

# **HFA IRA Bootcamp Session #2:** HUD's Green and Resilient Retrofit Program (GRRP) and Bonus Tax Credit

# AGENDA

- Welcome + Bootcamp Program Updates
  - Danielle Arigoni, NHT
- Green and Resilient Retrofit Program (GRRP)
  - Tom Davis, HUD
- Update on Treasury/IRS Low Income Solar Guidance
  - Todd Nedwick, NHT
- Preview of Upcoming Sessions



# PROGRAM UPDATES

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- **Bootcamp newsletter launched!**
  - Regular updates as new IRA information comes out
  - Sent to both HFA and Owner/Developer Bootcamp participants
  - *Let Madeleine know if you'd like additional staff from your agency added to the list*
- **Cohort learning opportunities!**
  - Voluntary small group discussions between Bootcamp sessions
  - Provide space for peer-sharing and dialogue about IRA opportunities
  - *Madeleine will send out sign-up opportunities*



**Thank you for your interest in National Housing Trust's Inflation Reduction (IRA) Bootcamps.**

This email provides news on IRA programs, funding opportunities, IRA Bootcamp information, and links to additional resources.

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## **Latest IRA Updates**

**Greenhouse Gas Reduction Fund:** EPA has announced the opportunity for potential applicants, coalition members, and partners of the [Greenhouse Gas Reduction Fund \(GGRF\)](#) grant competitions to self-identify to create coalitions and partnerships before applying to the \$14B National Clean Investment Fund (NCIF), the \$6B Clean Communities Investment Accelerator (CCIA), and/or the \$7B Solar for All (SFA) competitions. Interested parties should fill out the relevant forms below **by June 19, 2023**.

# POLL

Help us design the most effective cohort learning session possible:

- 1) Is this type of voluntary session of interest to you?
- 2) What topic would you want to cover in the meet-up?  
(If "other", please type in chat or come off mute to share)



# INTEGRATING THE FOLLOWING MEASURES INTO AFFORDABLE HOUSING

*Percentage of Respondents with Advanced, Moderate, or Limited Knowledge*

Green building certifications



Energy efficiency



Electrification/  
decarbonization



Renewable energy



Resilient retrofits



Water efficiency



Advanced



Moderate

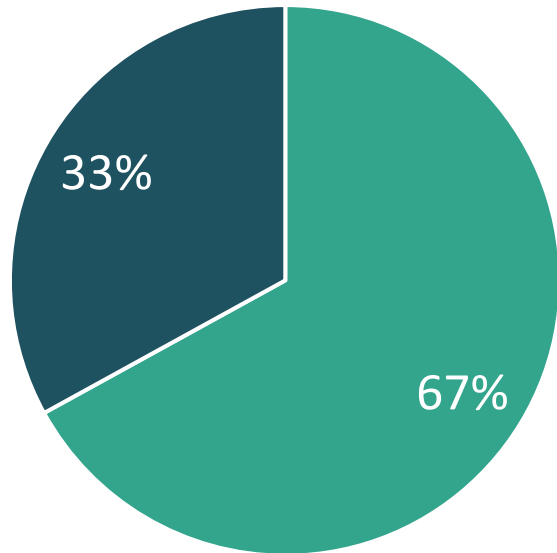


Limited

# VALUE AND LIKELIHOOD OF...

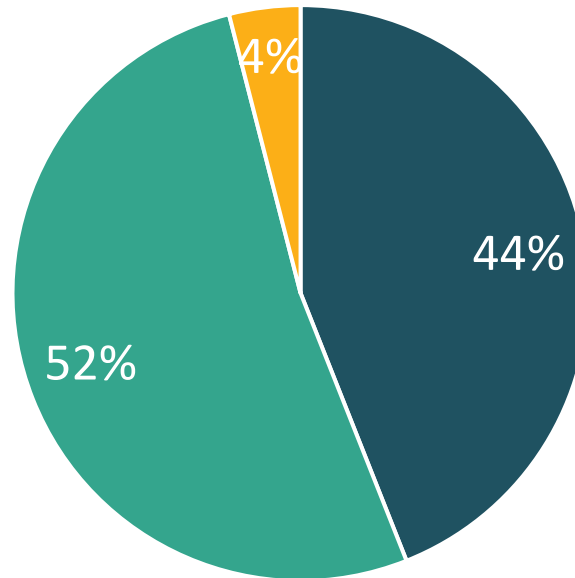
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How respondents value making sustainable and resilient investments



