Affordable Housing Electrification Training Series

Dates: August 29th , September 5th, 19th, & 26th

Time: 11:30am-12:30pm

- Greenhouse Gas Reduction Fund: Key Updates for Implementation in California
- Planning & Financing All-Electric New Construction
- Planning & Financing All-Electric Rehabilitations
- Understanding Electrification Technology Operations & Maintenance

California Housing Partnership

ASSOCIATION FOR ENERGY AFFORDABILITY INC.

Thank You to Our Sponsors and Program Partners

WELLS FARGO

LIWP MULTIFAMILY

LA DWP | CAMR
Comprehensive Affordable Multifamily Retrofits Program

BUILD
Building Initiative for Low-Emissions Development Program

ENERGY EFFICIENCY FOR ALL

SOMAH

CLIMATE
UNITED

Introducing Climate United, a collaboration of experienced mission-driven lenders and investors dedicated to bringing clean energy solutions to Justice40 communities across the country.

CLIMATE UNITED

A PARTNERSHIP OF:

Calvert Impact

Community Preservation Corporation

Self-Help

WE ARE SUPPORTED BY HUNDREDS OF LOCAL, REGIONAL, AND NATIONAL PARTNERS

*Not exhaustive

POTENTIAL TRANSACTION PARTNERS

NDN COLLECTIVE
cdcb come dream. come build
Vermont Bond Bank
TruFund FINANCIAL SERVICES More than a loan. An opportunity.
NYCEEC BUILDING FINANCIAL SOLUTIONS
AACUC AFRICAN-AMERICAN CREDIT UNION COALITION
/ inclusiv /
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FINANCE NEW ORLEANS
NeighborWorks CAPITAL
COMMUNITIES Unlimited
OPTUS BANK
MAIN STREET AMERICA
NATIVE CDFI NETWORK
AKIPTAN
Elemental Excelerator
RAZA DEVELOPMENT FUND SERVING AMERICA A Support Corporation of UnidosUS
Hope credit union
MaineHousing
GRID ALTERNATIVES
CLEANENERGY CREDIT UNION
Jonathan Rose Companies
SELF EASY LOANS FOR IMPROVING HOMES
CLIMATE FIRST BANK
OPPORTUNITYFINANCE NETWORK
MASSHOUSING
Southern Bancorp
liif
NEW YORK STATE OF OPPORTUNITY. Homes and Community Renewal
OHIO AIR QUALITY DEVELOPMENT AUTHORITY

LABOR AND WORKFORCE PARTNERS

Opportunity @Work
SOUTH DAKOTA Native Homeownership Coalition
32BJ SEIU Stronger Together
TRANE TECHNOLOGIES
Emerald Cities COLLABORATIVE
RAISE UP THE SOUTH EST. 2022 USSW UNION of SOUTHERN SERVICE WORKERS
AMERICA WORKS
AFL-CIO HIT HOUSING INVESTMENT TRUST

COMMUNITY ENGAGEMENT PARTNERS

UNIVERSITAS TUSKEGEENSIS
ALLIANCE FOR TRIBAL CLEAN ENERGY
NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE NAACP 1909
ZETA
CRL Center for Responsible Lending
GREENLATINOS
hispanicfederation
SAHF STEWARDS OF AFFORDABLE HOUSING FOR THE FUTURE
PARTNERS FOR RURAL TRANSFORMATION
Ceres
THE GREENLINING INSTITUTE
valley CAN "clean air now"

CPC Climate Capital

A CPC SUBSIDIARY

CPC Climate Capital is CPC's newly created subsidiary that drives our execution of the Climate United multifamily strategy.

CLIMATE UNITED

A COALITION OF:

Calvert Impact™

Community Preservation Corporation

Self-Help®

THE NATIONAL CLEAN INVESTMENT FUND (NCIF)

PROGRAM REQUIREMENTS

- At least 40 percent of investments must be made in LIDAC communities
- All dollars must be used to support or finance Qualified Projects
- Majority of funds must go into projects as financial assistance (anything BUT grants)
- Financing can be direct to project or through or alongside a Community Lender

RECIPIENTS

- **Climate United** (Calvert Impact, CPC, Self-Help)
- **Power Forward Communities** (Enterprise, LISC, Rewiring America, Habitat for Humanity, United Way)
- **Coalition for Green Capital**

Our Portfolio

CLIMATE UNITED

TARGET MARKET SEGMENTS

Consumer

Small Business

Multifamily residential

Schools and MSIs

Community infrastructure

Community solar & other EV

Climate United has chosen to focus on market segments that offer a significant contribution to reductions in GHG emissions, tangible benefits to people's lives, and potential for market transformation. **Taken together, they chart a path for people and communities to fully decarbonize where they live, the car they drive, and the places they work, learn, and play.**

STRATEGIC PILLARS

01

Shift existing credit markets to incorporate decarbonization at time of origination

- Influence residential and commercial mortgage markets financing buildings
- Expand project finance markets financing community solar, charging infrastructure, and other green assets

02

Work with platform partners to gain reach through existing portfolio relationships

- Leverage existing portfolios of assets on lender balance sheets (e.g., HFAs, CDFIs)
- Take a standardized approach with products customized to certain asset types to create efficiency and replicability

03

Leverage national networks of local partners

- Work with and through existing trusted networks and messengers to reach decision makers in communities (e.g., National Housing Trust, NeighborWorks Capital)
- Create active feedback loops between local boots on the ground and capital providers to refine product design, origination approach, etc.

WHERE TO GO FOR CAPITAL SOLUTIONS

ARE YOU A QUALIFIED PROJECT SPONSOR?

Yes, I develop/own buildings	**MULTIFAMILY HOUSING**	CPC Climate Capital
	SINGLE FAMILY HOUSING	Self-Help Climate Capital
	COMMERCIAL OR SCHOOLS	Climate United (Calvert Impact)
Yes, I develop/own solar	**RESIDENTIAL SOLAR**	Self-Help Climate Capital
	COMMUNITY & COMMERCIAL	Climate United (Calvert Impact)
	SCHOOLS OR FACILITIES	Climate United (Calvert Impact)
Yes, I develop/own EV related assets or “other”	**PASSENGER VEHICLES**	Self-Help Climate Capital
	OTHER EV OR “OTHER”	Climate United (Calvert Impact)

Multifamily Approach

DELIVERING DECARBONIZATION THROUGH THE MORTGAGE MARKETS

CPC Climate Capital will provide **low-cost debt financing** to **decrease the overall cost of mortgage capital** while **increasing proceeds** to cover the costs of meeting the required Performance Standards.

For CPC Climate Capital's products, capital will be **subordinate to the first mortgage** - similar to other public support programs - provided at **significantly below market interest rates**, coterminous with the first mortgage, and pre-payable at any time without penalty.

