Evergreen Collaborative

# 3 Key Inflation Reduction Act Programs Communities Should Know About

*A guide for communities on how to harness federal climate and clean energy financing*

Communities stand to reap millions of dollars in opportunities from new federal tools made possible by the Inflation Reduction Act (IRA) and the Infrastructure Investment and Jobs Act (IIJA), but many are understandably overwhelmed by the number of new programs, incentives, and funding opportunities coming their way.

Among the many opportunities, these are the three of the most important programs all communities should know about and stand to benefit from:

1. **Direct pay** (also known as elective pay) clean energy tax credits
2. Low-cost finance and technical assistance through the **Greenhouse Gas Reduction Fund** (GGRF)
3. Concessional financing from the Department of Energy's **Loan Program Office** (LPO) through:
    a. State Energy Financing Institutions (SEFIs)
    b. The Tribal Energy Loan Guarantee Program (TELGP)
    c. Energy Infrastructure Reinvestment (EIRs)

Now that grant programs from the IRA and IIJA are allocated, these three programs rise to the top in terms of potential impact for communities. All of these programs offer transformative financing tools that state governments, cities, community-based organizations (CBOs), and Tribes can utilize to lower energy costs, create good jobs, attract growing businesses, and advance equitable outcomes within their communities.

These three financing opportunities can fund a wide variety of community projects, including solar on rooftops and buildings, electric vehicles (EVs) and charging infrastructure, home efficiency projects like heat pump installations, and larger scale projects like new clean manufacturing facilities.

In this resource, we dive into each of these critical new tools, spotlight successful projects, and outline the many opportunities available to communities.

**Are you in the executive branch of a state government?** Check out this clean energy finance guide (PDF) for state governments.

## What is Direct (or Elective) Pay?

The passage of the IRA in 2022 expanded the tax credits available for many clean energy projects, including solar, battery storage, wind, geothermal, EVs, charging infrastructure, and more. The IRA also allowed for a transformative new opportunity, direct pay, which allows tax-exempt entities like schools, religious institutions, Tribes, and hospitals to benefit from a dozen clean energy tax credits.

These tax credits allow for the recovery of 30 percent of a project's upfront costs. They include bonus, stackable incentives that can further increase the value, so a theoretical project could recover up to 70 percent of project costs. For more information on what direct pay is, who is eligible, and how to maximize credits, read our direct pay guide here.

## How Direct Pay Benefits Communities

Direct pay enables nonprofits and governments to build clean energy projects more cost-effectively. These community benefits may include cost savings on energy bills, revenue from energy systems, achieving climate and clean energy goals, and increases in property values. States have an important role to play in ensuring that these benefits flow to the communities with the greatest needs.

### Spotlight on Two Communities That Took Advantage of Direct Pay

1. A church in Compton, CA recently started work on a 12-kW rooftop solar and battery installation, and thanks to direct pay they will receive 30 percent back on their project costs. The church expects to save $184,033 on electricity costs over the next 20 years.
2. Students at Maplewood Middle School in Menasha, WI will enjoy a number of upgrades including clean heating and cooling from a geothermal system and the largest solar system in the state thanks in part to direct pay tax credits.

## How Can a Community Take Advantage of Direct Pay?

### Step 1: Identify Direct Pay Eligibility and Potential Projects

First, identify what direct pay-eligible entities and potential projects exist in your community. We encourage communities to consider convening technical assistance organizations and eligible entities to share more information about direct pay tax credits and brainstorming on possible projects that would benefit your community.

Unlike competitive federal grant and loan programs, in which applicants may not receive an award, direct pay provides that a project will receive payment simply by meeting the eligibility requirements for both direct pay and the underlying tax credit. There is no limit on the number of projects per year that can claim the tax credits eligible for direct pay. The Progressive Caucus Center created a ready-to-use presentation for community leaders on how to leverage federal funds through direct pay you can utilize in convenings.

### Technical Assistance and Education Partners

Lawyers for Good Government has an in-depth collection of direct pay educational materials, filing tools, and other resources. A comprehensive list of technical assistance partners that include legal, project, and finance experts is also available.

### Are you a state legislator?

Check out this resource from the Congressional Progressive Caucus Center that outlines how you can best support direct pay projects in your district.

### Examples of Eligible Projects

Projects could include:

- Battery storage in eligible hospital buildings
- Installation of geothermal heat pumps and solar in schools
- Solar and storage installation for churches
- Installing EV charging infrastructure in your city
- Renewable energy and storage for Tribal communities and more.

Identify specific facilities and projects that best fit your needs.