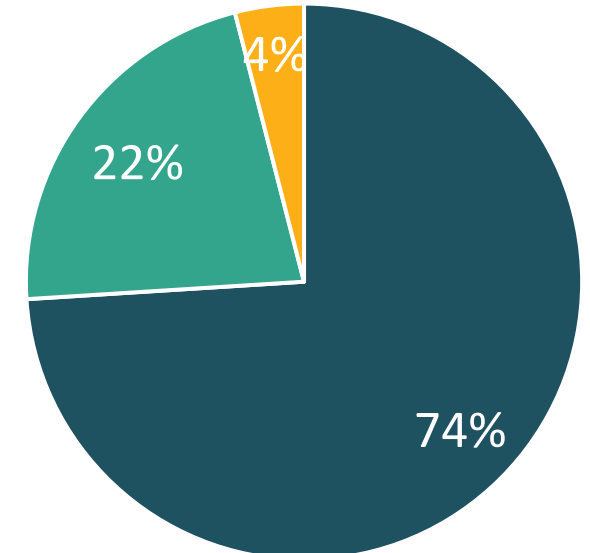
- High Value
- Modest Value

How respondents value integrating residents



- High Value
- Modest Value
- Limited Value

How likely are respondents to collaborate with state agency counterparts



- Likely
- Somewhat Likely
- Unlikely

# HUD GRRP

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## Tom Davis

*Director of the Office of  
Recapitalization*

Department of Housing  
and Urban Development  
(HUD)





# Green and Resilient Retrofit Program (GRRP)





# GRRP Program Overview



- **\$837.5 million** and up to **\$4 billion** in loan authority provided through the Inflation Reduction Act (IRA)
- GRRP is designed to fund retrofits to make properties more energy efficient, climate resilient, and healthy for residents through:
  - Carbon emission reduction
  - Enhanced energy and water efficiency
  - Energy and water benchmarking
  - Improved indoor air quality
  - Climate resilience upgrades
  - Building electrification
  - Zero-emission electricity generation
  - Energy storage
  - Low-emission building materials or processes

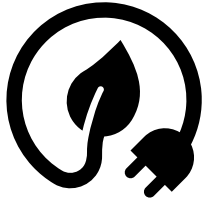
# Who can apply for GRRP funding?

Owners or Purchasers of a property in one of the following HUD Multifamily Assistance programs:

- Most Project-Based Rental Assistance (PBRA) HAP Contracts
  - Including RAD PBRA HAP contracts executed on or before September 30, 2021
- Section 202 Direct Loans or Capital Advances
  - Including those anticipating a RAD conversion
- Section 811 Capital Advances or PRA contracts
- Section 236 properties still receiving Interest Reduction Payments (IRP)
- Other small programs listed in in Section 3 (Eligibility Information) of the NOFOs available on [hud.gov/GRRP](https://www.hud.gov/GRRP)



# What does GRRP pay for?



## Utility Efficiency

- Energy Star 7.0 windows
- Electrical upgrades
- WaterSense fixtures
- HVAC and water heater heat pumps
- Efficient ovens and clothes dryers
- Air-seal testing
- Insulation
- Heat or Energy Recovery Ventilators



## Climate Resilience

- Clean backup power
- Emergency shelter
- Emergency water access
- Storm shutters
- FORTIFIED certification
- Green or blue roof
- Floodproofing
- Permeable pavement
- Subsurface stormwater storage
- Wind- and impact-resistant windows
- Rainwater/greywater collection systems
- Fire resistant roof, windows, & fencing



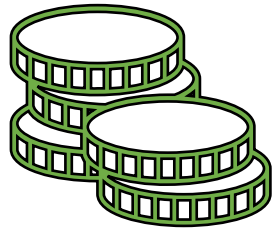
## Carbon Reduction

- Rooftop or carport solar
- Wind energy generation
- Geothermal energy generation
- Renewable energy storage
- Electric Vehicle charging stations
- Responsibly sourced raw building materials