CPC Climate Capital

MULTIFAMILY FINANCIAL PRODUCTS

PRE-DEVELOPMENT

- Supports feasibility studies, site & building assessments (e.g., energy & decarbonization audits), Pathway to Zero O&M Plans, feasibility studies, design and engineering support
- For Qualified Projects in Low-Income and Disadvantaged Communities
- Intending to launch in Fall 2024

DIRECT LENDING

- Subordinate construction or construction to permanent debt financing.
- Supports incremental cost of energy efficiency improvements, electrification of building systems & appliances, solar installation, and EV charging installations in existing buildings and new construction of Zero Emissions Buildings.

LOAN PURCHASES

- Permanent debt financing for projects that meet our Performance Standards.
- Originating lenders must be competitively procured; more detail about RFP process to come.

cpc Climate Capital

TECHNICAL REQUIREMENTS FOR BUILDINGS

To qualify for CPC Climate Capital sub-debt, buildings must adhere to the following performance standards defined in the Climate United application and endorsed by the EPA.

CPC Climate Capital
A CPC SUBSIDIARY

Retrofits of Existing Buildings			*New Construction*
Save a Ton	**Clean Air**	**Clean Air Boost (Zero Emissions Building)**	**Clean Air Boost (Zero Emissions Building)**
20% Energy Reduction OR 1 Ton Carbon reduction per unit annually	35% Energy Reduction OR Certified Energy Star Score of 75+ All-Electric*	35% Energy Reduction OR Certified Energy Star Score of 75+ All-Electric* Powered solely by renewable energy	At least 10% lower modeled energy use than the latest model energy code All-Electric* Powered solely by renewable energy

Allowable exemptions include onsite backup power generation and Domestic Hot Water for multifamily buildings above seven stories.

SAMPLE (FOR DEMONSTRATIVE PURPOSES ONLY)

CPC Climate Capital
A CPC SUBSIDIARY

NUMBER OF UNITS	250
LOCATION	Dallas, TX
LOW-INCOME / DISADVANTAGED COMMUNITY (LIDAC)	Yes
PROPERTY VALUE	$22,500,000
NOI	$1,300,000
COST TO ACHIEVE GHG REDUCTION	$4,500,000
PROJECT SCOPE	• High Efficiency Heat Pump • Centralized Heat Pump Water Heater • Insulation & Air Sealing • Smart Building Controls • Solar Installation

Standard Mortgage Structure +
CPC Climate Capital
"Clean Air" Multifamily Subordinate Loan

1st Mortgage Proceeds	$14,000,000
1st LTV / DSCR	62% / 1.53x
1st Mortgage Coupon	6.00%
2nd Mortgage Proceeds	$4,500,000
Proceeds per Unit	$18,000
Overall LTV / DSCR	82% / 1.38x
2nd Mortgage Coupon	2.00%

Community Engagement and Accountability

CLIMATE UNITED

ENGAGING LOCALLY ACROSS THE PORTFOLIO

Climate United's community engagement plan has three tenets:

01

Centering beneficiaries in program & product design

02

Leveraging trusted community infrastructure for capital deployment

03

Listening and iterating based on direct feedback

Market Building

CLIMATE
UNITED

MARKET DEVELOPMENT MISSION:

To ensure all pipeline and transaction partners have the tools and support necessary to carry out projects across sectors

1 CAPITAL DEMAND-SIDE MARKET BUILDING

- Awareness & Demand Generation
- Outreach & Education
- Demand Conversion

2 PREDEVELOPMENT

- Project Feasibility
- Project Scoping
- Project Financing

3 CAPITAL SUPPLY-SIDE MARKET BUILDING

- Product & Data Standardization
- Product Development
- Analysis & Market Education

Timeline and Next Steps

CLIMATE UNITED

LOOKING AHEAD

April 4th
Award announcements

April 5 - June 4
- Review and negotiation of Terms and Conditions
- Revisions to work plan and budget

June 5 - Mid-July
Internal EPA approvals

Mid-July
Agreements finalized and signed

August - December
Ongoing guidance and clarity on terms and requirements

Initial deployment and program launches

Preparation for 2025 pipeline

Q1 2025
Fully operational

NEXT STEPS

We will be hosting sector and segment specific conversations in the coming weeks and months, which we will always share via our newsletter

If you don't know where to start, submit an intake form to join our newsletter and learn more:

https://weareclimateunited.org/work-with-us

August 2024

POWER FORWARD COMMUNITIES

Inflation Reduction Act & Greenhouse Gas Reduction Fund

Introduction to Power Forward Communities

We are a coalition of trusted national organizations. Collectively, we bring:

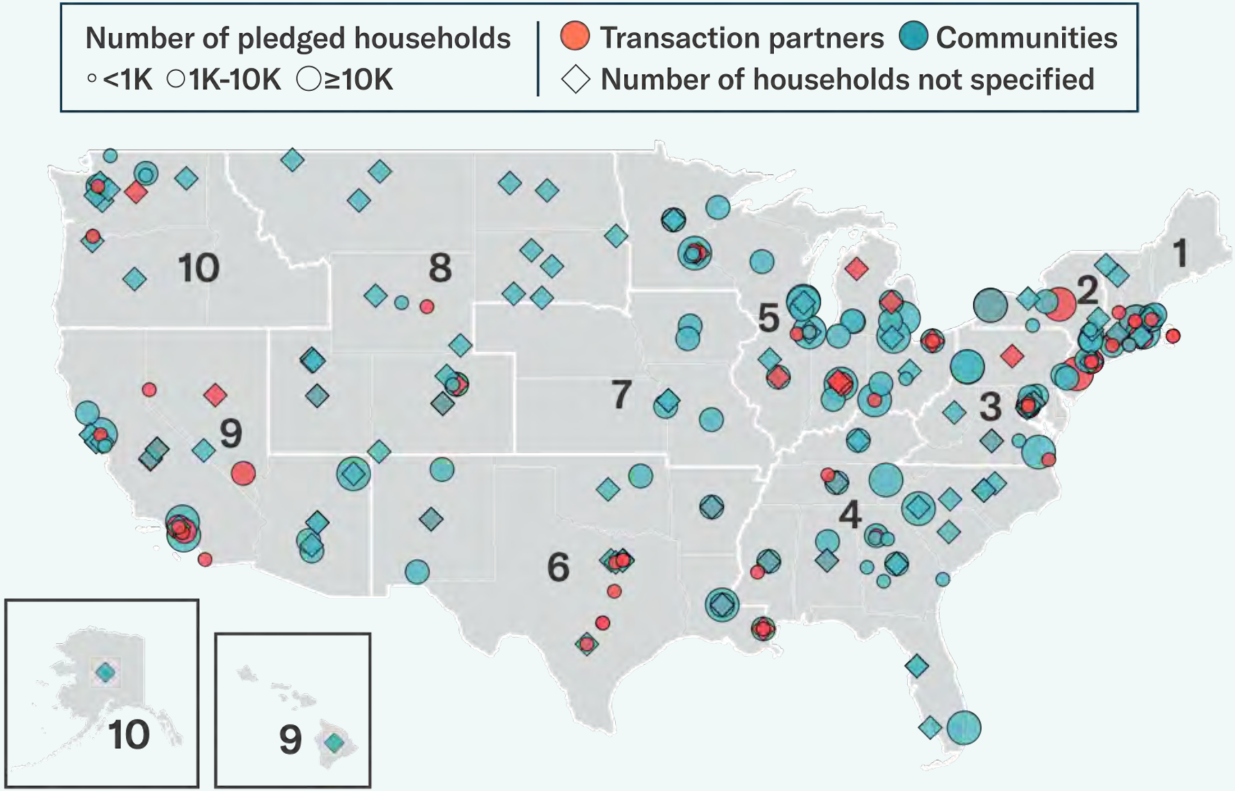
Broad local reach: 10,000+ local employees, thousands of local chapters and affiliates, and tens of thousands of partner organizations and local employers, operating across the entire country.

