Reducing Carbon Emissions and Creating Housing Stability in the Low-Income Housing Tax Credit Program

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ABSTRACT

The most severe harms from climate change fall disproportionately on underserved communities who are least able to weather them. Only by adopting climate-friendly policies in the programs that already serve these communities can we begin to shift that dynamic. As the largest source of financing for affordable housing in the country, responsible for the development and preservation of over 3.55 million units, the Low-Income Housing Tax Credit (Housing Credit) program presents a remarkable opportunity to tackle direct emissions from these buildings while advancing equitable climate benefits that enable all people to enjoy the health, economic, and environmental advantages of resilient and sustainable homes.

Qualified Allocation Plans (QAPs) are the main tool through which Housing Finance Agencies (HFAs) prioritize certain elements in Housing Credit properties on the state and local level. Developers seek to maximize their chances of funding by adhering closely to the priorities laid out in the QAP. National Housing Trust recently analyzed 53 QAPs (50 states, plus D.C., NYC, and Chicago) to assess if and how HFAs incentivize and/or require electrification, energy performance and benchmarking, renewable energy, third-party green building standards, and other approaches to high-performance buildings that help combat climate change.

We discuss our findings, including trends, best practices, and emerging approaches to reduce emissions and create more sustainable, resilient, and healthier affordable rental homes. We also identify how advocates can engage HFAs to more aggressively tackle climate change by advancing housing policies that reduce emissions and ensure that low-income renters don't bear the brunt of climate change's harmful effects.

Introduction

Climate change affects all people, but its impacts are not equitably distributed nor equally felt. In fact, as the impacts of climate change worsen, so too does its disproportionate effect on socially vulnerable groups, including low-income households and communities of color (EPA 2021). A 2021 study from the U.S. Environmental Protection Agency (EPA) found that low-income individuals or those with no high school diploma are 15 percent more likely than others to live in areas with the highest projected increases in childhood asthma diagnoses due to climate related impact (EPA 2021). Black and African American individuals, meanwhile, are 40 percent more likely than others to live in areas with the highest projected increase in mortality rates due to climate related impacts (EPA 2021). Low-income households are increasingly burdened by the compounding consequences of climate effects, exacerbating health and economic challenges.

Shifting this dynamic and ensuring that low-income households are able to enjoy the health, economic, and environmental advantages of equitable climate benefits necessitates intentionally adopting climate-friendly policies in the programs already serving these

communities, including addressing the existing infrastructure and buildings upon which these populations rely. Affordable rental homes are a particularly important asset for limited-income households and communities of color: nearly half of renters are considered cost burdened, meaning they spend at least 30 percent of their income on housing costs. Further, Black and Latinx renters are cost burdened at higher rates than white renters (EEFA). The federal Housing Credit program is the largest source of financing for affordable housing in the United States, responsible for the development and preservation of over 3.85 million affordable rental homes across the country (ACTION Campaign 2023). Today, approximately 9 million low-income families live in homes financed by the Housing Credit. (ACTION Campaign 2023). Implementing strategies that reduce carbon emissions, lower energy burdens, and improve resilience of Housing Credit buildings, then, is a strategic and impactful way to limit the burdens of climate change on low-income communities.

While this outcome alone is reason enough to invest in the resiliency and energy efficiency of these buildings, it is not the only benefit. Housing that is affordable, healthy, stable, and safe is a key factor in addressing intergenerational poverty and is an essential component of financial stability. Yet millions of affordable rental homes have been demolished as a result of owners being unable to afford the cost of maintaining their buildings. Improved energy efficiency, however, can result in significant financial savings that can then be reinvested in property improvements, used to replenish reserves that are set aside for future building repair needs, and/or free up capital to offset potential rent increases (EEFA). Decarbonizing affordable housing is even more urgent as better-resourced owners, often those operating market rate housing, transition off gas systems, saddling those left behind with the higher costs of maintaining the gas infrastructure. Creating climate friendly buildings is a proven strategy for preserving existing affordable housing units, which is a critical piece of solving our nation's housing crisis. Additionally, reducing carbon emissions in affordable housing can decrease the energy cost burdens felt by low-income residents while promoting co-benefits, such as improved health outcomes and resiliency.