**And more, including soft costs.**

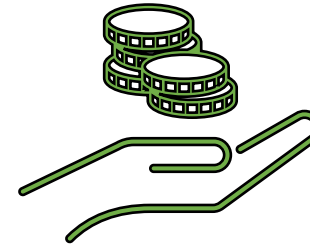
# GRRP Award Types

Will provide funding to Owners in the form of a grant or surplus cash loan



## Grants:

- Affordability restriction – 25 years
- No repayment needed if terms are met

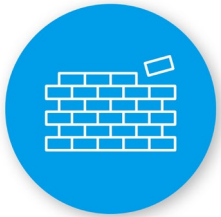


## Loans:

- Affordability restriction – 15 years
- Payment – 50% of annual surplus cash paid to HUD (*25% for Elements projects*)
- Term – longer of first mortgage loan term or 15 years
- Interest – 1%

# GRRP Awards: 3 Different Cohorts

- Three paths (cohorts) for properties at different stages of development
- Simple application process to reduce barriers
- Accessible to owners at all levels of development expertise



## Elements Awards

Owner driven investments  
Specific investment menu  
Small awards (<\$750K)



## Leading Edge Awards

Owner/certification driven  
Ambitious green certifications  
Larger awards (<\$10M)



## Comprehensive Awards

Comprehensive property assessments  
Deep energy and resilience retrofits  
Largest awards (<\$20M)

Designed to enhance efficiency and climate resilience in owner-driven recapitalization transactions

Designed to focus on properties with significant need, considering both energy consumption and climate risk.

# NOFO Side-by-Side



Elements Awards	Leading Edge Awards	Comprehensive Awards
Substitute better building components in a planned recapitalization	Innovative, whole-building retrofits to meet top-tier certification (e.g., net zero)	Whole-building retrofits following comprehensive site assessments
\$40,000/unit or \$750,000/project	\$60,000/unit or \$10 million/project	\$80,000/unit or \$20 million/project
7% of available funds (\$140M +/-)	20% of available funds (\$400M +/-)	73% of available funds (\$1,470M +/-)
Selection prioritizes green certifications, electrification, Better Climate Challenge, and similar program objectives	Selection prioritizes need for utility efficiency improvements (ability to “move the needle”)	Selection based on need, measured by: <ul style="list-style-type: none"> <li>• Utility efficiency (EPA Portfolio Manager, MBEST)</li> <li>• Climate risk (FEMA’s National Risk Index)</li> </ul>
Approximately 200 awards	Approximately 100 awards	Approximately 300 awards
Projects should be well advanced in an owner-driven recapitalization effort (near closing)	Projects should be at the early design stages of an owner-driven recapitalization effort	Projects should be ready to enter the assessment and concept stage, with extensive support from HUD “MACs”
Owner brings leverage (debt, LIHTC...)	Owner brings leverage (debt, LIHTC...)	Owner must cover standard asset management costs; leverage is optional

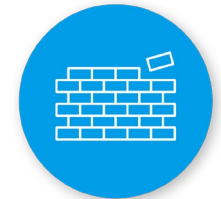
# Elements Cohort: Eligibility & Selection

## Eligibility:

- Rental assistance under eligible program
- Owners that are materially advanced but not yet closed in a recapitalization effort
  - Includes, for example, receipt of a tax credit reservation, submission of a complete FHA Firm Application, or a recent Section 811 or 202 Capital Advance awardee

## Selection:

- Based on priority categories:
  1. Green Certification
  2. Whole-building Electrification
  3. Better Climate Challenge
  4. Priority Energy Community
  5. Better Buildings Challenge
- Subject to HUD region and non-metro set-asides
- Not to exceed 16 awards per owner or its affiliates



# Elements Cohort: Example Property



A 25-unit PBRA property whose owner is pursuing an **FHA-insured first mortgage** to conduct necessary rehab. The property is in an area prone to **heat waves and drought**. The owner is a **Better Climate Challenge** participant.

## Application & Selection:

Owner submits the GRRP Elements application with a copy of their Better Climate Challenge partnership agreement and evidence that they have submitted a complete application for an FHA Firm Commitment.