## Step 2: Inventory Projects and Register With IRS

Once you are ready to move forward with a direct pay-eligible project, take an inventory of complete, proposed, or near-complete projects for which you wish to pursue direct pay tax credits and register with IRS.

Make sure you keep all necessary paperwork related to the project that may be relevant for your tax return, that you understand and properly implement the project prevailing wage and registered apprenticeship requirements, and that you are mindful to write contracts to protect eligibility and recover costs.

## Step 3: File Tax Returns and Receive Direct Cash Payment

Once a project is complete, work with finance and legal staff to determine the tax return year for applying, file a tax return, and receive a direct cash payment equal to your eligible amount.

**Tax Tool**

Lawyers for Good Government have put together a simple navigation tool you can access that can help you identify which direct pay tax credits your project is eligible for, how to file, and more.

# What is the Greenhouse Gas Reduction Fund (GGRF)?

The Environmental Protection Agency (EPA) has awarded $27 billion to seed the nation's green finance ecosystem and transform communities through the Greenhouse Gas Reduction Fund (GGRF). These awards were divided into three programs: the National Clean Investment Fund (NCIF), the Clean Communities Investment Accelerator (CCIA), and the Solar for All competition. These programs offer low-cost loans, capital, and other financial products to consumers, community lenders, and companies. For more information on what GGRF is, how it works, and its benefits to states, local governments, and Tribes, you can read our GGRF guide.

You can find information on NCIF, CCIA, and Solar for All awardees' missions here:

- Climate United Fund (NCIF) will invest in distributed power generation and storage, building decarbonization, and electric transportation across several market segments in all 50 states.
- Coalition for Green Capital (NCIF) will focus on projects in the commercial market segment in all 50 states.
- Power Forward Communities (NCIF) will focus on decarbonizing the housing sector, including both multifamily and single-family homes in all 50 states.

- Opportunity Finance Network (CCIA) will provide capital to community lenders focused on low-income and disadvantaged communities focused on reducing greenhouse gas emissions and air pollution in all 50 states.
- Inclusiv (CCIA) will provide capital to community lenders focused on residential solar, home EV charging stations, energy- efficient appliances, home and commercial retrofits , community solar, and more in all 50 states.
- Native CDFI Network (CCIA) will provide capital to its existing network of Native CDFIs for distributed energy programs, building decarbonization, and zero-emission transportation projects in Native communities.
- Justice Climate Fund (CCIA) is focused on creating capital opportunities for low-income and disadvantaged communities. It will establish a Community-Based Green Lender Certification Program for community lenders to determine if they qualify for capital through this program.
- Appalachian Community Capital (CCIA) will focus its capital investment in community lenders in the Appalachian region, as well as rural energy communities across the nation.
- Solar for All awards went to 60 state, local, Tribal, and community groups to deliver residential and community solar for low-income and disadvantaged communities across the country through grants, low-cost financing, and services to streamline siting, permitting, and interconnection of clean energy projects. You can find awardees relevant to your community here.

# How Can a Community Attract Financing From GGRF Awardees?

GGRF funding is flowing through many different financial institutions and nonprofits. Communities seeking financing opportunities for clean energy projects, especially those that benefit low-income and disadvantaged communities (LIDAC communities), are encouraged to explore financing options made available by these programs. Communities can attract this funding by:

- Reviewing and revising climate and economic development plans (if applicable) to identify projects or gaps that could benefit from additional funding sources;
- Reviewing awardee missions to identify mission-aligned organizations, identifying any relevant local CDFI partners;
- Working with your state government where appropriate to attract investment; and
- Convening stakeholders like community lenders, workforce partners, and state government enablers to develop project ideas that may be competitive for GGRF funding.

A step-by-step guide for cities to best take advantage of GGRF funding is also available.

## Which GGRF Awardee Is Right for My Project?

Consider which GGRF recipient is best matched to the project you seek to develop and the community you seek to serve:

- Multifamily housing: Power Forward, Climate United (specifically, CPC Climate Capital), and OFN
- Single-family housing: Power Forward, Climate United (specifically, Self-Help Climate Capital)
- Community buildings including schools, minority-serving institutions, FQHCs: Climate United (Calvert Impact), OFN
- Transportation/electric vehicles: Climate United (Self-Help Climate Capital for passenger vehicles; Calvert Impact for commercial, buses, and other EVs)
- Residential solar: Climate United (Self-Help Climate Capital), OFN, Solar for All awardees
- Community and commercial solar: Climate United (Calvert Impact), OFN, Solar for All awardees
- Industrial decarbonization projects: Coalition for Green Capital (CGC)
- Commercial buildings: Climate United (Calvert Impact), OFN

- Tribes and Native American communities: Native CDFI Network
- Low-income and disadvantaged communities: All GGRF winners have this as a focus. Justice Climate Fund and the Opportunity Finance Network could be a good starting place.
- Appalachia and rural communities: Appalachian Community Capital (CCIA)
- Municipal or community-wide decarbonization: Contact CGC about their Net Zero Communities Program

## What LPO Programs Are Available to Communities Through Title 17?

### State Energy Financing Institution (SEFI)

Through the Department of Energy's Loan Program Office (LPO) Title 17 Clean Energy Financing Program, LPO can offer low-cost debt financing for large-scale energy projects or portfolios of projects (usually greater than $150 million) that receive meaningful financial support from an eligible State Energy Financing Institution (SEFI). A SEFI is a state entity that can lend to or invest in energy projects with state funds.

A wide range of pollution-reducing projects could be eligible for LPO financing, including renewable energy for schools, energy storage for community resilience hubs, electrical generation for cities, EV charging infrastructure, community fleet electrification, and energy efficiency retrofits for homes and buildings. For more information on what a SEFI is, what projects qualify for Title 17 loans, and how states can access them, you can read our SEFI program guide.

For communities, this financing from LPO is particularly transformative because of its scale, as it can provide up-front financing to cover up to 80 percent of the total project cost. Loans can be repaid over time. For example, they can be repaid through, accrued energy bill savings, receipt of direct pay for clean energy tax credits, or revenue generated. LPO requires a project to have at least 20 percent in equity financing to protect against potential losses. The LPO's concessional financing can support projects that are also supported by state grant programs, as these do not violate federal restrictions on “double dipping.” A state grant can fulfill the LPO’s requirement for “meaningful financial support” from a state instrumentality.

## The Tribal Energy Loan Guarantee Program (TELGP)

TELGP provides $20 billion in loan authority for direct loans or partial loan guarantees to support energy-related projects initiated by Tribal governments and affiliated entities. The program’s financing can support investment in energy resources, including solar panels, wind farms, microgrids, and transmission and distribution infrastructure. More details can be found here.

#### Spotlight on Tribes Taking Advantage of the TELGP

Viejas and Kumeyaay Indians secured a conditional commitment through the TELGP to build a microgrid on Tribal lands in Alpine, California. The conditional commitment guarantees up to $72.8 million to finance the solar and storage project.

## Energy Infrastructure Reinvestment (EIR)

EIR supports projects that repurpose, modernize, or replace existing, underutilized, and/or retired energy infrastructure with eligible projects including renewable energy installations, energy efficiency upgrades, energy storage, mitigation of environmental impacts of energy infrastructure, and carbon capture.

Energy infrastructure can include any facility and associated equipment used for generation and transmission as well as processing, production, and delivery of fossil fuels. Private companies, public entities, non-profits, utilities, and Tribal governments can apply for direct loans or loan guarantees, which cover up to 80 percent of project costs.

A list of potential oil and gas sector activities that can be covered by EIR is available. This list includes developing enhanced geothermal systems from infrastructure that has ceased operations, remediating onshore fields to ready them for renewable projects, and repurposing gas stations to build EV charging stations. Many EIR-eligible sites contain underutilized interconnection points that could make them prime locations for renewable generation projects.

## How Can a Community Receive Financing From LPO?

Communities with eligible projects interested in taking advantage of LPO financing should first review the requirements for each of the above programs to determine which is the best fit for their project. For communities interested in taking advantage of SEFI, we highly encourage communities to work with their state governments to determine if their project(s) could be aggregated for a SEFI loan, which financing structure is most appropriate, and which institution is most appropriate to lead the loan application.

Given the large scale of projects, communities interested in an LPO program to finance a project should explore state or private partners who can accelerate progress. Project leads should take advantage of the free pre-application consultation provided by the LPO.

## Putting It All Together: What Can Communities Accomplish With Federal Financing Tools?

Municipalities, Tribes, and communities are at the forefront of ensuring federal tools are utilized to reach the most Americans possible in an equitable and catalyzing manner. The tools outlined in this resource are meant to enable communities to reach their economic goals, whether that is building out a new industry hub, enabling low-finance loans for heat pumps, or building local wealth and resilience through rooftop solar.

Communities that take advantage of these programs will be well-positioned to reach their clean energy and economic goals.

Please reach out to courtney@evergreenaction.com for additional resources and guidance.