Deep financial expertise in affordable housing: $13B+ capital deployed through tax credits, debt and equity, including through AA-investment grade CDFI Lenders.

Unparalleled grant experience: $7B in federal grants deployed collectively across 4,000+ programs over the last 10 years.

OUR PARTNERS

150+ communities and **150+ transaction partners** in all **10 EPA regions** have committed to decarbonizing **1.25M housing units** with Power Forward Communities.



OUR ALLOCATION PRINCIPLES

1. Allocate 80% of award to financial assistance (financial products, which excludes grant funding) and 20% to market building, predevelopment and administration.
2. Target a minimum of 75% of award to low-income and disadvantaged communities.
3. Achieve $53 dollar per metric ton of CO2e emissions reduction, inclusive of direct benefits from financial assistance and market transformation benefits.
4. Calculate reductions on a portfolio basis to ensure support for projects in historically underinvested communities and communities with fewer local subsidies.
5. Our allocation strategy will be driven by the following principles:
   - ✓ Maximize the number of LIDAC households reached
   - ✓ Maximize the total carbon emissions reduced and avoided
   - ✓ Maximize the number of electrification, decarbonization and resilience measures installed in each project
   - ✓ Maintain a long-term focus on investments that will transform the market
   - ✓ Cover the full spectrum of housing regardless of geography

MULTIFAMILY FINANCIAL PRODUCTS

We have developed a suite of products that can be employed across priority project categories for the multifamily sector. Products will typically serve as additional subsidy in the capital stack, incentivizing the adoption of clean energy measures and addressing other gaps in deep energy projects, where possible.

- Our program is ultimately be governed by our performance agreement with the EPA.
- Enterprise and LISC have created new green lending entities, Enterprise Green Accelerator and LISC Green, that will partner with existing mortgage platforms to originate these subsidy products.
- We plan to tailor investment for individual borrowers and projects based on impact, e.g. larger per unit support and more favorable terms, including lower interest rates, longer terms and a forgivable component on certain products
  - **Eligible Borrowers:** Nonprofit and for-profit developers of affordable housing and community facilities, including renewable energy projects
  - **Suite of products designed to meet the needs of affordable housing developers:**
    - ✓ Flexible underwriting criteria
    - ✓ Low-rate
    - ✓ Long-term
    - ✓ Primarily subordinate, including interest-only and cash flow contingent loans
    - ✓ Forgivable component
  - **Serve as additional subsidy in the capital stack:**
    - ✓ NCIF financing representing 20-30% of TDC
    - ✓ Lower leverage of total development costs, 4.2x
    - ✓ Lower private capital mobilization, 2.2x
  - **Customization based on impact:**
    - ✓ Depth of Affordability: More than 50% of units affordable to 60% AMI
    - ✓ Extent of Decarbonization: Higher percentage reduction in GHG emissions and/or reductions equal to 50% below 2005 levels
    - ✓ Smaller Unit Size: Small and Medium Multifamily (SMMF) unsubsidized affordable properties of fewer than 50 units
    - ✓ Location: In low-income and disadvantaged communities and Rural and Tribal areas

MULTIFAMILY SUBSIDY PRODUCTS: PRELIMINARY

	Existing Building Renovations	New Construction
Category 1	**Energy Efficiency Rehab Loan** • 20% improvement in energy performance compared to pre-rehabilitation • No new or replacement systems may be powered by fossil fuels	**Green New Construction Loan** Certification to Enterprise Green Communities, including: • Certification to ENERGY STAR Residential New Construction Program • All electric (exceptions for backup power sources and DHW systems for buildings over 7 stories)
Category 2	**Net-Zero Over Time Loan** Certification to Enterprise Green Communities Zero Carbon Over Time, including: • 30% improvement in energy performance compared to pre-rehab • All electric (exceptions for backup power sources and DHW systems for buildings over 7 stories) • Pathway to zero Scope 2 emissions over time	**Green Plus New Construction Loan** Certification to Enterprise Green Communities Certification Plus, including: • Certification to DOE ZERH, PHI Classic, or PHIUS • All electric (exceptions for backup power sources and DHW systems for buildings over 7 stories)
Category 3	**Net-Zero Rehab Loan** Certification to Enterprise Green Communities Plus as well as compliant with National Zero Emissions Building Definition, including: • Energy performance verified as within the top 25% most efficient buildings in the market with similar use, based on measured whole-building energy use • All electric (exceptions for backup power sources and DHW systems for buildings over 7 stories) • Install and/or procure carbon-free energy sources which in sum will produce as much or more energy in a given year than the project is modeled to consume	**Net-Zero New Construction Loan** Certification to Enterprise Green Communities Certification Plus as well as compliant with National Zero Emissions Building Definition, including: • Certification to DOE ZERH, PHI, or PHIUS • All electric (exceptions for backup power sources and DHW systems for buildings over 7 stories) • Install and/or procure carbon-free energy sources which in sum will produce as much or more energy in a given year than the project is modeled to consume

MULTIFAMILY MARKET BUILDING APPROACH

Build affordable multifamily owner demand and capacity to reduce emissions in their portfolios and deliver community benefit. Build capacity within LIDAC communities to achieve zero emission properties, helping ensure that PFC exceeds our Justice40 commitments.

TA Recipients	Owners and operators of affordable multifamily housing
Strategies	• "24/7" market building resources • Training curriculum • Cohort and 1:1 support

KEY DATES

July 2023	October 2023	April 2024	August 2024	Early 2025	July 2031
Applications posted	Applications due	Notice of selection	Notice of awards	Funds begin flowing	End NCIF performance period

GREENHOUSE GAS REDUCTION FUND

	National Clean Investment Fund	Clean Communities Investment Accelerator	Solar for All
Competition Design	$14 billion 3 awardees Grant or cooperative agreement 7-year performance period	$6 billion 5 awardees Grant or cooperative agreement 6-year performance period	$7 billion 60 awardees Cooperative agreement 5-year performance period
Purpose	Spur clean technology deployment nationally through financing of Qualified Projects, with 3 Priority Project categories (distributed energy generation & storage, net-zero emissions buildings, zero-emissions transportation)	Spur technology deployment in Qualified Projects in disadvantaged communities (DAC) while building capacity of community lenders	Enable DAC to deploy & benefit through financing of residential rooftop, residential-serving community solar, associated storage & enabling upgrades
Use of funds	• Eligible uses include financial assistance (excluding grants), market-building, predevelopment and program administration • No explicit requirements by type of use; evaluation criteria appear to favor greater leverage for enhanced outcomes	• Eligible uses include capitalization funding, t/a subawards and t/a services and program administration for community lenders • 80% in capitalization funding of $10M, 10% in t/a subawards of $1M and balance for program administration	• Eligible uses include financial assistance (including grants), t/a and program administration • 75% in financial assistance (65% for tribal) and balance in t/a and program administration

PRIORITY PROJECT CATEGORIES

Distributed Energy Generation & Storage

Small-scale power generation and/or storage technologies (typically from 1 kW to 10,000 kW), plus enabling infrastructure that support carbon pollution-free electricity.

Projects include residential rooftop solar, residential rooftop solar-plus-storage, community wind and solar, fuel cells, stand-alone energy storage, distributed generation and storage assets that support microgrids, and distribution system upgrades.

Buildings / Net-Zero Emissions Buildings*

Retrofits of existing buildings, making a substantial contribution to the building being a net-zero emissions building and as part of a plan for that building achieving zero-over-time or construction of a new net-zero emissions building in a low-income and disadvantaged community.

Buildings include residential, commercial industrial, community facilities. Projects include energy and water efficiency, geothermal heating and cooling, grid-interactive appliance electrification, whole-home retrofits, and retrofits of adaptive reuse projects.

Zero-Emissions Transportation

Zero-emissions transportation modes, plus enabling infrastructure for zero-emissions transportation. Projects include deployment of chargers, prewiring for future charger installation and other infrastructure to support zero-emission, including:

(1) micromobility options (electric bikes and scooters) as well as light-duty vehicles for individuals and families,
(2) medium- and heavy-duty vehicles for small businesses and farms, and
(3) charging and refueling depots for school buses, trucks and public transportation.

* Note that other building emissions-reducing projects that do not achieve net-zero are eligible if they meet the Qualified Project definition.

Qualified Project

Must meet all 6 requirements

1. **Reduces or avoids greenhouse gas emissions or assists communities to reduce or avoid such emissions**

2. **Reduces or avoids emissions of other air pollutants or assists communities to reduce or avoid such emissions**

3. **Delivers additional benefits within one of the following:** (1) climate change, (2) clean energy & energy efficiency, (3) clean transportation, (4) affordable & sustainable housing, (5) training & workforce development, (6) remediation & reduction of legacy pollution, or (7) development of critical clean water infrastructure

4. **May not otherwise have been financed**

5. **Mobilizes private capital**

6. **Supports commercial technologies (deployed 3 x for 5 years)**

LOW-INCOME & DISADVANTAGED COMMUNITIES (LI/DAC)

In accordance with the Justice40 Initiative, at least 40% of funds must be expended in low-income and disadvantaged communities through any of four definitions:

<table>
<tr><th>Category</th><th colspan="2">Requirement</th></tr>
<tr><td>CEJST-Identified Disadvantaged Communities</td><td colspan="2">All communities identified by the Climate and Economic Justice Screening Tool (CEJST) as "disadvantaged communities"</td></tr>
<tr><td>EJScreen-Identified Disadvantaged Communities</td><td colspan="2">Communities from EJScreen's mapping tool that are: (1) at or above the 90th Percentile for any of EJScreen’s Supplemental Indexes when compared to the nation or state, or (2) Tribal lands</td></tr>
<tr><td>Geographically Dispersed Low-Income Households</td><td>Individuals & households with income at or below:
Metro: 80% AMI & 200% federal poverty level
Non-Metro 80% AMI & 80% statewide nonmetro area AMI & 200% of federal poverty level</td><td>Participated in any of 6 Federal Assistance Programs or others designated by EPA in the last 12 months</td></tr>
<tr><td>Properties Providing Affordable Housing</td><td colspan="2">In properties providing affordable housing to at least 50% of units:
• Through covenants with federal or state housing assistance program
• Naturally occurring affordable housing</td></tr>
</table>

FEDERAL REQUIREMENTS

Davis Bacon and Related Acts apply to this competition. EPA intends to issue additional guidance on how Davis-Bacon and Related Acts apply to this competition at a later date. The Davis-Bacon Act (DBA) (42 USC §§ 3141-3144) sets out labor standards, including prevailing wages and fringe benefits, and applies to most federally funded contracts for construction of public works. The DBA labor standards and reporting requirements also apply to projects assisted with grants authorized by the Clean Air Act as provided in Section 314 of the Clean Air Act (DBRA)(42 USC § 7614).

National Historic Preservation Act (NHPA) applies to this competition. Section 106 of the NHPA requires all federal agencies to consider the effects of their undertakings, including the act of awarding a grant agreement, on historic properties. If NHPA compliance is required, necessary Section 106 consultation activities, such as historic or architectural surveys, structural engineering analysis of buildings, public meetings, and archival photographs, can be considered allowable and allocable grant costs.

Build America Buy America applies to this competition. EPA intends to issue additional guidance on how Build America, Buy America applies to this competition at a later date. Certain projects under this competition are subject to the Buy America Sourcing requirements under the Build America, Buy America (BABA) provisions of the Infrastructure Investment and Jobs Act (IIJA) (P.L. 117-58, §§70911-70917) that apply when using Federal funds for the purchase of goods, products, and materials on any form of construction, alteration, maintenance, or repair of infrastructure in the United States. The Buy America preference requirement applies to all the iron and steel, manufactured products, and construction materials used for the infrastructure project under an award for identified EPA financial assistance funding programs. EPA will provide further guidance on which projects are subject to BABA provisions and will work with grantees to support implementation as necessary, as applicants comply with applicable Buy America preference requirements or apply for a waiver for each infrastructure project.

Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) applies to acquisitions of property and displacements of individuals and businesses that result from federally assisted programs and applies to this competition. The URA and Federal Highway Administration's implementing regulations at 49 CFR Part 24 require grantees to follow certain procedures for acquiring property for grant purposes, such as notice, negotiation, and appraisal requirements. The statute and regulations also contain requirements for carrying out relocations of displaced persons and businesses, such as reimbursement requirements for moving expenses and standards for replacement housing.

National Environmental Policy Act (NEPA)
Projects that are carried out with grants awarded under Section 134 of the Clean Air Act are exempt from NEPA pursuant to 15 USC § 793(c)(1), including through this competition.However, if a part of a project is also carried out with funding from another Federal agency, NEPA may apply to that agency's funding.

PRESENTER

Jesse Ozanian

Senior Financial Consultant

jozanian@chpc.net

Agenda

1. RETC Basics
2. Calculating the Credit
3. RETC New Rules (Post IRA)
4. Tax Exempt Use Issue
5. Stages of Developments
6. Additional IRA programs
7. Q&A

Energy Tax Credits +

Renewable Energy Tax Credit Basics

RETC Basics

- Tax Credits
  - Provides a dollar-for-dollar reduction in tax liability
  - **Typically** purchased by investor or organizations with large tax liability

- Renewable Energy Tax Credits
  - Created in 2005, renewed in 2022 with passage of Inflation Reduction Act
  - Created to help incentivize businesses to invest in green technologies
  - Specific to businesses (per Section 48 of the internal revenue code)
  - Generated from basis (i.e., costs) associated with eligible "energy properties"

RETC Basics - Eligible “Energy Properties”

Most relevant to LIHTC field:

- Solar Panels
- Solar Hot Water
- Energy Storage (Batteries)

Other:

- Fuel Cell
- Microturbine
- Small Wind
- Geothermal
- Waste Recovery Energy
- Biogas
- Microgrid

RETC Basics - Terms

- Business Energy Investment Tax Credit – BEITC
- Investment Tax Credit – ITC
- Solar Tax Credit – STC
- **Renewable Energy Tax Credit – RETC**
- Renewable Energy Investment Tax Credit – REITC

ALL THE SAME THING!!

Energy Tax Credits +

Calculating the RETC

Calculation of Renewable Energy Tax Credit

Energy Property Basis

x

Taxable Portion
(non-tax exempt use)

x

RETC Credit Percentage

=

Renewable Energy Tax Credit

Hard Costs PLUS Soft Costs related to Energy Property work

Hard Costs = costs for labor and materials needed to install system

Soft Costs = design, engineering, permits, construction loan interest, developer fee, etc. associated with system

Soft Costs must be reasonable – work with CPA

Calculation of Renewable Energy Tax Credit

Energy Property Basis
x
Taxable Portion
(non-tax exempt use)
x
RETC Credit Percentage
=
Renewable Energy Tax Credit

Hard Costs PLUS Soft Costs related to Energy Property work

Example:

PV System:	$850,000
Soft Costs (excluding dev fee):	$150,000
Developer Fee:	<u>$150,000</u>
Total Energy Property Basis:	$1,150,000

Calculation of Renewable Energy Tax Credit

Energy Property Basis
x
Taxable Portion
(non-tax exempt use)
x
RETC Credit Percentage
=
Renewable Energy Tax Credit

$1,150,000

Calculation of Renewable Energy Tax Credit

Energy Property Basis

x

Taxable Portion
(non-tax exempt use)

x

RETC Credit Percentage

=

Renewable Energy Tax Credit

$1,150,000

X

100%

Calculation of Renewable Energy Tax Credit

Energy Property Basis
x
Taxable Portion
(non-tax exempt use)
x
RETC Credit Percentage
=
Renewable Energy Tax Credit

$1,150,000
X
100%
X
30%

Calculation of Renewable Energy Tax Credit

Energy Property Basis
x
Taxable Portion
(non-tax exempt use)
x
RETC Credit Percentage
=
Renewable Energy Tax Credit

RETC Credit Percentage increased to 30% with passage of Inflation Reduction Act

30% Credit Rate only applicable IF:

- System net output less than 1MW
- If System > 1MW, must meeting Prevailing Wage and Apprenticeship Requirements

Credit Bonuses are available

Calculation of Renewable Energy Tax Credit

Energy Property Basis
x
Taxable Portion
(non-tax exempt use)
x
RETC Credit Percentage
=
Renewable Energy Tax Credit

$1,150,000
X
100%
X
30%
=
$345,000

Energy Tax Credits +

RETC New Rules

New Rules

Solar Credit Phase Out Schedule

- 30% credit* for property in which construction begins before 1/1/32 and PIS after 1/1/2022. Stepdown Period after 2032.

Other Rules:

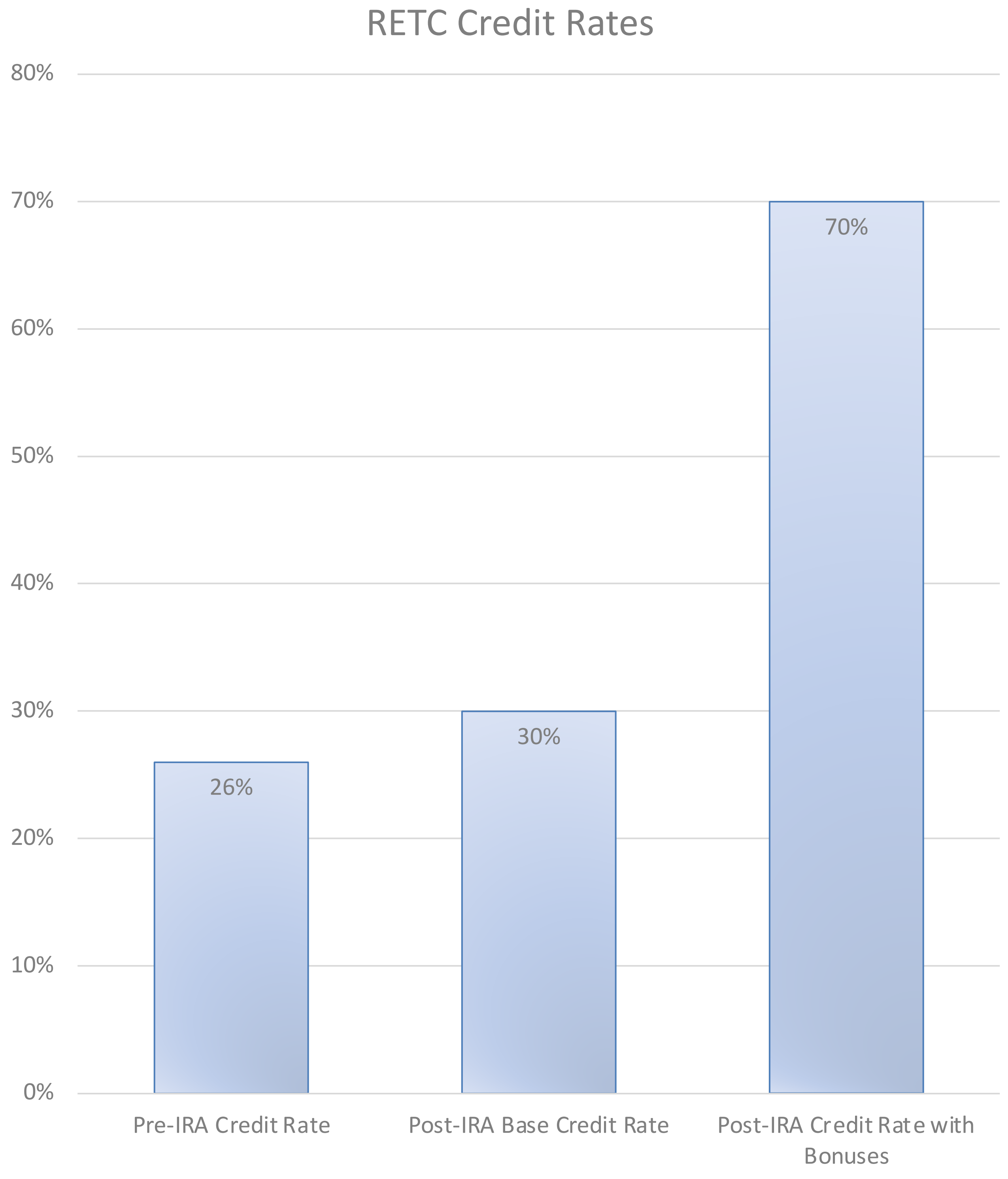
- RETC no longer requires reduction in LIHTC eligible basis
  - Still required to reduce depreciable basis by 50%
- Can use Energy Property Basis to generate LIHTC eligible basis
- Credit Bonuses
- Elective Pay and Transferability

*System must be < 1MW **OR** adhere to prevailing wage and apprentice requirements to be eligible for 30% credit rate

Credit Bonuses

- Domestic Content Bonus – 10%
- Energy Communities Bonus – 10%
- Environmental Justice Bonus (can only choose one):
  - 10% Boost for Projects located in Low-Income Community
  - 10% Boost for Projects located on Indian Land
  - **20% Boost for Qualified Low-Income Residential Building Project**
  - 20% Boost for Qualified Low-Income Economic Benefit Project

(Some) Bonuses are Stackable!



Calculation of Renewable Energy Tax Credit

	No Bonus	Energy Comm. Bonus	Energy Comm. + LI Bonus
Energy Property Basis	$1,150,000	$1,150,000	$1,150,000
X	X	X	X
Taxable Portion	100%	100%	100%
X	X	X	X
RETC Credit Percentage	30%	**40%**	**60%**
=	=	=	=
Renewable Energy Tax Credit	$345,000	$460,000	$690,000

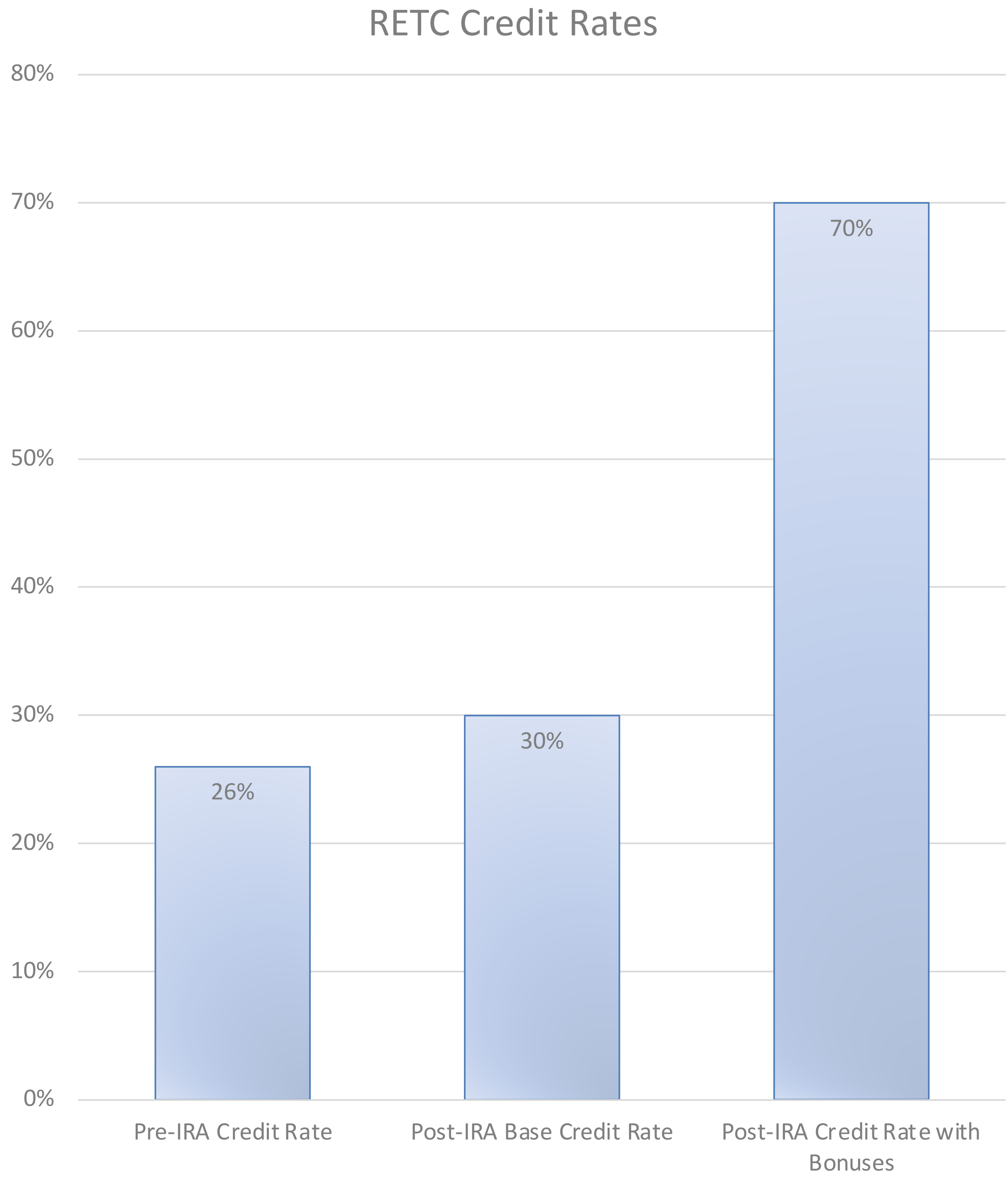
Calculation of Renewable Energy Tax Credit

	Energy Comm. + LI Bonus		LIHTC		Credits
Energy Property Basis	$1,150,000		$1,150,000		$1,150,000
X	X		X		X
Taxable Portion	100%				
X	X	+	40%	=	$.90
RETC Credit Percentage	**60%**		=		=
=	=				
Renewable Energy Tax Credit	$690,000		$460,000		$1,035,000

Credit Bonuses

- Domestic Content Bonus – 10%
- Energy Communities Bonus – 10%
- Environmental Justice Bonus (can only choose one):
  - 10% Boost for Projects located in Low-Income Community
  - 10% Boost for Projects located on Indian Land
  - 20% Boost for Qualified Low-Income Residential Building Project
  - 20% Boost for Qualified Low-Income Economic Benefit Project

(Some) Bonuses are Stackable!



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New Rules - Domestic Content Bonus

- Domestic Content Bonus Provides 10% Credit Boost for manufactured projects which are components of a "qualified facility"

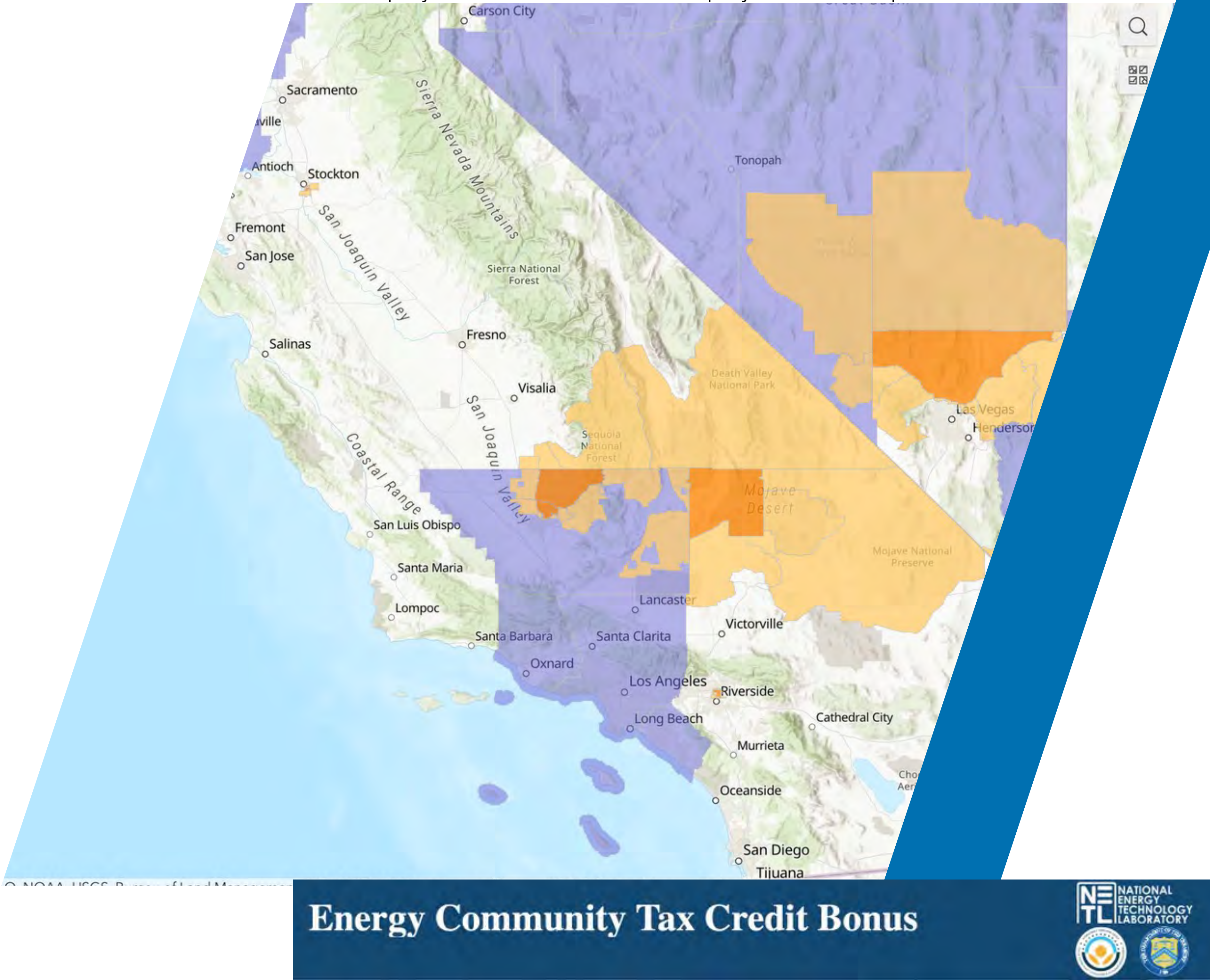
- Bonus is as-of-right; no competitive process required.

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

New Rules - Energy Communities Bonus

- 10% Credit Boost for projects located in Energy Communities, defined as:
  - A "brownfields site"
  - A "metropolitan statistical area" or "non-metropolitan statistical area" where fossil fuel industries contributed significantly to employment AND has an unemployment rate at or above national average.
  - A census tract (or directly adjoining census tract) in which either a coal mine or coal-fired power plants has recently retired.
- Map Available at DoE Website!
- Bonus is as-of-right; no competitive process required

(Orange shaded areas are census tracts with coal closures; purple meet both fossil fuel employment threshold and unemployment rate requirement)



New Rules - Environmental Justice Bonus

- Applicants investing in certain Eligible Solar or Wind Facilities (less than 5MW) may **apply** for allocation of bonus:
  - Eligible facilities include Wind, Solar PV, Solar Hot Water, Energy Storage Technology
- For calendar year 2023, total annual Capacity Limitation of 1.8 GW will be divided among four categories:

Annual Capacity Limitation of 1.8 GW allocated into the following categories:

Category 1 (10% Boost):	Located in Low-Income Community	700 MW
	Residential behind the meter facilities (i.e. rooftop solar)	490 MW
	Residential front of the meter facilities & Commercial	210 MW
Category 2 (10% Boost):	Located on Indian Land	200 MW
Category 3 (20% Boost):	Qualified Low-Income Residential Building Project	200 MW
Category 4 (20% Boost):	Qualified Low-Income Economic Benefit Project	700 MW

- 1.8 GW has been allocated for 2023 and 2024. After 2024, any excess may be carried forward to year 2025. Future guidance will determine if allocations for future years will be implemented
- Second Round Results:
  - Still "capacity" left in above

New Rules - Environmental Justice Bonus (cont.)

Category 3: Qualified Low-Income Residential Building Project (20% Credit Boost)

- Residential rental project which participates in a federal covered housing program (i.e., LIHTC, HUD 202/811, HUD HOME, USDA 515, PBS8)
- **At least 50%** of the financial value of the electricity produced by such facility **must be allocated equitably to the occupants of the dwelling units**.
  - Tenants must receive the financial value associated with the utility bill savings in the form of a credit on their utility bills.
  - If not possible, (i.e., Master-Metered buildings) owners must pass on the savings through other means, such as providing certain benefits to the building residents beyond those provided prior to qualified solar and wind facility being placed in service
    - Other Benefits include: Job Training and workforce development, facility upgrades, Wellness programs or services, Free or reduced cost Wifi, Financial literacy programs, additional staff support, shuttle services, gift cards or cash payments.
- Benefit Calculation:
  - For projects where energy facility and property have the same ownership, "financial benefit" is described as the greater of:
    - 25% of the Gross Financial Value of the annual energy produced, **or**
    - Gross Financial Value of the annual energy produced minus annual operating costs to operate the solar facility
  - For projects where energy facility and property have different ownership, "financial benefit" is described as greater of
    - 50% of financial value of energy produced (in form of utility bill credit and/or cash payments), or
    - Financial Value of annual energy produced minus payments made by building owner to facility owner.

New Rules - Elective Pay & Transferability

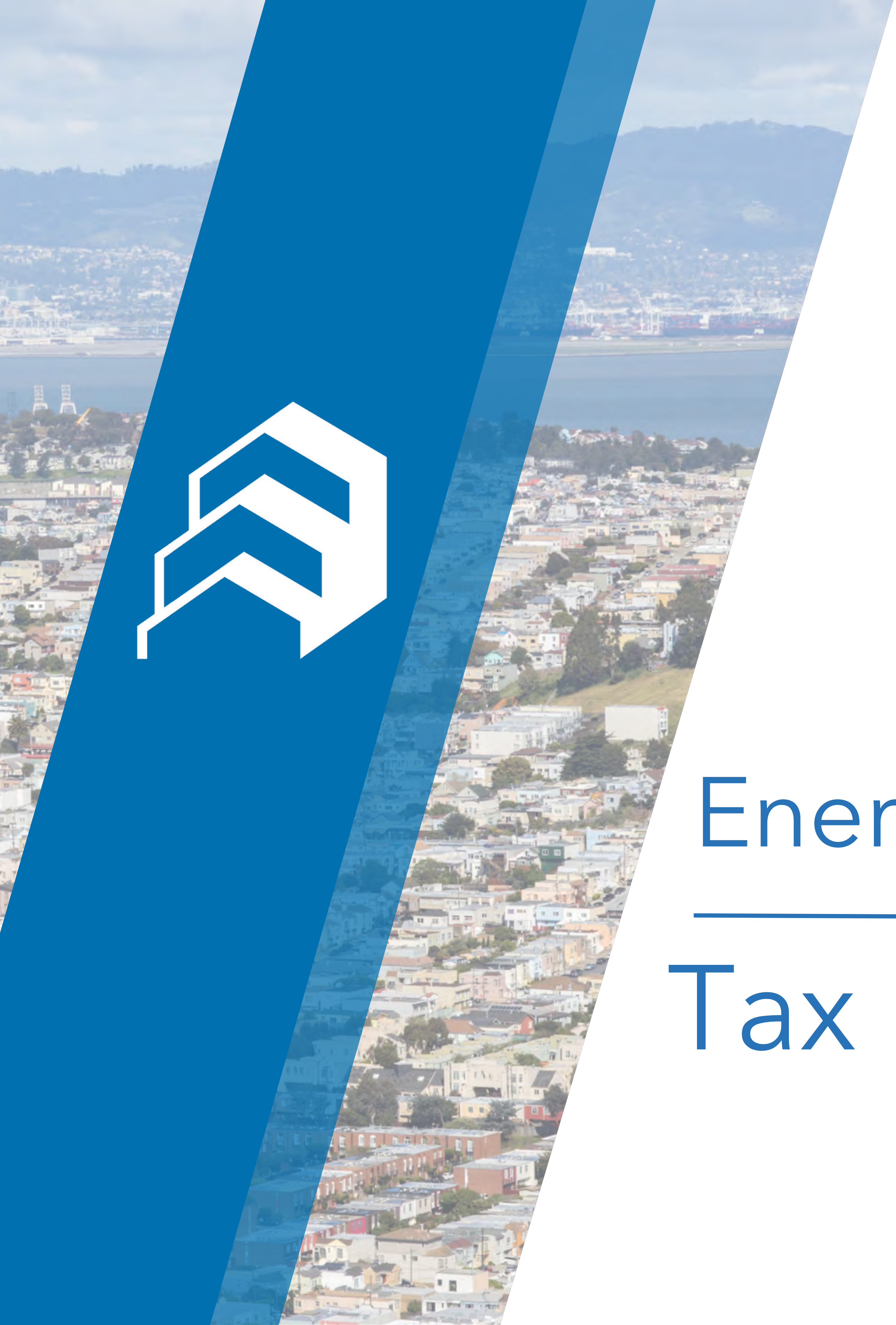
Elective Pay (aka "Direct Pay")

- Allows tax-exempt and government entities to benefit from RETC by treating the amount of credit as a payment of tax and refunding any overpayment.

Credit Transfer (aka "Transferability")

- Allows taxable entities to transfer (i.e. sell) all or a portion of a tax credit to an unrelated third-party transferee in exchange for cash

	Eligible for Direct Pay	**Eligible for Transferability**
Tax-Exempt Entity	Yes	No
Taxable Entity	No	Yes



Energy Tax Credits +

Tax Exempt Use Issue

Tax Exempt Use Issue

Nonprofit GPs can benefit from “Special Allocations” of Tax Attributes.

Tax Attributes:

- Profit and Loss
- Cash Flow
- Sales Proceeds

- **Qualified Allocations** – 99.99% to LP, .01% to GP for all three (Considered 99.99% taxable use property)

- **Special Allocations** – Cash Flow and Sales Proceeds can be specially allocated to GP up to 90% (Considered 10% taxable use property)

Tax Exempt Use Issue (cont.)

	Qualified Allocations	Special Allocations
Energy Property Basis	$1,150,000	$1,150,000
x	X	X
Taxable Portion	99.99%	10%
x	X	X
RETC Credit Percentage	30%	30%
=	=	=
Renewable Energy Tax Credit	$344,966	$34,500

Energy Tax Credits +

Stages of Development

Stages of Development

- **New Construction:**
  - Most Flexibility – create structure needed to take advantage of RETC
- **Compliance Period (YR 1 through YR 15):**
  - Limited Partnership still active / investor still in deal
  - Need to determine tax-exempt use ownership structure / modifying structure
  - May need to consider creative solutions
- **Investor Exit (Post YR 15):**
  - Nonprofit GP is sole Owner, can utilize Direct Pay

QUESTIONS?

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THANK YOU

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Thank You to Our Sponsors and Program Partners

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Comprehensive Affordable Multifamily Retrofits Program

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Building Initiative for Low-Emissions Development Program

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SOMAH

Affordable Housing Electrification Training Series

Dates: August 29th , September 5th, 19th, & 26th

Time: 11:30am-12:30pm

- Greenhouse Gas Reduction Fund: Key Updates for Implementation in California
- Planning & Financing All-Electric New Construction
- Planning & Financing All-Electric Rehabilitations
- Understanding Electrification Technology Operations & Maintenance

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