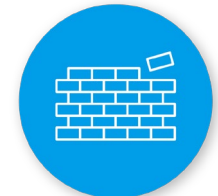
## Elements Investments:

The owner chooses to use GRRP award to add the following to the project's scope of work:

- A reflective coating on the roof to keep residents cool
- A rainwater harvest system to cut landscaping-related water bills
- A rooftop solar array, which was originally in the design but had to be cut due to rising construction costs

## Funding:

Owner takes the max GRRP Elements award of \$750,000 in the form of a grant





# Leading Edge Cohort: Eligibility & Selection

## Eligibility:

- Rental assistance under eligible program
- Owners that will commit to achieving a Leading Edge certification
- Properties that have more than 50% assisted units at their property

## Selection:

- Based on the property's current energy efficiency as measured by MBEST
- Subject to HUD region and non-metro set-asides
- Not to exceed 12 awards per owner or its affiliates



# Leading Edge Cohort: Example Property

A 50-unit PBRA property was **last renovated 20 years ago** and is still using older equipment dependent on **fossil fuel** sources. It is in an area of **hurricane risk**. The property owner wants to electrify, incorporate renewable energy, and fortify the building against high winds.

## Application & Selection:

Owner submits the GRRP Leading Edge application and completed MBEST, plans to incorporate wind turbines, and commitment to pursue a PHIUS ZERO REVIVE certification for the property. The property's architect has certified that based on the proposed scope of work, the property achieving a PHIUS ZERO REVIVE certification is feasible.

## Scope of Work:

Includes standard property upgrades, electric appliances and systems, electrical panel upgrade, wind turbines, FORTIFIED Silver roof upgrade, and high-impact windows. Scope is modeled to reduce energy consumption by 40%.

## Funding:

Owner takes the max GRRP Leading Edge award of \$60k PU (50 units X \$60k PU = \$3 million) as a surplus cash loan and pairs it with 4% LIHTC bonds.