Investing in creating more sustainable, resilient, and healthier affordable rental homes is now more feasible than ever. As a result of the 2022 passage of the Inflation Reduction Act, grants, loans, tax incentives, and other resources are available to make direct investments in more climate resilient housing that serves the needs of low-income people and achieves the goals of the federal government's commitment to ensure that 40 percent of federal investments benefit low-income and disadvantaged communities. While homes constructed and maintained through the Housing Credit program represent only one segment of the nation's housing stock, they represent a critical opportunity for mitigating the burden of climate change and its compounding impacts on low-income communities.

About the Housing Credit Program

The Housing Credit program provides federal tax credits to developers in exchange for developing or preserving affordable housing. Though the U.S. Department of Treasury runs the federal program, it is administered by Housing Finance Agencies (HFAs) - state and local entities that allocate Housing Credits to individual developers in their jurisdiction.[1] As such, HFAs have broad discretion to shape the program according to the needs and wants of their state

[1] Most HFAs responsible for allocating Housing Credits are state level agencies, although there are a handful of cities who are separately responsible for it.

or locality, allocating the highly competitive Housing Credits only to those developments that best meet their priorities. These priorities are spelled out in a Qualified Allocation Plan (QAP) and other associated documents, published annually,[2] that lay out the criteria against which all proposed developments will be scored.

The QAP, then, is an incredibly important document that effectively dictates what types of affordable housing does and does not get developed or preserved in a given jurisdiction. In addition to establishing a scoring system against which applications are ranked, QAPs also include minimum requirements, often referred to as threshold requirements, that applicants must meet in order to qualify. Including carbon reducing elements into a QAP, either as a threhold requirement or as part of the competitive scoring system, can lead to the development and preservation of affordable housing rental housing that is more sustainable, resilient, healthier, and emits less carbon.

As demand for Housing Credits vastly exceeds their supply, the QAP serves as the blueprint by which HFAs indicate their priorities for developments pursuing Housing Credits, and ultimately determine what gets built or preserved. The Housing Credit provides a valuable source of financing to fund the construction of the property, and so developers are incentivized to tailor their projects to meet the specific priorities of the QAP, thereby increasing their chances of receiving Housing Credits. Projects that do not receive an allocation of Housing Credits are often unable to move forward. Figure 1 illustrates the process through which QAPs influence what types of affordable housing gets developed.

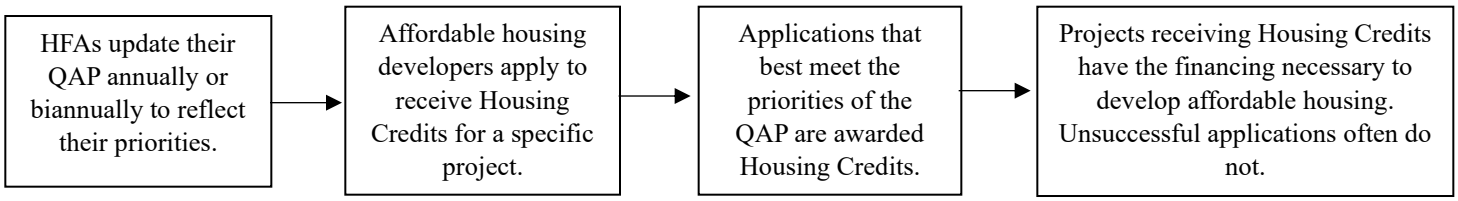

Figure 1. How the Housing Credit Process Works

Methodology

In early 2023, staff from the National Housing Trust (NHT)[3] examined 53 QAPs[4] (all 50 states, plus Chicago, New York City, and Washington, D.C.) to determine how or if HFAs incentivize affordable housing that combats climate change. Specifically, we considered whether QAPs incentivized or required the following elements:

[2] Most HFAs update their QAP annually, though some are on a two-year cycle, updating it only every two years.

