equity.
- A partnership of the American Council for an Energy-Efficient Economy (ACEEE), Elevate, Emerald Cities Collaborative, and HR&A Advisors, R2E2 will offer guidance on energy upgrade financing models, economic inclusion, navigating the complexities of the affordable housing sector, and engaging with community-based organizations to ensure policy and program plans reflect community needs. People's Climate Innovation Center is advising R2E2 on centering equity in the project and its outcomes and on facilitating community-driven planning processes.

Learning Objectives

By the end of this session you should have an understanding of:

- The importance of upgrades for households with low incomes
- New federal funding opportunities for building upgrades:
 - American Rescue Plan Act (ARPA): Coronavirus State and Local Fiscal Recovery Funds (SLFRF)
 - Infrastructure Investment and Jobs Act (IIJA)
 - Inflation Reduction Act (IRA)
- The challenges and limitations of leveraging federal funding sources for building upgrades

How can building upgrades benefit underserved communities?



Increase climate resilience

- Reduce greenhouse gas emissions and air pollution
- Lessen reliance on fossil fuel equipment
- Enable families to maintain safe indoor temperatures during extreme weather



Improve health, comfort, and safety

- Reduce exposure to mold, moisture, and lead
- Improve indoor air quality
- Lower risk of gas leaks or explosions
- Reduce ER visits and missed days of work and school related to asthma and other respiratory diseases
- Improve mental health



Increase affordability

- Reduce energy bills for people with low and moderate incomes
- Improve long-term housing affordability and stability
- Free up household budgets for essential needs such as food and medicine