# Comprehensive Cohort: Eligibility & Selection

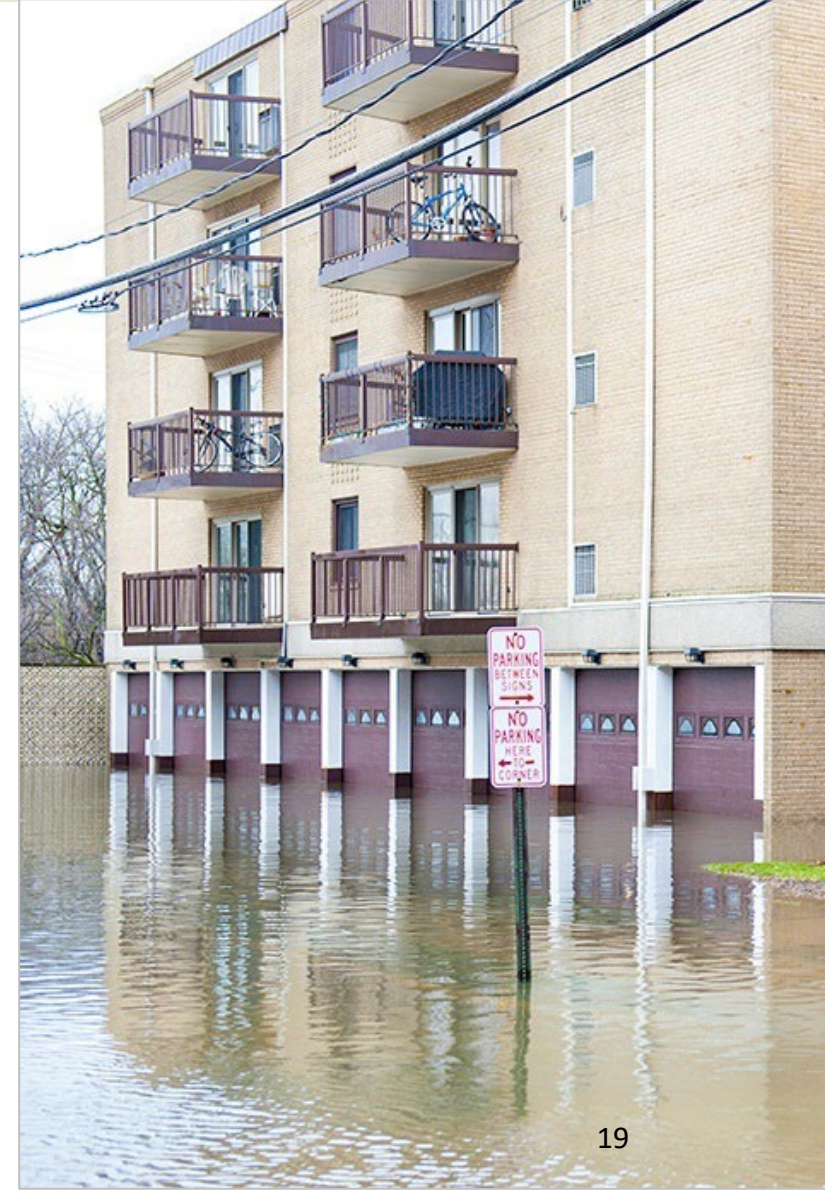


## Eligibility:

- Rental assistance under eligible program
- Properties that have more than 50% assisted units at their property

## Selection:

- Based on need as measured by
  - Energy efficiency: ENERGY STAR or MBEST
  - Climate Risk: FEMA's National Risk Index (NRI)
- Subject to MBEST set-aside
- Subject to HUD region and non-metro set-asides
- Not to exceed 20 awards per owner or its affiliates



# Comprehensive Cohort: Assessment Suite

Properties will undergo a series of GRRP-funded assessments with support from a HUD-provided contractor to develop the scope of work including standard improvements and green features

