



The Housing Credit is our nation’s most successful tool for encouraging private investment in the production and preservation of affordable rental housing. Since 1986, the Housing Credit has been used to develop and preserve over 3.6 million homes nationwide. With an affordability period of at least 30 years, these properties must be built to high-quality standards that stand the test of time. Increasingly, states are focusing on strategies to increase energy and water efficiency as well as the health of properties to improve financial performance, keep rent and utilities affordable, and provide healthier homes for residents. Thirty-eight states require or incentivize Housing Credit properties to meet the criteria of a third-party building standard like LEED, Enterprise Green Communities, or Earth Craft, and a growing number of states encourage properties to pursue third-party standards that require deeper energy savings, like Enterprise Green Communities Plus, Passive House, or the U.S. Department of Energy’s Net Zero Energy or Zero Energy Ready Homes.¹

The Need for Efficient, Resilient, Affordable Housing Our climate is in crisis, threatening people and communities. Without intervention, our planet will warm by three degrees Celsius by the end of the century, four times the level deemed safe by scientists. For those who do not have adequate access to air conditioning or the means to pay for cooling, this exposure can be dangerous.² The United States housing market is equally in crisis: no renter earning minimum wage can afford a modest two-bedroom apartment. Recent catastrophic events, including the COVID-19 pandemic and Texas winter storms, hit low-income communities, communities of color, and renters much harder, and it typically takes longer for them to recover from disasters.³ Utility burdens have also been exacerbated during the pandemic.⁴ Maximizing the energy and water efficiency of Housing Credit properties and incorporating renewable energy systems can help address both existential threats to renters’ health and wealth in a cost-effective way.

The Affordable Housing Credit Improvement Act (AHCIA), S. 1136 & H.R. 2573

Provisions to support Climate Action through Affordable Housing Development

The AHCIA is led by Sens. Maria Cantwell (D-WA), Todd Young (R-IN), Ron Wyden (D-OR), and Rob Portman (R-OH), and Reps. Suzan DelBene (D-WA-1), Jackie Walorski (R-IN-2), Don Beyer (D-VA-8) and Brad Wenstrup (R-OH-02). It includes several provisions that make it easier to finance affordable housing through the Housing Credit. It includes a provision to make the Housing Credit compatible with energy tax incentives (Section 309), maximizing a Housing Credit property’s ability to invest in energy efficiency and renewable energy.

Make the Housing Credit compatible with energy tax incentives. Currently, three key energy tax incentives used to finance energy efficiency improvements and solar panels – 45L New Energy Efficient Home Tax Credit, Section 179D Energy Efficient Commercial Buildings Deduction, and Section 48 Investment Credit – require basis reductions when used with the Housing Credit. This means that when affordable housing developers claim the energy tax incentives, less Housing Credit equity can go into the property. The trade-off makes these incentives very difficult to use with the Housing Credit and creates a conflict between affordable housing and energy efficiency or renewable energy measures. Enacting Section 309 of the *Affordable Housing Credit Improvement Act of 2021* would eliminate the basis reduction for Housing Credit projects that also claim these tax credits, allowing developers to build housing that is affordable and benefits from deeper energy efficiency and renewable energy measures made possible by these tax incentives. Specifically:

- The 45L credit could contribute \$2,000 per unit to offset energy efficiency costs.
- 179D deduction could provide an estimated \$1,980 in tax savings per unit based on a 1,100 sq. ft. two-bedroom apartment.⁵
- The Section 48 Investment Tax Credit could provide an estimated \$50,000 per property on average for the installation of on-site solar photovoltaics.⁶

¹Bartolomei, D. (2021). Report Update: State Strategies to Increase Energy and Water Efficiency in Low Income Housing Tax Credit Properties. National Housing Trust. Retrieved from:

https://www.nationalhousingtrust.org/sites/default/files/page_file_attachments/2020%20State%20Strategies%20to%20Improve%20Energy%20Efficiency%20in%20LIHTC%20properties%20%281%29.pdf

² <https://www.nytimes.com/interactive/2020/08/24/climate/racism-redlining-cities-global-warming.html>

³ <https://www.nytimes.com/2021/02/16/climate/texas-blackout-storm-minorities.html>

⁴ <https://www.nclc.org/media-center/covid-driven-utility-debt-fuels-a-looming-crisis-in-shut-offs-in-massachusetts-and-the-nation.html>

⁵ <https://www.rentcafe.com/blog/rental-market/real-estate-news/us-average-apartment-size-trends-downward/>

⁶ Estimate based on solar photovoltaic system installations by the National Housing Trust