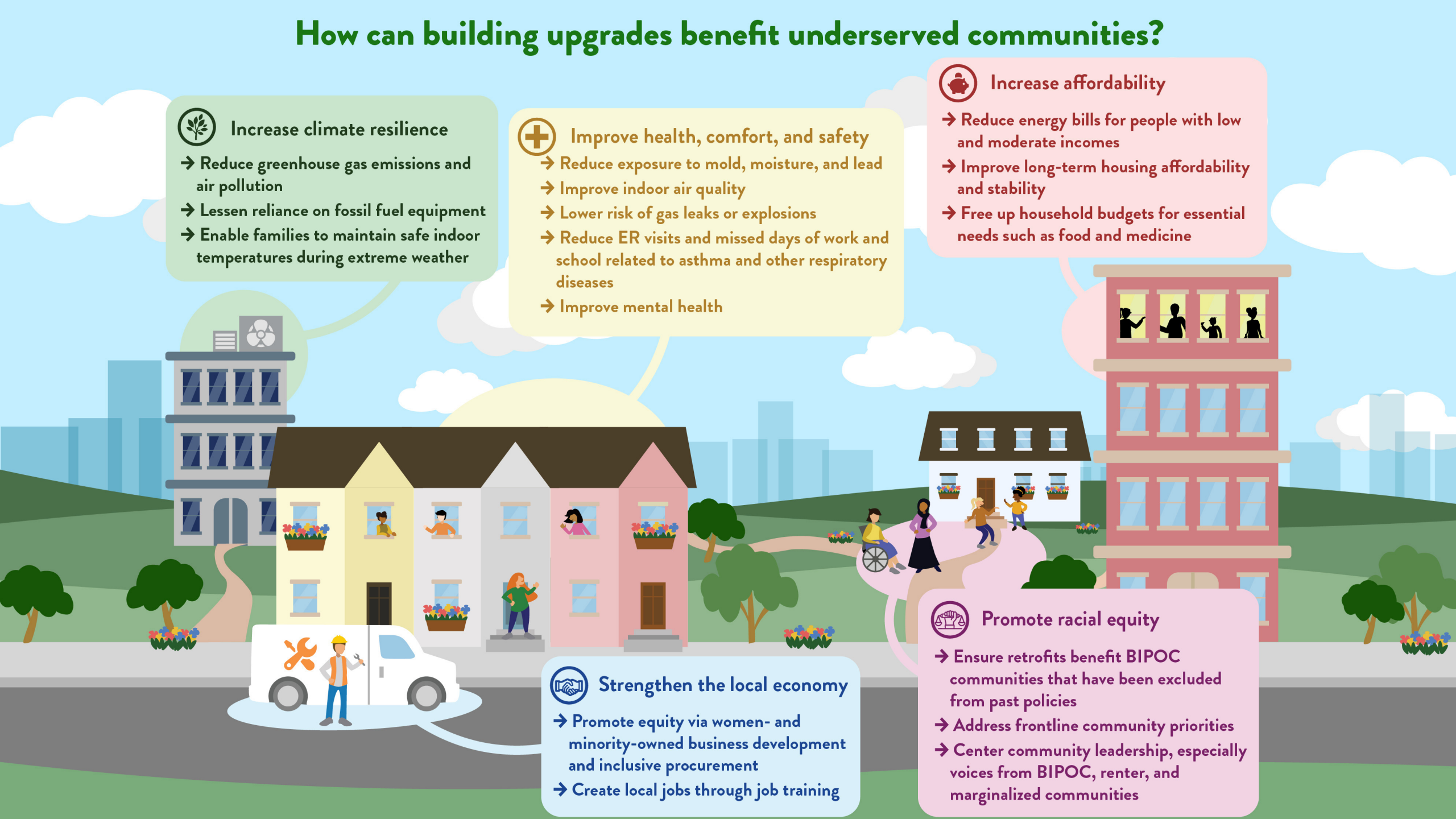
Strengthen the local economy

- Promote equity via women- and minority-owned business development and inclusive procurement
- Create local jobs through job training



Promote racial equity

- Ensure retrofits benefit BIPOC communities that have been excluded from past policies
- Address frontline community priorities
- Center community leadership, especially voices from BIPOC, renter, and marginalized communities



American Rescue Plan Act of 2021 (ARPA)

What is ARPA?

- A \$1.9 trillion stimulus bill to assist with the country's recovery from the economic and health effects of the COVID-19 pandemic.

Is there funding for housing retrofits?

- Yes, \$350 billion in State and Local Fiscal Recovery Funds (SLFRF) have been allocated to state, local and tribal governments for home repairs, weatherization, and a broad range of other needs.

Is there still funding available?

- About 60.5% of the funding has been budgeted. All funds must be budgeted by December 31, 2024.

