GREEN AND AFFORDABLE: QUALIFIED ALLOCATION PLANS
How States Can Provide High-Quality, Sustainable Housing

THE LOW-INCOME HOUSING TAX CREDIT PROGRAM

Many affordable housing units are developed with the support of the Low-Income Housing Tax Credit (LIHTC) program. Originally enacted in 1986, this federal program provides financing via a tax credit to construct or renovate affordable rental housing for low-income households. Since its inception, the LIHTC program has supported the construction or rehabilitation of more than two million affordable rental units.

Under the LIHTC program, the Federal government issues tax credits to states; state housing finance agencies are responsible for implementation. These state agencies award the credits to developers through a competitive process that varies widely from state to state.

QUALIFIED ALLOCATION PLANS SET FUNDING PRIORITY

In order to effectively allocate LIHTC funding, the Internal Revenue Code rules require that each state’s housing finance authority outline criteria to determine funding priority in the form of a Qualified Allocation Plan (QAP).

QAPs typically undergo a drafting process and public comment period typically each year, though some states conduct plan updates every two years.

A state’s QAP includes both requirements and competitive criteria for projects seeking LIHTC funding. LIHTC credits are valuable, and the states use points from the competitive criteria to select which projects, from among those meeting requirements, will receive the credits. Many of the requirements and criteria relate to project characteristics, housing needs, and the target resident population.

The rules also require selection criteria to include energy efficiency of the project.1 Studies have found, and USGBC has observed, that some states simply refer to the use of efficient appliances, while other states use the energy efficiency criterion to achieve whole building efficiency with ENERGY STAR for Homes, and comprehensive green buildings with LEED and other certification.

The green building approach produces affordable housing that saves residents money on utility bills, supports the health of residents, includes more green space, and provides high quality housing with third party certification.

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1 IRC § 42(m)(1)(C).

U.S. GREEN BUILDING COUNCIL
STATES VALUE LEED AS PART OF QAPS

States have recognized the benefits of including green building certification, including LEED, in their respective QAPs – either as an incentive to earn points and increase their chance of being selected or as a requirement for all LIHTC funded projects.

As of 2020, at least 34 states include LEED as either a requirement or an incentive in their QAPs, including the following:

- Georgia requires all projects to earn one of several green building certifications including LEED.  
- Maryland awards projects that earn green building certification (including LEED) with a maximum of 10 competitive points.
- Texas rewards projects earning green building certification (including LEED) with 4 points.

States across the national map continue to realize the lasting, tangible benefits of LEED certification by including LEED incentives and requirements in their QAPs. According to recent studies, the adoption of green building practices in QAPs has increased each year since 2006.

To be effective, we recommend states track the energy efficient and green features of projects to which they award LIHTC credits. In some cases, the competitive points for a green home may be insufficient compared with other points available, and adjusting the point distribution could make a difference.

WHEN QAPS ENSURE ENERGY EFFICIENT HOUSING, HOUSEHOLD BUDGETS BENEFIT

Low-income residents suffer from a disproportionate burden related to the cost of energy and water consumption. According to the U.S. Energy Information Administration (EIA) Residential Energy Consumption Survey, 31% of U.S. households struggle to pay their energy bills or to adequately heat or cool their homes. These types of households, commonly referred to as “energy insecure,” are more likely to earn less than $20,000 in annual income. While the median U.S. energy burden is 3.5% of a household’s income, low-income households experience a median energy burden of 7.2%.

QAPS CAN LEVERAGE LEED TO SUPPORT RESIDENT HEALTH

According to a study of low-income housing Washington, DC, green certified building renovations were associated with significant health benefits to residents. Adult residents reported improvements to their health, from 59% to 67% related to reductions in interior dampness, reduced pesticide use, and other factors. Green building standards were also associated with substantial energy and water cost savings, at 16% and 54%, respectively. The study concluded that green building certification was linked

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2 State of Georgia 2020 Qualified Allocation Plan, Georgia Housing Credit Program, Home Investment Partnership Program Funds
3 Multifamily Rental Financing Program Guide, Attachment of the Qualified Allocation Plan, 2020, Maryland Department of Housing and Community Development
4 2020 Qualified Allocation Plan, Subchapter A, Pre-Application, Definitions, Threshold Requirements and Competitive Scoring, Texas Department of Housing and Community Affairs.
5 2017 QAP Analysis: Green Building Criteria in Low-Income Housing Tax Credit Programs, November 2017, Global Green.
to enhanced health and housing conditions, and reduced income disparities.⁷

LEED has been reported by numerous studies to perform well in post-occupancy operations in both providing healthier conditions and by saving energy, water, and money.⁸ By incorporating green building certification standards into QAPs, states can ensure effective application of federal funding and cost efficiency, and high-quality, resilient housing for low-income residents.

RECOMMENDATIONS FOR STATE LIHTC PROGRAMS

We encourage states to ensure their QAPs meet the IRC requirement to include energy efficiency as a selection criterion. To meet this requirement and achieve energy efficient, healthy, and resilient housing, state programs optimally should set the requirement for green building certification. Alternatively, state programs can require achieving whole building efficiency with ENERGY STAR for Homes and establish competitive points for green building certification. In this way, states can align LIHTC program implementation with related state goals, such as promoting health and climate resilience.

State programs should aim to be transparent and data-driven. QAPs inherently reflect a range of different factors and desirable features of housing. States should include in each proposed QAP an analysis of which of its competitive points have been used by projects, which are not utilized, and how that reflects state goals and priorities. States post or make available a list of awarded projects, but typically it is not clear what criteria they include. Projects may implement the "easiest" criteria available for points and if some housing characteristics are more challenging for the same amount of points, they will be used less often.

State LIHTC programs should also understand the energy burden of housing they are funding, ideally collecting data post-occupancy in the course of other audit / follow up activities. For LIHTC programs where there are state or local government benchmarking programs, obtaining benchmark data would be ideal to understand housing performance. This utility bill and benchmark data can be used to shape future QAPs to ensure that a state is providing quality housing that is affordable considering the total cost of renting.

ACTIONS FOR STATE LEGISLATORS

State legislators can help provide high quality, efficient, and healthy housing through several approaches.

First, legislators can conduct oversight through hearings, inquiries, or reports of state LIHTC programs to learn features of funded projects, including energy burden, energy efficiency tactics including ENERGY STAR for Homes, indoor air quality, and whether certification is prioritized. In this way, legislators can influence state programs' requirements or incentives in line with state priorities, and to provide high quality, green, efficient, healthy housing.

Second, legislators can consider legislation to require the state housing finance agencies to include certain characteristics as requirements or competitive criteria, such as ENERGY STAR for Homes and LEED and other green building certifications. Several states have bills that would add state funds to the Federal LIHTC funds, to increase the total LIHTC pool. These bills could provide an opportunity for legislators to direct the state agency to prioritize cost efficient, green housing projects for funding.

CONTACT USGBC

USGBC believes that affordable housing should be resilient, sustainable, healthy, and efficient. When residents are offered this type of housing, they have the ability to save money on operating costs, and enjoy enhanced qualities of life.

For more information, contact us at publicpolicies@usgbc.org.

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⁷ Health and housing outcomes from green renovation of low-income housing in Washington, DC, Jacobs-Breyssse-Dixon.

⁸ LEED v4: Raising the Bar on Energy Performance, USGBC.