



Scaling Solar in Low-Income Communities with the Inflation Reduction Act

The Role of Direct Pay and the Greenhouse Gas Reduction Fund (GGRF)

Steve Abbott | September 12, 2024

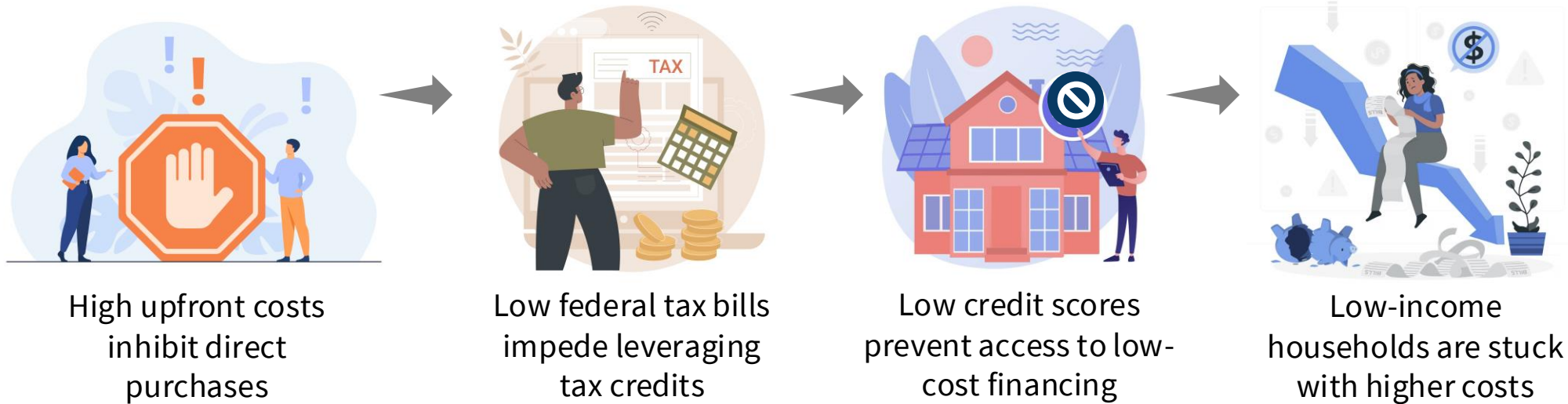




Agenda

- Overview of RMI's Paper
- Expert Panel
- Open Q&A Session

Low-Income Communities Have Not Proportionally Benefited from the Cost Savings that Solar PV Can Provide



“ The national average energy burden for low-income households is 8.6%, **three times higher** than for non-low-income households. ([DOE](#)) ”

The Inflation Reduction Act (IRA) Provides Tax-Exempt Entities with Means to Address these Challenges

Challenge

IRA Program



High Upfront Costs



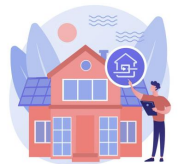
Bonus adders available to the Investment Tax Credit (ITC) further incentivize projects in energy communities and low-income areas.



Lack of Tax Bill



Elective pay (aka direct pay) provides a means for tax-exempt entities to receive the ITC as a cash payment.



Low Credit Score



The **Greenhouse Gas Reduction Fund** provides sources of low-cost capital and other financial support.

Tax-Exempt Organizations Can Serve as Third Party Owners to Help Households, Small Businesses, and Non-Profits Leverage These Programs



This Structure Can Unlock Significant Value for Homeowners

Illustrative Example

A low-income household in Nevada without any federal income tax installs rooftop solar that will last 20 years.

<u>Ownership Structure</u>	<u>20-Year Savings</u>
Direct Ownership	\$10,000
Lease with 30-60% ITC	\$12,000 – 18,000
Lease with ITC and Reduced Interest Rate	\$16,000 – \$20,000



RMI's Green Upgrade Calculator

<https://greenup.rmi.org>

Many Types of Tax-Exempt Organizations Could Pursue This Model



Nonprofit Financial Institutions (e.g.,
Community Development Financial
Institutions and Green Banks)



Nonprofit Utilities (e.g., Electric
Cooperatives)



Government Institutions (e.g., Tribal,
City, and County Authorities)



Other 501(c)(3) Organizations

This Approach Can Also Introduce New Process Challenges and Regulatory Complications

Process Challenges

- 1. Contracts and Legal**
- 2. Project Development Expertise**
- 3. Tools and Software**
- 4. Project Liability**
- 5. Market Education**

Regulatory Complications

- 1. CDFI Certification Compliance**
- 2. Davis-Bacon Act Requirements**
- 3. Direct Pay Application**
- 4. Domestic Content**
- 5. Excess Benefit**