NLC Local Government ARPA Investment Tracker

National Average Adopted Budget ⓘ

GOVERNMENT OPERATIONS
43.2%

COMMUNITY AID
11.1%

INFRASTRUCTURE
10.1%

HOUSING
9.3%

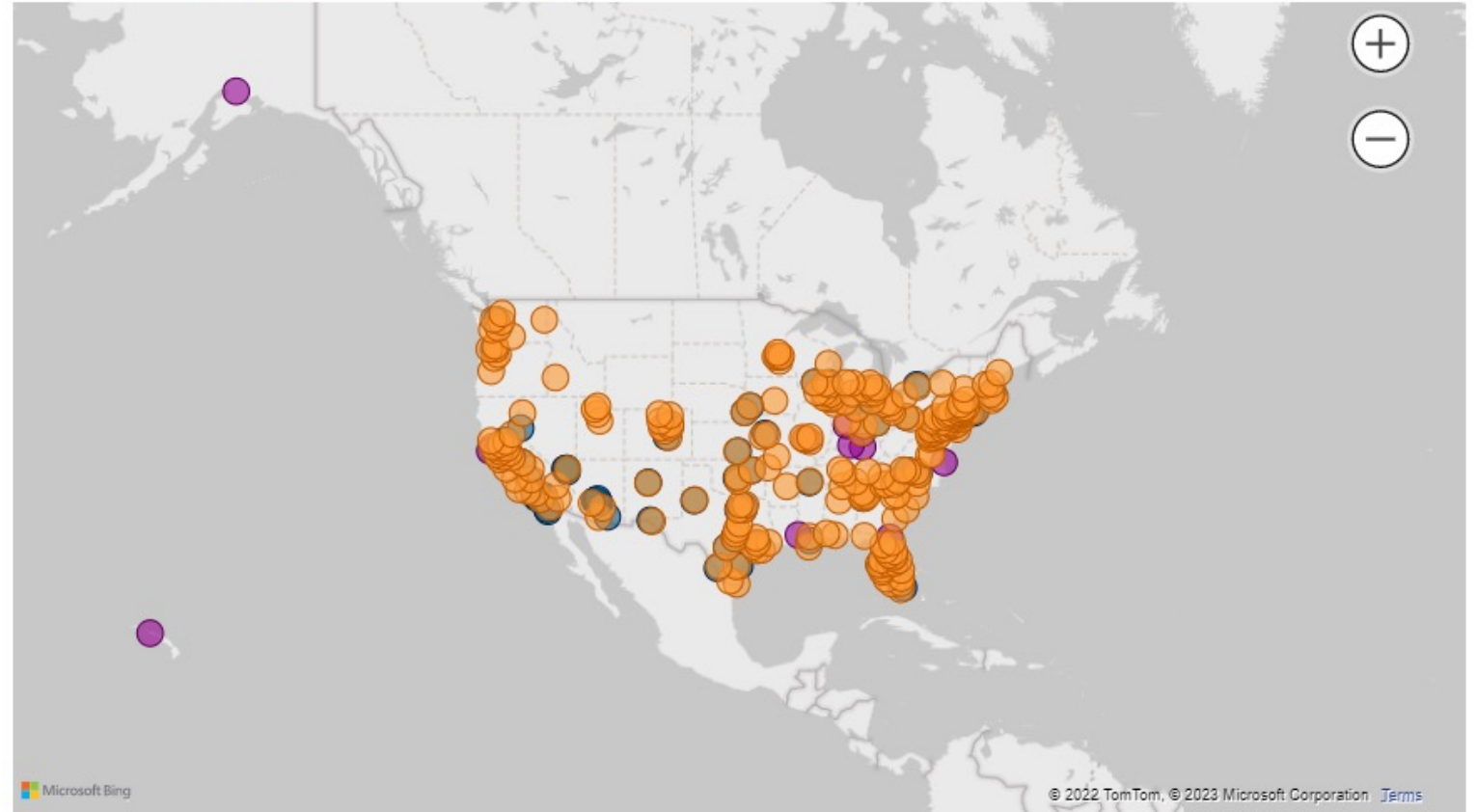
PUBLIC HEALTH
11.0%

PUBLIC SAFETY
7.1%

ECONOMIC & WORKFORCE DEV
8.2%

Download Data

Local Gov Type ● City ● Consolidated City-County ● County



National League of Cities. Local Government ARPA Investment Tracker. <https://www.nlc.org/resource/local-government-arpa-investment-tracker/>

ARPA Case Study: Connecticut Dept. of Energy & Environmental Protection (DEEP)

Connecticut put forward a plan for how to use ARPA funding which included energy efficiency and clean energy retrofits to help improve respiratory health and reduce burdensome energy costs for low-income residents. \$7 million dollars will be allocated over 3 years.

- **Health and Safety Barrier Remediation Program** is intended to address home and safety barriers such as asbestos, mold, gas leaks, and knob-and-tube wiring that prevent weatherization measures to make homes more efficient.
- **Home Energy Solutions- Income Eligible (HES-IE)** will help Connecticut residents weatherize their homes with insulation, air sealing and improved air ventilation.
- **The Efficiency Energy Retrofit for Affordable Housing Program** will ensure that the residents of affordable housing have healthy homes, can afford their energy bills, and are able to participate in clean energy programs.
 - CT DEEP will administer this program in coordination with CT Green Bank, CT Housing Finance Authority, and other state agencies.



American Rescue Plan Act of 2021 (ARPA): Check-in Question for Attendees

If you are familiar with any energy and housing projects or initiatives in your community that are using ARPA dollars, can you share examples in the chat?

Infrastructure Investment & Jobs Act (IIJA)

What is IIJA?

- A \$1.2 trillion bipartisan bill that was signed into law in November 2021 to help grow the economy, create jobs, and make the United States economy more sustainable, resilient, and just.