[3] NHT is a national nonprofit devoted to creating and preserving affordable homes so that all people have safe, sustainable, and affordable homes that allow them to thrive unburdened by the harmful effects of racism, climate change, and systemic barriers to opportunity. Learn more at www.nationalhousingtrust.org.

[4] For the purposes of this analysis, the term QAP refers to the Qualified Allocation Plan and all accompanying documents, including but not limited to design standards, applications, compliance manuals, and program and construction guidelines. For this analysis, NHT reviewed the most recent QAPs released by HFAs as of March 2023.

- electrification,
- renewable energy,
- whole-building energy performance, and
- third-party green building standards.

Our findings pertain to trends, best practices, and emerging approaches in QAPs in effect as of March 2023. The remainder of this paper focuses on the ways in which QAPs incentivize or require electrification, renewable energy, and/or whole-building energy performance, as these are among the most significant ways HFAs combat climate change when allocating Housing Credits. For the complete analysis of how third-party green building standards are integrated into QAPs, some of which incorporate electrification, renewable energy, and energy performance, please review NHT's Infobrief on the topic.[5] Together these findings recommend how climate advocates can engage with the QAP process to advance housing policies that reduce emissions and ensure that low-income renters don't bear the brunt of climate change's harmful effects.

Electrification in the Housing Credit Program

Transitioning buildings from fossil fuel sources to electricity, known as electrification, is a key strategy to reducing carbon emissions. It is also a critical part of delivering healthy homes by improving indoor air quality: children living in a home with a gas stove are 42 percent more likely to develop asthma symptoms and 24 percent more likely to receive an astha diagnosis by a doctor (We Act 2023). Recently, research found that gas stoves are responsible for 12.7 percent of current childhood asthma cases in the United States (We Act 2023). As such, electrifying Housing Credit properties which house children, who already live with inequitable access to health care and healthy food, is an obvious way to both reduce carbon emissions and improve the health outcomes of the people who call them home.

At least nine HFAs recognize the benefits of fossil-fuel-free housing and encourage all-electric buildings and/or electrification in their QAP through one or more of the following three ways:

- by incentivizing or requiring the electrification of individual building systems or appliances,
- by incentivizing or requiring electric-ready buildings, and/or
- by incentivizing or requiring all-electric baseline construction standards.

The most common way HFAs limit fossil fuel use in Housing Credit properties is by awarding more points to projects that include individual electrical systems or appliances, as opposed to gas burning systems or appliances. Electrifying domestic hot water, space heating, and appliances such as dryers and ovens are all components frequently cited by HFAs in their QAPs. While Housing Credits can be awarded to either new construction projects or existing buildings, many QAPs include separate criteria for these different types of projects. Recognizing that electrifying an existing building can be more complex and more costly than electrifying a

[5] Learn about how HFAs are improving sustainability in Housing Credit properties by integrating third-party green building standards into their QAPs here: www.nationalhousingtrust.org/sites/default/files/documents/green-building-standards-final-formatted-updated.pdf

new building, some HFAs limit electrification incentives or requirements for new construction only.

The following examples, also included in Table 1, provide examples of the various ways HFAs incentivize developers to include electric systems and appliances in their projects:

- Washington, D.C.'s QAP awards points to projects that are all-electric.
- Delaware's QAP awards points to rehabilitation projects that transition existing gas appliances and mechanical systems to all-electric systems.
- Massachusetts' QAP awards points to new construction and rehabilitation projects that electrify their heating, cooling, and/or hot water systems.
- Maryland's QAP provides points to projects that use heat pumps for the building's hot water systems.

While these approaches, which aim to electrify individual systems and appliances, can effectively reduce carbon emissions and improve outcomes for residents, a more comprehensive approach is to make an entire building all-electric. Some HFAs do take this approach, by either incentivizing or requiring all-electric projects. Another approach is to encourage electric-ready construction, through which developers construct buildings with the necessary electric load capacity and physical space required to convert to all-electric later. In Colorado's QAP, for example, electric-ready projects are more competitive for Housing Credits than most other projects, while all-electric projects are the most competitive. The table below includes details on how Colorado and other states incorporate all-electric or electric-ready approaches in their QAP. HFAs not included in this table do not include strategies to require or incentivize electrification in their QAP.

