



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 3.7 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 and adapt to our changing climate. Increasingly, states are focusing on strategies to increase energy and water efficiency, as well as keep rent and utilities affordable, increase access to renewable energy sources, address locations at risk of floods or wildfires and provide healthier homes for residents. There are 38 Housing Credit allocating agencies that require or incentivize Housing Credit properties to meet the criteria of a third-party building standard like LEED, Enterprise Green Communities, or Earth Craft. Additionally, 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 Climate change is threatening people and communities. The EPA² recently released a report clearly illustrating that low-income households disproportionately bear the brunt of climate impacts, particularly in the form of increased childhood asthma resulting from diminished air quality, increased mortality rates due to high heat, lost labor hours due to climate-related events, and lost property due to inundation. Increased extreme weather means greater demands for heating, cooling, and resilient building investments. However, many renters find themselves in buildings that may already be suffering from disinvestment and, therefore, even less likely to withstand extreme weather impacts, such as recurrent flooding, wildfires, or other risks. The United States cannot meet its climate goals without reducing greenhouse gas emissions from housing – and multifamily rental housing represents a critically important and impactful sector of housing. Maximizing energy and water efficiency of both new and future 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. 1557 & H.R. 3238 *Provisions to support Climate Action through Affordable Housing Development*

The AHCIA 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 the 179D deduction (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, Section 179D Energy Efficient Commercial Buildings Deduction requires basis reductions when used with the Housing Credit. This means that when affordable housing developers claim the energy tax incentive, less Housing Credit equity can go into the property. The trade-off creates a conflict between affordable housing and using the 179D credit to make energy efficiency improvements within the commercial spaces of the buildings. Enacting Section 309 of the *Affordable Housing Credit Improvement Act of 2023* would eliminate the basis reduction for Housing Credit projects that also claim this tax credit, allowing developers to build housing that is affordable and benefits from deeper energy efficiency, which could provide an estimated \$1,980 in tax savings per unit based on a 1,100 sq. ft. two-bedroom apartment.⁵

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

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 U.S. EPA. (2021). https://www.epa.gov/system/files/documents/2021-09/climate-vulnerability_september-2021_508.pdf