Is there funding for housing retrofits?

- Yes, funding will be available through various energy efficiency programs.

Is there still funding available?

- Funding availability is dependent on each state.

Infrastructure Investment & Jobs Act (IIJA)

Weatherization Assistance Program

- \$3.5 billion to allow states to retrofit thousands of low-income homes to make them healthier and more energy efficient while lowering utility bills.
- WAP “whole home” retrofit funds installing insulation, updating heating and cooling systems, upgrading electrical appliances, and other actions that will improve quality of life in the winter and summer with less energy usage.

Low-Income Home Energy Assistance Program (LIHEAP)

- \$550 million to states to provide federally funded assistance to reduce the costs associated with home energy bills, energy crises, weatherization, and minor energy-related home repairs.

Infrastructure Investment & Jobs Act (IIJA)

State Energy Program

- \$500 million for states and territories to enhance energy security, advance state-led energy initiatives and maximize the benefits of energy efficiency

Energy Efficiency Revolving Loan Fund Capitalization Grant Program

- \$250 million to provide capitalization grants to states to establish a revolving loan fund under which the state shall provide loans and grants for energy efficiency audits, upgrades, and retrofits to increase energy efficiency and improve the comfort of buildings

Energy Efficiency and Conservation Block Grant (EECBG)

- \$550 million in block grants to cities, communities, states, U.S. territories, and Indian tribes to develop, promote, implement, and manage energy efficiency, renewable energy, conservation, and zero-emission transportation projects

Infrastructure Investment & Jobs Act (IIJA): Check-in Question for Attendees

How does your state/local government plan to use IIJA funding for energy efficiency projects in your community?

OR

How would you like to see this funding be spent on energy efficiency projects?

Inflation Reduction Act (IRA)

What is the IRA?

- Signed in August 2022, this law is intended to pay down the national debt, lower energy costs, and extend affordable health care coverage for Americans. The Act would raise \$737 billion in revenue and invest \$369 billion in energy, security, and climate change.

Is there funding for housing retrofits?

- Yes. IRA allocates \$369 billion for energy security and climate change, which includes provisions to promote energy efficiency and energy affordability in homes and to decarbonize buildings to meet greenhouse gas reduction goals.

Is there still funding available?

- Yes. IRA is a 10-year plan that will change several tax laws and provide funding for various energy efficiency programs. Changes will not happen immediately, but the federal government is working to implement the law as quickly as it can.

Inflation Reduction Act (IRA): Overview

Provisions relevant to affordable housing retrofits	Amount	Agency
High-Efficiency Electric Home Rebates (HEEHRA)	\$4.5 billion	DOE
Home Energy Performance-Based, Whole-House Rebates	\$4.3 billion + \$200M for workforce	DOE
25C: Residential Energy Efficiency Tax Credit	Uncapped	Treasury
25D: Residential Clean Energy Credit	Uncapped	Treasury
45L Tax Credit : Residential Energy Efficiency Investments	Uncapped	Treasury
Green Resilient Retrofit Program (GRRP)	\$1 billion	HUD
Greenhouse Gas Reduction Fund	\$27 billion (\$15 billion for disadvantaged communities)	EPA
Climate Pollution Reduction Grants	\$5 billion	EPA
Environmental Justice Community Block Grants	\$2.8 billion	EPA

Inflation Reduction Act (IRA): Consumer Rebates

High-Efficiency Electric Home Rebates (HEEHR or electrification rebates)

- \$4.5 billion administered by state energy offices & tribes through 2031
- Point-of-sale rebates up to \$14,000 for low- and moderate-income (LMI) households that install new, electric qualified electrification projects (QEPs)
- Project costs covered:
 - 100% for households <80% AMI
 - 50% for households 80-150% AMI
- Multifamily buildings also qualify if ≥50% of occupants are LMI
- Max QEP rebate levels:
 - \$8,000 for heat pumps
 - \$1,750 for heat pump water heaters
 - \$840 for heat pump clothes dryers
 - \$840 for electric or induction stoves
 - \$4,000 for electrical panel upgrades
 - \$2,500 for rewiring
 - \$1,600 for basic weatherization
- Contractors can receive up to a \$500 incentive for installing a QEP