GGRF Awardees and Other Partners Can Support and Enhance this Model

1

Reduce Risk for Tax-Exempt Owners

- Insure Project Owners against Liability
- Provide Credit Enhancement Support

2

Provide Standards and Education

- Distribute Standardized Tools and Templates
- Engage and Educate Private Financial Institutions

3

Support the Model Directly

- Provide Additional Low-Cost Capital
- Establish a Centralized Platform

This Paper Could Not Have Been Written Without the Support of the Following Individuals and Organizations

Contributors:

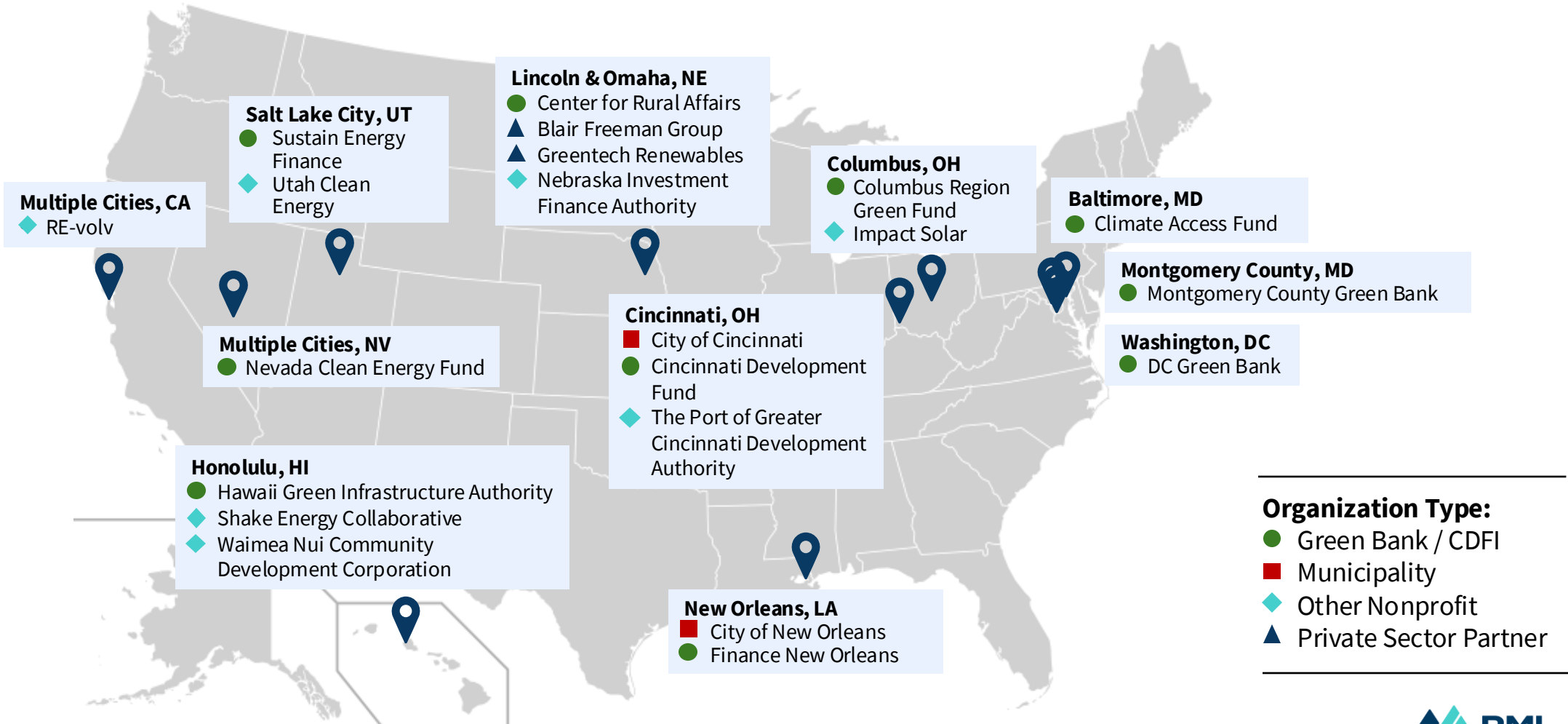
Jillian Blanchard, Lawyers for Good Government; Franz Hochstrasser, Lawyers for Good Government; Yuning Liu, RMI; Whitney Mann, RMI; Russell Mendell, RMI; A.C. Meyer, Lawyers for Good Government; Vincent Nolette, Sabin Center for Climate Change Law; Andy Posner, Capital Good Fund; David Posner, RMI; Amy Turner, Sabin Center for Climate Change Law; Uday Varadarajan, RMI.

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RMI is Collaborating with 11 Communities to Pilot This Approach

RISE Cohort: Renewables Investment for Social Equity



Panelist Introductions



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Thank You!

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For slides and the webinar recording:

