

Several state housing finance agencies (HFAs) use the Federal Low-Income Housing Tax Credit (LIHTC) program to promote the construction of energy- and water-efficient affordable rental housing by including energy efficiency and renewable energy (EERE) standards in applications. As of July 2018, HFAs in 12 states (Arizona, California, Connecticut, Delaware, Georgia, Iowa, Kansas, Maryland, Missouri, Nevada, Pennsylvania, and Wisconsin) and the New York City Department of Housing Preservation and Development require LIHTC applicants to conduct energy audits for rehabilitation projects. Eight of them (Arizona, California, Connecticut, Delaware, Iowa, Kansas, Nevada, and Wisconsin) require energy modeling analysis for new construction. In accordance with the provisions of Section 42 of the Federal Internal Revenue Code, states adopt and regularly update a “Qualified Allocation Plan,” which outlines the procedures for administering and allocating LIHTC.

## Benefits

Requirements for EERE standards in LIHTC applications encourage developers to incorporate energy efficiency upgrades in their projects, especially in low-income housing. The state HFAs that require such standards help to normalize the inclusion of energy efficiency measures in the process of rehabilitation or development.

## Key Elements

The LIHTC is the federal government's primary mechanism for encouraging investment of private equity in affordable rental housing development for low-income households. To meet the EERE requirement, if there is one, the project development team must consult a certified energy efficiency professional for an energy audit. The professional will then identify cost-effective energy savings opportunities to incorporate into the scope of work.

## Examples

To receive low-income housing tax credits in Maryland, the Maryland Department of Housing and Community Development (MDHCD) requires housing developers to complete a comprehensive energy audit. Based on the findings presented in the energy audit report, projects must achieve a minimum 15% energy savings for the rehabilitated buildings over the existing conditions or in cases where this savings standard cannot be achieved, install all energy conservation measures with a savings to investment ratio (SIR) of 2.0 or greater.

MDHCD also administers EmPOWER Maryland's Multifamily Energy Efficiency and Housing Affordability (MEEHA) program, which is funded through the state's investor-owned utilities. MDHCD provides loans and grants for energy conservation measures through the MEEHA program, further incentivizing housing developers to implement measures with higher levels of energy efficiency than required by the QAP. Projects qualify for funding where the SIR for the project is at or above 1.1.

The [CELICA Connecticut Case Study](#) includes reference to savings of 25% or more from a similar program in that state.

## Applicability

This program strategy may be more easily employed in states where project funding is available through utility incentives and rebates to make retrofits more feasible. It may also be particularly appealing to states that must meet tight energy savings or carbon reduction goals.

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## Implementation Considerations

HFAs are well-suited to incentivize low-income housing owners to adopt energy efficiency technologies because they can coordinate with utilities that have energy efficiency programs and help these programs align with major capital investments in building renovation. HFAs can be prepared by having sufficient staff, such as department underwriters and construction management officers, to review applications and ensure that audits are completed to their state's standards. For example, MDHCD assigns a construction management officer for each approved project. If the HFA has additional funds, it may also consider incentivizing measures that the utility does not, such as central boiler replacement or asbestos mitigation.

## Links

- [State Strategies to Increase Energy and Water Efficiency in Low Income Housing Tax Credit Properties](#), Energy Efficiency for All
- [Low Income Housing Tax Credits & Energy Efficiency Policies, National Housing Trust](#), National Housing Trust
- [Program Design Guide: Energy Efficiency Programs in Multifamily Affordable Housing](#), Energy Efficiency for All
- [PrezCat: An Online, Searchable Catalog of State and Local Affordable Housing Preservation Policies](#), National Housing Trust