## Assessment Suite

Environmental Report

Capital Needs Assessment

Energy Audit

Renewable Energy Assessment

Climate Resilience Assessment

Standard property improvements

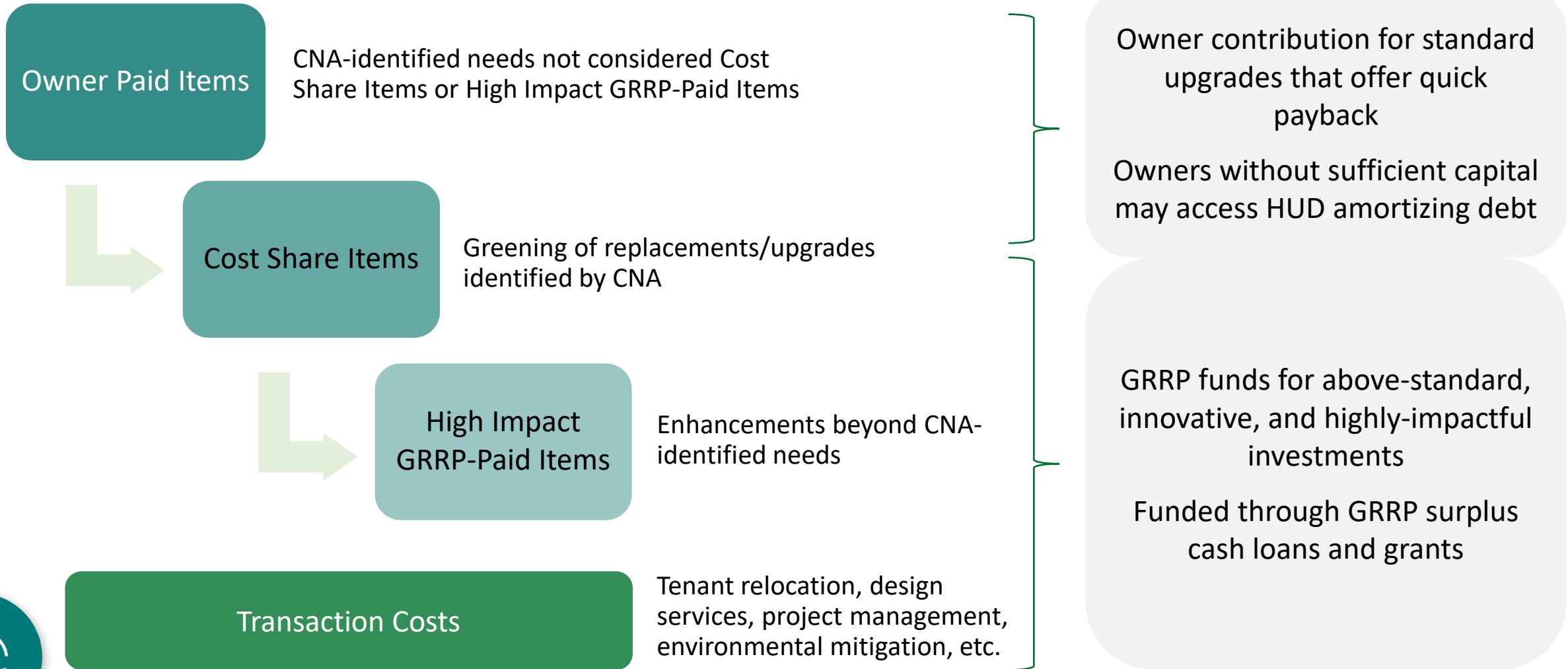
Decarbonization and electrification

Utility efficiency upgrades

Resilience enhancements

## Scope of Work

# Comprehensive Cohort: Funding Structure



# Comprehensive Cohort: Example Property



A 100-unit HUD-assisted property was **last renovated 20 years ago** and is still using older equipment dependent on **fossil fuel** sources. It is in an area of **high flood risk**.

## Application & Selection:

Owner submits GRRP Comprehensive application with Portfolio Manager benchmarking. Property is selected due to high energy consumption and flooding risk.

## Scope of Work:

HUD-provided contractor assesses property's needs and proposes scope of work for up to \$8 million in GRRP funding (\$80k/unit \* 100 units).

- SOW: Standard property upgrades, HVAC and DHW electrification and relocation above flood elevation, electrical panel upgrade, solar panels & battery storage, rain garden.
- Cost share: Owner contribution for building components past useful life and for the cost of standard HVAC replacement; totals \$1 million

## Funding:

Owner takes surplus cash loan for GRRP award and funds owner contribution through Reserve for Replacement account and CDBG funds.



# GRRP Award Application Timelines



Elements

# Additional Resources

- Read the NOFO and Notice
- Find FAQs, fact sheets, benchmarking resources, and much more on [hud.gov/GRRP](https://www.hud.gov/GRRP)
- Attend office hours (see website for timing)





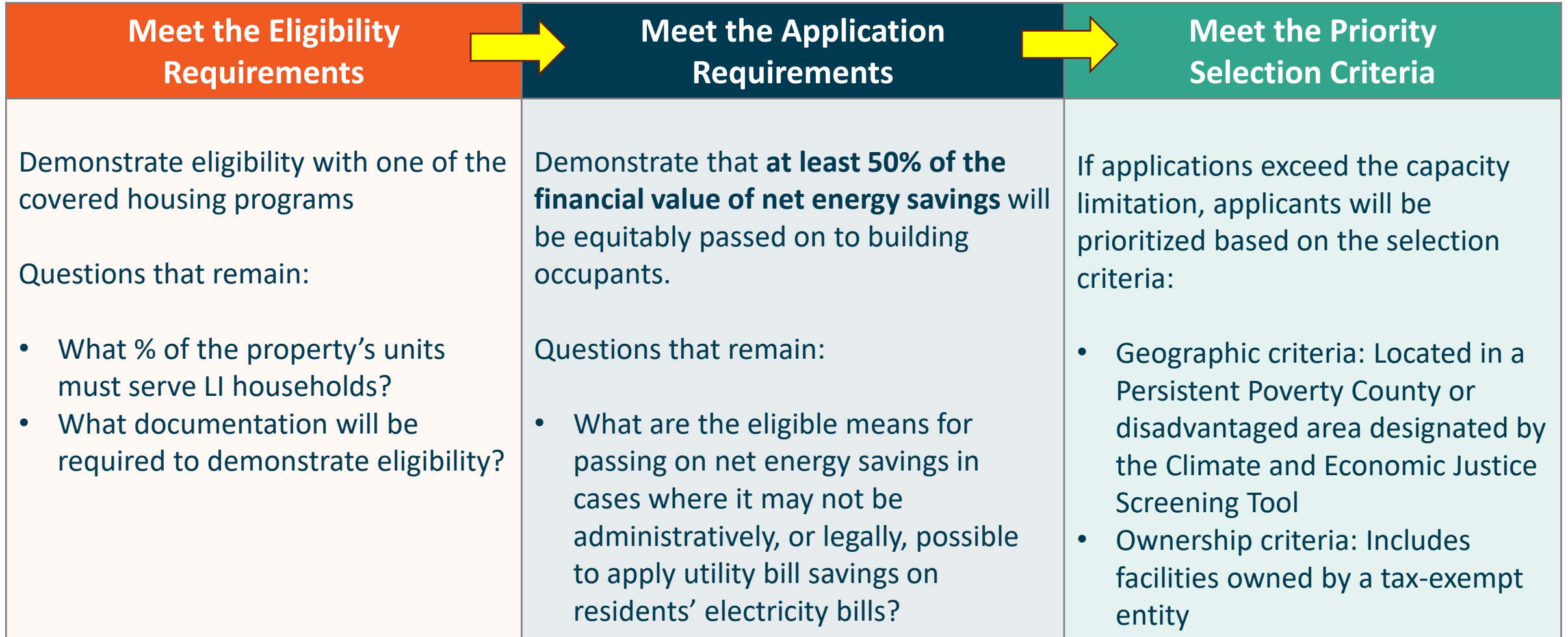
# LOW INCOME COMMUNITIES BONUS TAX CREDIT

