Housing in America's Energy Communities

Interagency Working Group on Coal & Power Plant Communities & Economic Revitalization

Housing is a basic need that is vital to people and to a thriving economy. Many energy communities see the availability of affordable housing as a priority to revitalize their economies, along with improving infrastructure and workforce training. Over the past three years, energy communities have received $54 billion in federal investments, including $1.5 billion for housing.

HOUSING IS DEFINED AS AFFORDABLE IF TOTAL HOUSING COSTS ARE NO MORE THAN 30% OF A HOUSEHOLD'S INCOME.

Housing costs include utilities plus either gross rent or mortgage principal, interest, property tax and homeowners insurance (PITI).

Approximately 40% of renter households (more than 500,000 households) within energy communities are paying more than the rule-of-thumb on rent.[1]

The *Increasing the Supply of New Affordable Housing Toolkit* provides strategies to effectively use public and private funds, improve land use policies, and leverage available public lands to build more homes.

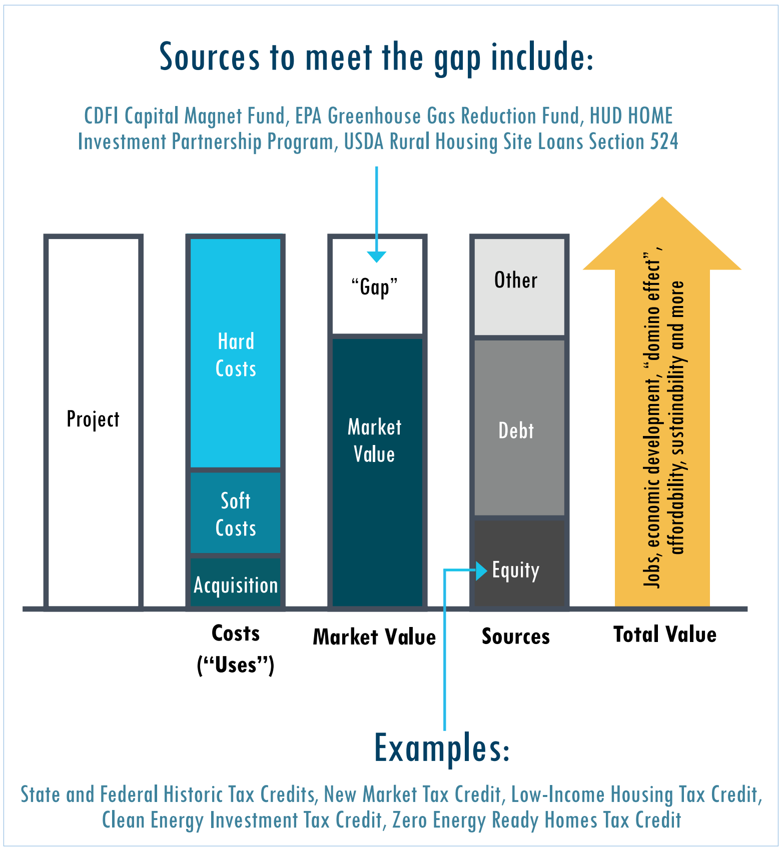
FINANCING HOUSING

Real estate development is hyper-local but capital-intensive, requiring investment from public and private sources. All single-family and multifamily housing development — regardless of whether it is preservation of affordable housing, adaptive reuse of an existing building, or new construction — starts with a need for funding for the project developer.

There are several considerations for determining a project's viability and whether there's a need to identify additional funding to fill any gap between the **costs and the market value**:

- Net operating income (income minus operations).
- Total development costs, including land, structure, site improvement (on- and off-site), soft costs (design, permitting, legal, etc.), contingency, and construction financing.
- Post-construction (permanent) financing with more favorable interest rates but before a sale to a third party, such as a homeowner, or to manage as a rental property.

The *Climate Resources for Housing Supply Framework* provides additional examples on filling funding gaps and attracting capital to support housing development.