Table 1. HFA strategies to require and incentivize electrification in the Housing Credit Program

HFA	Incentivized	Required	Details
CO	X[6]		Prioritizes electric-ready or all-electric applications, especially highly energy-efficient projects and projects that are certified as net zero carbon emissions or net zero carbon emissions ready.
CT	X		Developers receive points if projects are all-electric, include a resilience hub (with back-up power for critical systems, energy lighting, and potable water), and have a PV system that offsets at least 90 percent of property-specific energy demand.
DC	X		Points are awarded to projects that are electric with no on-site combustion and/or that include low-embodied carbon design.
DE	X		Developers receive points for rehabilitation projects if they convert existing gas appliances and mechanical systems to all-electric systems.

[6] Does not award points but notes that it is a preference.

MA	X		Points are awarded for electrification of heating and cooling and hot water.
MD	X		Maryland awards points for domestic water heating heat pumps.
MN	X		Developers receive points for each system designed as all-electric ready.
NV	X		Points awarded to projects that include electric heat pumps for hot water.
NY		X	Developers are required to follow the all-electric baseline requirements for new construction and adaptive reuse, including all-electric heating and cooling systems, hot water equipment, and appliances. Rehabilitation projects are required to include specific all-electric appliances and systems. There are also baseline requirements for the type of electric heating and cooling systems developers must include in their projects.

Renewable Energy in the Housing Credit Program

Using renewable energy is another approach to tackling the climate crisis, while simultaneously reducing energy costs. While it is important to provide access to clean energy sources and reduce exposure to pollution for everyone, reducing energy costs is of particular significance for lower income families and individuals who spend an outsized share of their income on utilities. While low-income households spend three times their share of income on energy costs when compared to other households (DOE 2021), only 31 percent of residential solar serves households earning less than the area median income (AMI),[7] highlighting the inadequate access to utility-cost-reducing renewable energy systems among the lower income families who need them most urgently.

To achieve these concurrent goals, at least 23 HFAs explicitly include renewable energy in their QAP, either by encouraging or requiring developers to incorporate it into their projects, with slightly more (12) incentivizing developers to inorporate it into their projects rather than requiring it. Of those, few identify the desired source of renewable energy, and among those who do, the most common sources are geothermal, solar, and wind. Solar is by far the most common type of renewable energy specifically incentivized or required by HFAs, included in 18 QAPs. Of those 18, at least nine QAPs require the use of solar energy while 11 provide point incentives for doing so. Only two QAPs specifically identify wind as an eligible source of renewable energy, and three include geothermal.[8] Table 2 provides more details on the types of renewable energy included in specific QAPs.

[7] The Area Median income (AMI) is the midpoint of a region's income distribution, meaning that half of the region's families earn more than the AMI and half earn less.

[8] Housing Credit properties may also be encouraged to include renewable energy systems through third party green building standards in their state's QAP. For more information on third party green building standards and how they are incorporated into QAPs, please see NHT's infobrief on the topic, here: www.nationalhousingtrust.org/sites/default/files/documents/green-building-standards-final-formatted-updated.pdf

Table 2. Types of renewable energy included in QAPs[9]

	Renewable Energy Type				
HFA	Solar	Wind	Geothermal	Required	Incentivized
AK					X
CA	X			X	X
CT	X				X
DC	X			X	
DE	X				X
HI	X			X	
Chicago	X			X	
MA	X	X			X
MD	X		X		X
ME	X			X	
MT	X				
ND	X		X	X	
NE	X		X		X
NV	X	X			X
NY	X			X	
NYC	X			X	
OR	X			X	
RI	X				X
TX	X				X
VA	X				X
VT	X				X
WA	X			X	

When considering renewable energy sources, some HFAs require developers to provide financial benefits directly to the low income residents of the property. Doing so ensures that any savings generated by using renewable energy sources do not only benefit the property owner. This can be done by offsetting a specific share of utility costs per unit each year. As an example, Alaska's QAP awards points to developments incorporating a renewable energy system that is projected to generate a minimum of $40 in savings per unit per year.[10]

Another consideration seen in some QAPs requires the renewable energy generated to provide a pre-set share of building energy demand. This can be done by requiring that renewable sources provide sufficient energy to power the building's common area lighting or a set share of each unit's total energy load. Additional points are often awarded to developers who exceed minimum levels. Connectiut's QAP, for example, awards a higher number of points for photovoltaic systems that offset 75 percent or more of the annual energy demand for site and interior common area lighting percent.