In addition to the 30% base ITC tax credit...

Eligible Project Categories	Amount of Credit Bonus	Maximum Credit Capacity 2023
Installed in a low-income community*	10 percentage point	700 MW
Installed on tribal land	10 percentage point	200 MW
Installed as part of a qualifying low-income building**	20 percentage point	200 MW
Installed as part of a low-income economic benefits project***	20 percentage point	700 MW

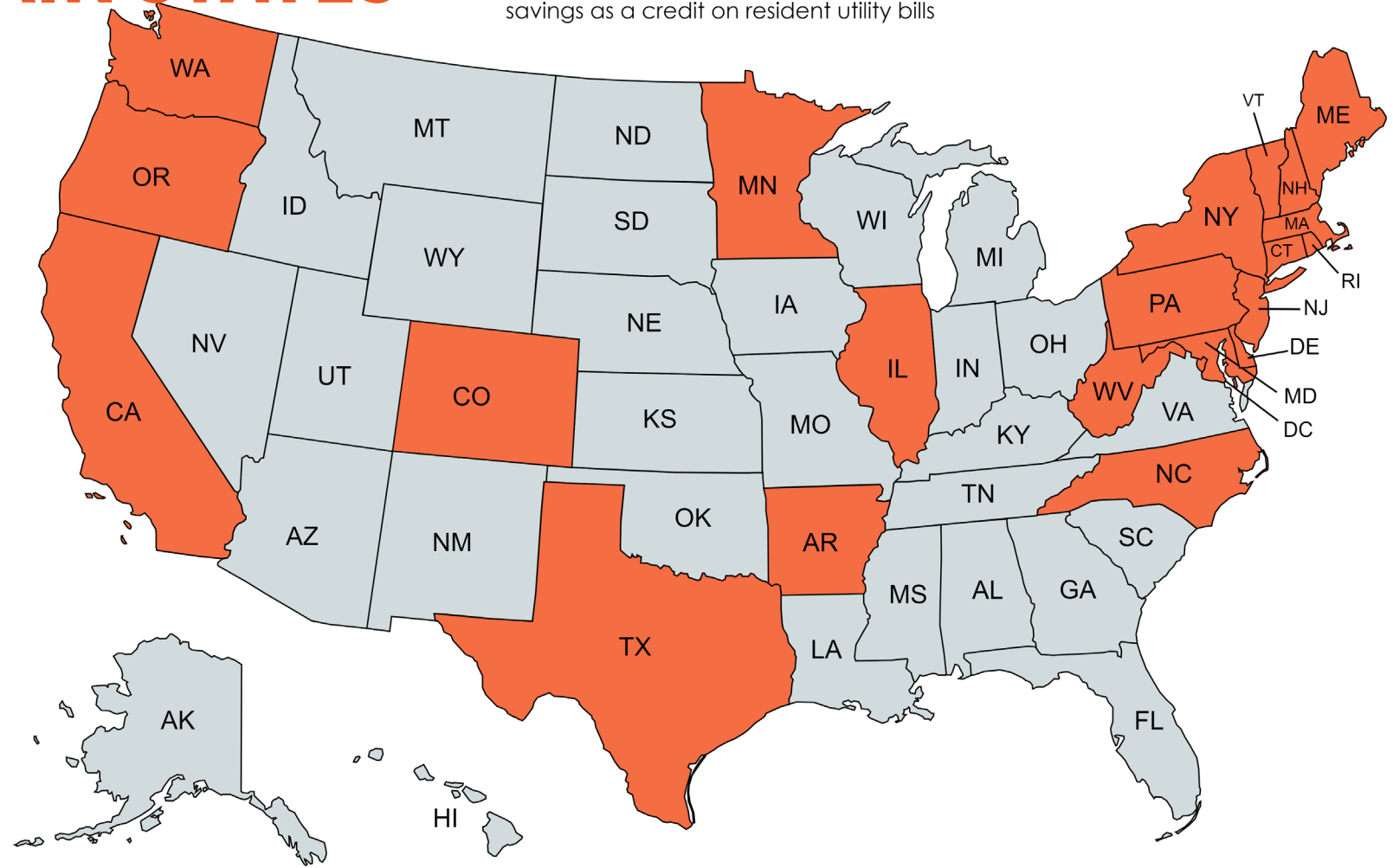
- \*census tracts with poverty rates of 20% or more, or census tracts with median incomes of 80% or less;
- \*\*HUD PBRA, Public Housing, 202/811, Section 8 vouchers, 236/221(d)(3), HOME, Housing Opportunities for Persons with AIDS, McKinney-Vento, Rural Development, LIHTC, Housing Trust Fund
- \*\*\*provide at least 50% of the financial benefits of the electricity produced by the facility to households with income of less than 200% of the poverty line or at or below 80% of area median income