Inflation Reduction Act (IRA): Consumer Rebates

Home Energy Performance-Based, Whole-House Rebates (Whole Home Efficiency Rebates)

- \$4.3 billion administered by state energy offices & tribes through FY2031
- Funding will likely become available in late 2023 but implementation will take time
- Rebates for energy-saving retrofits with at least 15% energy savings
 - Retrofits can include heat pumps and electrification
- Rebate amounts tied to energy savings
 - Modeled energy savings pathway
 - \$8,000 cap / 80% coverage for LMI households (<80% AMI)
 - \$4,000 cap / 50% coverage otherwise
 - Measured energy savings pathway
- Multifamily buildings also qualify
- \$200 contractor incentive for projects in disadvantaged communities

Inflation Reduction Act (IRA): Consumer Tax Credits

25C: Residential Energy Efficiency Tax Credit

- Extended through FY2031, new credits start in 2023
- Provides 30% tax credit for residential efficiency and electrification upgrades, up to \$3,200 per year
 - Annual credit for heat pumps and heat pump water heaters capped at \$2,000
 - Annual credit for other upgrades — electrical panel (if installed in conjunction with a heat pump), insulation, doors, and windows — capped at \$1,200
 - Covers purchase and equipment installation
 - Annual credit limit resets every year
 - Non-refundable

25D: Residential Clean Energy Credit

- Extended through FY2031, new credits retroactive to 2022
- Provides 30% tax credit for geothermal heat pumps, solar panels, and battery storage*
 - Uncapped
 - Covers purchase and installation
 - Non-refundable
 - Carry-forward ability applies
 - *Battery storage credits available starting 2023



Subcaps

- Exterior doors (30% of costs up to \$250 per door, up to a total of \$500);
- Exterior windows and skylights (30% of costs up to \$600); and
- Insulation materials or systems and air sealing materials or systems (30% of costs)
- Home energy audits (30% of costs up to \$150)
- Residential energy property (30% of costs, including labor, up to \$600 for each item
 - central air conditioners;
 - natural gas, propane, or oil water heaters;
 - natural gas, propane, or oil furnaces and hot water boilers; and
 - improvements to or replacements of panelboards, sub-panelboards, branch circuits, or feeders that are installed along with building envelope components or other energy property listed in these FAQs and enable its installation and use.

Inflation Reduction Act (IRA): Tax Credits

§45L Tax Credit

- Homeowners, builders, developers, and investors are eligible
- Credit extended from 2022 through end of 2032
- 2023 credit amounts will be:
 - Multifamily
 - If prevailing wage and apprenticeship requirements are not met:
 - Energy Star National Program: \$500/ dwelling unit
 - DOE's Zero Energy Ready Home (ZERH): \$1,000/dwelling unit
 - If prevailing wage and apprenticeship requirements are met:
 - Energy Star New Construction: \$2,500/ dwelling unit
 - DOE's Zero Energy Ready Homes: \$5,000/ dwelling unit
 - Single Family
 - Energy Star National Program: \$2,500
 - Zero Energy Ready Home (ZERH): \$5,000

Inflation Reduction Act (IRA): Tax Credits

• § IRC 179D – Energy Efficient Commercial Building Deduction

- Commercial buildings are eligible for a tax deduction for investments in energy efficiency
- the deduction amount increases with higher levels of efficiency
- the minimum is 25% increase in efficiency which correlates to 50 cent deduction per sq ft
- the max is a 50% deduction correlated to a max deduction of \$1.00 per sq. ft.
- the deduction amount is. multiplied by 5 for projects meeting labor standards
- The baseline standard is the ASHRAE 90.1 energy standard
- tax deduction can be transferred from state and local governments, tribes, and nonprofits to the architects and designers of the energy efficiency improvements

Inflation Reduction Act (IRA): Green Resilient Retrofit Program (GRRP)