[9] HFAs not included in this table do not require or incentivize renewable energy sources in their QAP.

[10] Due to metering regulations in some states, however, providing benefits directly to residents is not always an option. The U.S. Department of Housing and Urban Development has released guidance outlining alternate methods landlords can use to ensure residents benefit from renewable energy (Bastarache 2023).

Some HFAs incentivize developers to design solar-ready buildings even when they do not require renewable energy for Housing Credit awards. That may call for buildings to be ready for future solar system installations, and include, for example, a shade-free roof suitable for solar panels. To qualify for these points in the QAP, developers are usually required to complete either a solar feasibility study to determine if a project is well-suited for onsite solar installation, or a cost benefit analysis to indicate the projected life-cycle system costs and estimated financial savings. Of these additional renewable energy elements incorporated into QAPs, they breakdown as follows:

- Eight HFAs require or provide points to developers who ensure renewable energy offsets a pre-set percentage of energy demand.
- Three HFAs require developers to design and construct solar-ready projects.
- Two HFAs either require or provide points to developers if renewable energy directly benefits the property's low-income tenants.

Whole-Building Energy Performance and Energy Benchmarking

In addition to incentivizing electrification and renewable energy use in Housing Credit properties, some HFAs encourage reducing energy consumption through energy efficient upgrades. This has benefits beyond the overall reduction in carbon emissions. Reducing energy consumption through energy-saving construction and retrofits can help building owners lower long-term operating costs and free up resources to invest in the property, as well as provide services to residents. Lowering energy consumption can also drive down residents' utility bills.

Whole-Building Energy Performance

A number of HFAs encourage more energy-efficient appliances and building systems in their QAP to deliver benefits for residents as well as to reduce energy consumption. There is an opportunity, however, for HFAs to encourage developers to consider a broader array of energy efficiency updates and technologies by utilizing a whole-building approach to energy performance. Doing so holds developers to certain energy performance standards and tracks improvements over time. Achieving reductions in whole-building energy consumption requires an owner to meet a minimum energy savings target compared to a baseline. For new construction, this baseline may be a state building code or other existing state standard, while in the case of existing buildings the baseline is the property's pre-retrofit energy performance.

HFAs use several common approaches to measure and set whole-building energy performance targets. The most common approach in both new construction and existing buildings is the Home Energy Rating System (HERS) Index Score, which rates energy performance on a scale of 1 to 150, with a lower score indicating better energy performance. A property with a HERS Index Score of 70, for example, is 30% more energy efficient than a standard new property, while a property with a HERS Index Score of 130 is 30% less energy efficient than a standard new property (RESNET HERS Index). HFAs either require or incentivize properties to achieve a HERS rating below a set level, often with different standards for new construction and existing buildings. In the case of existing buildings, HFAs may require or incentivize a minimum percentage reduction in the HERS rating post-retrofit.

Whole-building energy performance is also captured in some third-party green building standards such as ENERGY STAR, Passive House, and LEED. While 46 HFAs incorporate

green building standards into their QAP (NHT 2023), not all the standards include energy performance standards. For purposes of this analysis, HFAs are included only if they expressly incentivize or require a whole building energy performance approach outside of these standards or do so through the ENERGY STAR standard. [Read more about how HFAs incorporate third-party green building standards in NHT's Infobrief on the topic (NHT 2023).]

A number of HFAs incorporate whole building energy performance standards in their QAPs. Most HFAs distinguish between new construction and existing buildings when doing so, with many offering separate standards for each. Our review finds:

- Twenty HFAs require energy performance standards for new construction projects, while eight include standards as an incentive, and two as both.
    - Energy performance standards range from 15 percent to 30 percent reduction in energy consumption compared to state code or other state energy performance standards.
    - For HFAs using HERS Index ratings, the standards for new construction projects range from scores of 42 to 100.
- Twenty-one HFAs include energy performance standards for existing buildings: 13 as a requirement and eight as an incentive (with two of these as both).
    - Among these HFAs, the required or incentivized standards range from 10 percent to 80 percent reduction in energy usage post-retrofit.
    - For HFAs using HERS Index Ratings, the standards for existing buildings range from 55 to 100.

Table 3 provides more details on how HFAs require and incentivize whole-building energy performance in the Housing Credit program.

Table 3. HFA requirements and incentives for whole-building energy performance in the Housing Credit Program[11]

	New Construction			Existing Buildings		
HFA	Req-uired	Incent-ivized	Standard	Req-uired	Incent-ivized	Standard
AZ	X	X	HERS Index 65 HERS rating ≤ 55 (5pts)	X		15 percent reduction
CA		X	15 percent better than California's Building Energy Efficiency Standards (4 percent increase in threshold basis limit)	X	X	10 percent reduction 80 percent reduction (4 percent increase in threshold basis limit)

[11] HFAs not included in this table do not require or incentivize whole-building energy performance standards in their QAP.

CT	X	X	HERS Index 42-50 OR Average percent below Energy Star Target Index 15 percent-35 percent (2-4pts)	X		HERS Index ≤ 70 or ≥ 30 percent reduction
DC				X		Level 1 Accelerated Savings Recognition Alternative Compliance Pathway Option for Building Energy Performance Standard (BEPS) compliance: 36 percent EUI savings
DE		X			X	HERS Index ≤ 70
GA				X		20 percent reduction
IA	X		HERS Index ≤ 70			
ID		X	HERS Index ≤ 70 (5pts)		X	HERS Index ≤ 100 (5pts)
IL				X		HERS Index 80 (exception for built before 1980) OR ASHRAE 90.1-2013
MA		X	HERS Index ≤ 45 (4pts)		X	HERS Index 55-65 (3-5pts)
MD	X		ENERGY STAR MF New Construction Certification	X	X	Energy Star MF New Construction Certification (waivers available) 15 percent reduction 20-30 percent reduction (4-6 pts)
MN[12]	X	X	HERS Index ≤ 80	X	X	HERS Index ≤ 100 or less (built before 1980) or post-rehab ≥15 percent reduction in HERS Index

[12] Required for Pathway 3 for Alternative Building Performance Pathway

ND	X		MF with ≥ 4 stories: ASHRAE 90.1-2007 and Energy Star MF High-Rise program guidelines MF with ≤ 3 stories: Energy Star New Homes Version 3 Certification	X		MF with ≥ 4 stories: ASHRAE 90.1-2007
NJ	X		ENERGY STAR MF New Construction Certification with HERS rating			
NM	X		HERS Index ≤ 55	X		HERS Index ≤ 65
NY	X		15 percent better than Energy Conservation Construction Code of New York State (ECCCNYS) 2020 Encouraged to consider 30 percent better	X		≥ 20 percent reduction. For adaptive reuse, 15 percent better than ECCNYS
NV	X		ENERGY STAR Homes v3.1	X		Energy Star Homes v3.1
OK		X	HERS Index 80-95 (3-10pts)		X	HERS Index 80-95 (3-10pts)
PA		X	HERS rating through ENERGY STAR Version 3.0 (3pts)		X	HERS rating through Energy Star Version 3.0 (3pts)
SD		X	HERS Index ≤ 60 (20pts)		X	HERS Index ≤ 60 (20pts)
UT	X		HERS rating through ENERGY STAR certification	X		HERS rating through Energy Star certification
VA	X		HERS rating through ENERGY STAR certification	X		HERS Index ≤ 80 or 30 percent reduction. For adaptive reuse, HERS Index ≤ 95
WY		X	HERS Index ≤ 100 (10pts)		X	HERS Index ≤ 100 (10pts)

Energy Benchmarking

A powerful tool for enhancing whole-building performance is through energy benchmarking, which requires an owner to track and compare their property's energy consumption with other similar properties. Energy benchmarking enables owners to prioritize energy performance upgrades that lower operating costs and reduce residents' utility bills – all while reducing the property's carbon emissions.