# PATHWAY TO A BONUS TAX CREDIT AWARD



# PROPOSED RULES MAY LIMIT ACCESS TO THE BONUS CREDIT IN CERTAIN STATES

States with metering policies that support sharing solar savings as a credit on resident utility bills



*“Treasury Department and IRS propose that for sub-metered buildings, the tenants must receive the financial value associated with utility bill savings in the form of a credit on their utility bills.”*

# PROVIDE FLEXIBLE METHODS FOR DELIVERING FINANCIAL BENEFITS

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Treasury/IRS could allow building owners to pass on the financial benefits to residents by other means:

- Job training and workforce development
- Building upgrades that benefit all tenants
- Fund replacement reserves
- Payroll to support resident service coordinators/programming
- Direct rent relief
- Transportation benefits
- Improve on site security

# **ADDITIONAL SUGGESTIONS TO TREASURY/IRS**

- **Treasury/IRS propose to prioritize solar facilities owned by a “qualified tax-exempt entity”**
  - Amend the definition to ensure that the non-profit managing member/general partner qualifies under the prioritization
- **Treasury/IRS propose to require a signed benefits sharing agreement between the building owner and tenants**
  - Require owners to provide tenants a benefits sharing plan with opportunity for tenant feedback
- **Treasury/IRS propose to prioritize applicants in persistent poverty counties and disadvantaged areas defined by the Climate and Economic Justice Screening Tool**
  - Add Qualified Census Tracts as eligible for the geographic priority



*Session dates and topics are subject to change*

## *Upcoming Sessions*

**July 19,  
2-3:30 PM ET**

### **IRA Home Energy Rebate Programs**

- Understanding DOE Final Guidance (expected to be released July 10<sup>th</sup>)
- Recommendations to State Energy Offices to streamline rebate access for HFA pipeline/portfolio projects

**August 2,  
2-3:30 PM ET**

### **Greenhouse Gas Reduction Fund**

- Understanding EPA's Final Guidance/NOFO
- Pathways for HFAs to support developers in accessing financing

**August 23,  
2-3:30 PM ET**

### **Clean Energy Tax Credits**

- Overview of tax credits most relevant to affordable housing
- Underwriting impacts

Thank you!  
Questions?