- **Administrator**
 - U.S Department of Housing and Urban Development (HUD)
- **Eligible Recipients**
 - Owners of privately-owned, HUD-subsidized properties including Section 8, 202, & 811
- **\$1 Billion 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
- **Eligible Uses:**
 - Low-emission technologies, materials, or processes, including zero-emission electricity generation, energy storage, or building electrification
 - Improve energy or water efficiency, indoor air quality, or sustainability
 - Climate resilience
 - Energy and water benchmarking

Inflation Reduction Act (IRA): EPA Greenhouse Gas Reduction Fund

- \$27 billion through FY 2024
- Includes \$15 billion for low-income and disadvantaged communities
- Grants to support financial and technical assistance for qualified projects that reduce greenhouse gas emissions and air pollution
- Eligible entities include:
 - Nonprofits, e.g., community development financing institutions (CDFIs) & green banks
 - State and local governments (only for the \$7B pot)
- Qualified projects can range from energy efficiency, electrification, renewable energy such as rooftop solar, and resiliency investments.
- EPA must start disbursing funding by Feb. 12, 2023 and all funding must be disbursed by Sept 30, 2024

Inflation Reduction Act (IRA): Incentives through EPA

Climate Pollution Reduction Grants

- \$5 billion to assist states, air pollution agencies, tribes, and local governments in developing and implementing local climate pollution strategies

Environmental Justice Community Block Grants

- \$2.8 billion in environmental and climate justice block grants for community-based nonprofits and other eligible partners
- EPA must spend the money before September 30, 2036, and awarded grants can last up to three years
- Supports projects like community-led air pollution monitoring, prevention, and remediation; mitigating climate and health risks from extreme heat and wildfires; climate resiliency and adaptation; and reducing indoor air pollution

Inflation Reduction Act (IRA): Check-in Question for Attendees

What IRA funding opportunities do you believe will be most beneficial for your community?

What can you do now to prepare to access these funds?

- Identify your organization's priorities, budget needs, and gaps in funding*
- Use Rewiring America's IRA calculator to determine how much IRA funding households in your community can receive: <https://www.rewiringamerica.org/app/ira-calculator>
- Identify funding sources for your specific projects using the Federal Funding Opportunities Decarbonization (FFOLD) tool at <https://cityrenewables.org/ffold/> *
- Learn more about how ARPA, IIJA, and IRA funds have been or are going to be budgeted by your state
- Engage with finance departments in your state or city to learn about funding timelines, and how to access and apply for funding

*Source: Renewables Accelerator. October 4, 2022. How Unprecedented Incentives and Funding in the Inflation Reduction Act Can Advance Local Climate Action.

Q&A

 Residential Retrofits
for Energy Equity

Resources

- **Home Energy Upgrade Incentives: Programs in the Inflation Reduction Act and Other Recent Federal Laws.** <https://www.aceee.org/policy-brief/2022/09/home-energy-upgrade-incentives-programs-inflation-reduction-act-and-other>
- **U.S Department of Treasury: Coronavirus State and Local Fiscal Recovery Funds.** <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>
- **National League of Cities: Local Government ARPA Investment Tracker.** <https://www.nlc.org/resource/local-government-arpa-investment-tracker/>
- **White House Fact Sheet: Bipartisan Infrastructure Investment and Jobs Act.** <https://www.whitehouse.gov/briefing-room/statements-releases/2021/08/02/updated-fact-sheet-bipartisan-infrastructure-investment-and-jobs-act/>
- **DOE Energy Efficiency and Conservation Block Grant Webinars.** <https://www.energy.gov/clean-energy-infrastructure/energy-efficiency-and-conservation-block-grant-program>
- **Novogradac: Benefits of the Inflation Reduction Act for Affordable Housing.** <https://www.novoco.com/periodicals/articles/benefits-inflation-reduction-act-affordable-housing>
- **American Cities Climate Challenge Renewables Accelerator: Federal Funding Opportunities Decarbonization (FFOLD) Tool.** <https://cityrenewables.org/ffold/>
- **Rewiring America. IRA Calculator.** <https://www.rewiringamerica.org/app/ira-calculator>

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