At least eight HFAs require energy benchmarking in Housing Credit properties. (No HFAs incentivize energy benchmarking.) Of these, five also include incentives or requirements for specific energy performance standards, discussed above. Delaware's QAP, for example, incentivizes a HERS Index score of 70 or below in existing buildings, while also requiring owners to continuously benchmark and share data for all owner-paid utility accounts and a sample of resident-paid utility accounts for at least 15 years. This data can help both building owners and the HFA make data-informed decisions about needed building investments. ENERGY STAR Portfolio Manager, an online data management system that allows owners to easily upload and analyze performance data, is one of the most widely used benchmarking tools. Table 4, below, provides details on how HFAs incorporate energy benchmarking into their QAP and what mechanism they require, if any.

Table 4. HFA requirements for energy benchmarking in the Housing Credit Program[13]

HFA	Required	Incentivized	Details
CO	X		Annually assess and report energy performance with ENERGY STAR Portfolio Manager
CT	X		New Construction: Use of ENERGY STAR Portfolio Manager is a prerequisite for Sustainability points. Preservation: Use of Energy Star Portfolio Manager for ≥ 5 years and data sharing with CHFA
DE	X		Use of utility benchmarking service for all owner-paid utility accounts and a sample of tenant-paid utility accounts for ≥ 15 years
NJ	X		Participation in NJHMFA's Energy Benchmarking Initiative
NY	X		Projects over 25,000 square feet enter energy and water performance data into online utility benchmarking platform annually and share with HCR
PA	X		Participation in PHFA energy benchmarking program
SC	X		Use of ENERGY STAR Portfolio Manager and data sharing with the HFA for ≥ 5 years
WA	X		New Construction: Performance testing or commissioning process to meet requirements of 2018 Washington State Energy Code

[13] HFAs not included in this table do not require or incentivize energy benchmarking in their QAP.

Engaging HFAs to Tackle Climate Change and Protect Low Income Residents

QAPs represent a powerful tool for limiting carbon emissions and ensuring that low-income renters do not bear the brunt of climate change's harmful effects. Though the federal government identifies ten selection criteria that a QAP must address, including energy efficiency, the specific incentives and requirements that HFAs include in their respective QAPs have the greatest impact on the types of housing that gets built and preserved. Over the last two decades, NHT has successfully advocated for a number of policies, including many related to reducing carbon emissions and increasing energy efficiency, to be included in QAPs across the country. Climate advocates should similarly consider engaging HFAs as a partner in achieving more widespread adoption of climate resilient policy.

As previously discussed, HFAs update their QAP either annually or biannually. Federal law requires that each HFA open a public comment period during which anyone can submit written and/or verbal comments on what should or should not be prioritized in the QAP. Prior to this public comment period, the HFA will release a draft QAP, noting proposed changes. Only after the HFA reviews comments received during the public comment period and makes appropriate updates can the QAP be signed into law by the Governor. Comments are most commonly submitted by affordable housing organizations, advocates, and developers, meaning QAP processes have not typically been a forum frequented by those fighting for climate justice.

Submitting formal comments on a draft QAP is one way to ensure that HFAs hear from climate advocates and consider the impacts of climate change on low-income residents when developing their QAP. The Midwest Building Decarbonization Coalition (MWBDC) convenes an Affordable Housing Working Group[14] that "works to dramatically improve state rules for federal Low Income Housing Tax Credits to incentivize carbon-free and/or passive building design" (MBDC 2024), including through the submission of QAP comments. Though the MWBDC works specifically in Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio, and Wisconsin, they have developed tools that are applicable for advocates across the county, including their *QAP Commenting Toolkit: A Midwest Building Decarbonization Coalition Guide to Submitting Formal Comments to Qualified Allocation Plans*" (Elevate and MBDC 2023). In addition to offering tips and tricks for preparing and submitting comments, the Toolkit identifies eight steps for doing so, including a recommendation that advocates reach out to their HFA. As noted in the Toolkit, "establishing a relationship with staff from the HFA can help commenters gain a deeper understanding of the thought process behind some of their recent changes and the goals and intentions they may have […], as well as access to information that may not be publicly listed" (Elevate and MBDC 2023, 8).