Rental Housing Case Study

The **Wyoming Rapid Response Team (RRT)** worked with the **Campbell County Office of Economic Transformation** to better understand how more housing and a surge of good-quality jobs in energy communities can go hand-in-hand. The RRT learned that a lack of funding, labor shortages, restrictive or outdated zoning, and other local land use polices created challenges and kept housing production behind demand. In June 2023, the RRT and Campbell County hosted a housing workshop attended by a mix of national, regional, and local officials, business leaders, and private and nonprofit real estate developers that centered on making the case for why and how to build more homes to support economic transformation. More than **240 homes are now under development in Gillette, Wyoming**, including a mix of market-rate and income-restricted rental units.

[1] These calculations are based on renter-occupied unit data from the 2018-2022 American Community Survey, as well as census tracts with retired coal mines or retired coal power plants and adjacent census tracts determined by the National Energy Technology Laboratory. Nationwide, more than 45% of renter households exceed the 30% affordability criteria (more than 20 million households). The share is similar in metropolitan statistical areas (MSAs) and non-MSAs with high fossil energy employment (more than 6 million renter households exceeding the affordability criteria).

FEDERAL RESOURCES TO SUPPORT HOUSING DEVELOPMENT

The U.S. Department of Housing and Urban Development's **HUD Exchange Build for the Future** webpage provides federal resources to increase the supply of rental and owner-occupied housing. These programs are flexible and easily stackable with other sources of funding, such as municipal bonds, federal and state tax incentives, and private or other philanthropy lending. Select funding programs are described below.

Community Development Financial Institution (CDFI) Capital Magnet Fund. CDFIs and a nonprofit organization operating with a principal purpose of developing or managing affordable housing solutions are eligible to apply for awards that can be used to finance affordable housing activities, as well as related economic development activities and community service facilities. Contact the relevant state office and speak to a Housing Program Specialist prior to applying to ensure eligibility.

EPA Greenhouse Gas Reduction Fund. The National Clean Investment Fund and the Clean Communities Investment Accelerator capitalize a network of nonprofit financial institutions providing financing to individuals and families, nonprofit organizations, for-profit businesses (especially small businesses), units of government, and others deploying qualified projects. Community benefits include preservation of affordable housing, adaptive reuse of existing buildings, or new construction that may not otherwise have been financed. Contact the relevant recipient directly to learn more about potential opportunities for funding housing-related projects by using their contact information found at epa.gov/ggrf.

HUD HOME Investment Partnership Program. This program provides formula grants to states and localities that partner with nonprofits. Eligible uses include building, buying and/or rehabilitating affordable housing for rent or homeownership, or providing direct rental assistance to low-income people. Contact the individual state or local grantee agency, which can be found at the HUD Exchange.

USDA Rural Housing Site Loans Section 524. Private or public nonprofit organizations are eligible to acquire and develop single-family and multifamily sites for low- or moderate-income families. Low-income is defined between 50% and 80% of the area median income, and the upper limit for moderate income is 115% of the area median income. Contact the State USDA Rural Development office for more information and to apply.

State and federal tax incentives can make up funding shortfalls and serve as equity, allowing a project developer to access additional public and private financing opportunities. These include the most common type of tax credit for affordable housing — Low-Income Housing Tax Credits — as well as other Inflation Reduction Act credits, such as the Clean Electricity Investment Tax Credit or Tax Credits for Zero Energy Ready Homes. New Internal Revenue Service guidelines allow for "elective pay," also referred to as "direct pay," to tax-exempt and governmental entities for full value of some clean energy tax incentives.

Owner-Occupied Housing Case Study

Cook Medical, an Indiana-based medical device maker, is developing single-family homes for its employees to support their recruitment and retention efforts within the Illinois Coal Basin. **Fourteen of the 90 planned homes have been constructed, with employees getting the first option to buy.** The company partnered with the city of Spencer, which extended water lines, sewer lines and a road to a new 62-acre subdivision. Profits made from each home are then used to finance the next. An initial grant to the company from the state of Indiana's Regional Economic Acceleration and Development Initiative (READI) program, capitalized by a $500 million American Rescue Plan COVID-19 grant and a $150 million Lilly Endowment Strategic Community Advancement Initiatives grant, helped secure the financing to start the housing project. The company is planning to develop more than 200 additional homes across south-central Indiana supporting their workforce development initiatives.

The Energy Communities IWG's online clearinghouse also includes numerous tax credits and funding opportunities related to housing that energy communities can take advantage of, as well as information about RRTs.

Check it out at https://energycommunities.gov/funding-opportunities/