The Toolkit also suggests gathering partners as a first step for preparing to submit QAP comments. Working with fellow climate advocates, as well as nonprofit organizations, developers, and others aligned in your mission will not only help brainstorm specific goals, but may also increase the chances that your suggestions are adopted by the HFA. Working with developers to understand which climate-friendly measures are more or less challenging to implement can be especially useful to ensure that your final recommendations make sense for those creating and preserving affordable homes. Other recommended steps when preparing to

[14] As a member of the Midwest Building Decarbonization Coalition, NHT facilitates the Affordable Housing Working Group.

submit QAP comments include:

- Identifying and prioritizing goals, noting that a few tangible recommendations may be more digestible for an HFA than a laundry list of demands;
- Reviewing existing and draft QAPs to understand what provisions already exist and where this is room for improvement; and
- Developing a strategy that aims for gradual improvements, uses examples from other states, and acknowledges the work that the HFA is doing.

Most states accept written comments via email sent to an email address designated on the HFA's website. Each HFA will also have its own deadline for submitting comments, based on that jurisdiction's individual timeline for updating the QAP. Signing up for notification emails from your HFA is the best way to be alerted to the release of a draft QAP, the beginning of the comment period, and other details pertaining to the Housing Credit program.

As highlighted throughout this paper, HFAs are already taking steps to ensure that Housing Credit properties provide more climate-ready homes for people. Meaningful advocacy strategies can include both ensuring HFAs with existing climate-friendly policies keep them while simultaneously encouraging other HFAs to adopt these policies. When engaging with HFAs and submitting comments, however, it is important to keep in mind that the HFA's primary motivations may differ from climate advocates'. HFAs were established to help meet the affordable housing needs of the residents in their state or locality. While HFAs may be contributing towards climate-related goals established by individual states and cities, the main charge of HFAs is to ensure that residents are safely, affordably, and stably housed. Lifting up examples of approaches used by other HFAs -- such as those identified throughout this report -- and linking these specific recommendations with improved outcomes for low-income residents can increase the chances that an HFA adopts additional QAP changes. Linking recommendations to improved health outcomes for residents or residents' ability to withstand extreme heat, for example, can help HFAs more clearly see the connection between climate advocates' goals and the low-income residents an HFA aims to serve.

Other limitations of the QAP include cost containment policies that prioritize projects that request fewer Housing Credits per unit, sometimes leading to elements designed to combat clime change to be value engineered out. In instances where energy-saving measures are proven to be cost effective, too, emphasizing this in comments can be effective to convince HFAs to include these measures into the QAP.

Despite creating and preserving millions of affordable homes, Housing Credits alone do not provide sufficient financing to develop or preserve affordable housing. Instead, developers rely on an array of other sources of financing, known as gap financing, to complete a project. While 25 percent of Housing Credit projects require at least five sources of financing, some projects require as many as 11 separate sources of financing to complete development (Kimura 2021). While the Housing Credit is an extremely valuable resource it alone is not enough. We need complementary policies and programs to provide the gap funding necessary to supplement Housing Credits and reduce the pressure on the finite resource.

Conclusion

The most severe harms from climate change fall disproportionately on underserved communities who are least able to withstand them. That applies in housing as well, where

affordable housing that is not designed with climate change in mind puts residents at risk for greater utility cost burden, more energy insecurity, and potentially worse indoor air quality. Advocating for QAP policies that reduce emissions and improve the energy performance of affordable housing is one way to shift this dynamic and ensure that low-income households are not disproportionately burdened by the climate crisis. Adopting climate-friendly policies in QAPs, like electrification, renewable energy, and whole-building energy performance standards, can improve health outcomes and housing stability for low-income families and individuals. Everyone deserves housing to have an affordable, safe, and sustainable home. The QAP is one tool that can help us achieve these common goals.

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