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Affordable Housing Alert

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HUD publishes new Green and Resilient Retrofit Program funding opportunities

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Owners can receive funds from a \$4.8375 billion grant to build and upgrade climate-friendly projects that protect against extreme weather events.



What's the Impact?

- / Three funding levels are available: Elements (for green building components), Leading Edge (for green building certification eligibility), and Comprehensive (for the most vulnerable properties).
- / Applications will be accepted on a rolling basis over the next several months, with an emphasis on having benefits flow to historically disadvantaged communities.
- / All properties assisted with GRRP funding will be subject to an extended affordability period.

On May 11, 2023, the Department of Housing and Urban Development (HUD) announced guidelines related to its Green and Resilient Retrofit Program (GRRP). These guidelines address the availability of up to \$4.8375 billion of grant and below-market loan funding for HUD-assisted properties that owners may utilize as they modernize their projects to become more climate-

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friendly and to protect against extreme weather events. HUD has announced that they currently expect to provide approximately \$2 billion in loan and grant funds to 600 properties under GRRP authority under the program's initial set of awards.

GRRP's three award cohorts

As discussed in more detail below, the GRRP will be implemented in three award cohorts:

Elements

This will provide funding of up to \$40,000 per unit or \$750,000 per property to pay for improvements including electric HVAC heat pumps, Energy Star windows, fire resistant roofs, and clean energy generation systems. This cohort is designed to provide funding to projects already working to close on recapitalization that would benefit from targeted improvements.

Leading Edge

This will provide funding of up to \$60,000 per unit or \$10,000,000 per property and is aimed at funding ambitious retrofits allowing a property to achieve an advanced green certification, such as passive house or certain LEED certifications.

Comprehensive

This will provide funding of up to \$80,000 per unit or \$20,000,000 per property to properties with the highest need for climate resilience and utility efficiency upgrades. Properties well-suited for this cohort do not need to have developed a plan for recapitalization yet be in HUD's recapitalization pipeline, and might benefit from early stage planning and oversight.

HUD's focus in designing GRRP is to meet three topline goals:

- / to lessen energy and water use in its portfolio,
- / to bolster buildings in a manner that makes them more resilient to extreme weather events and natural disasters, and
- / to reduce greenhouse gas emissions from HUD-assisted multifamily properties by using materials with a lower carbon footprint.

What's the impact?

Through GRRP grants and below-market loans, owners of HUD-assisted projects will be able to modernize buildings with improvements such as rooftop solar panels, heat pumps, and building electrification. Properties will be required to perform initial utility consumption and emissions benchmarking to understand the property's baseline performance and to inform projections of the energy and emissions reductions anticipated from the GRRP-funded work. Improvements are anticipated to fortify flood-prone buildings, enhance indoor air quality, and lower emissions thereby benefitting tenants and communities at large. Notably, the guidance also emphasizes a goal of having benefits flow to historically disadvantaged communities, which are often neighborhoods that have faced the harshest burdens of climate change.

Award level cohorts

HUD's offering of GRRP funding through three award cohorts is designed to meet the needs of properties in different situations, and applications will be accepted on a rolling basis over the next several months. A separate Notice of Funding Opportunity (**NOFO**) has been issued for each award cohort, and an owner must select which NOFO is most appropriate for a given property based on its circumstances and apply under the applicable NOFO. Depending on the type of funding an owner is pursuing, these monies could be used as a capital source in a refinancing transaction or to fund stand-alone work to address resiliency and energy efficiency.

In general, properties assisted (1) by several types of Project-Based Rental Assistance (**PBRA**) Housing Assistance Payments (**HAP**) contracts, (2) under Section 202 of the Housing Act of 1959, (3) under Section 811 of the Cranston-Gonzalez National Affordable Housing Act, and (4) under Section 236 of the National Housing Act, receiving Section 236 IRP, are eligible. A prospective purchaser under contract to a property assisted under the above programs may be eligible for funding as well.

There is no limit to the number of properties an owner, or its affiliates, can submit across all NOFOs, but each property may only be submitted to one NOFO. The total number of awards an owner or its affiliates may receive is capped as specified in each of the NOFOs. Applications for each NOFO are due on the following dates, though applications will be accepted on a rolling basis:

- / Elements: March 28, 2024
- / Leading Edge: April 30, 2024
- / Comprehensive: May 30, 2024

Affordability restrictions

All properties assisted with GRRP funding shall be subject to an extended affordability period as follows:

- / **GRRP Grants:** the longer of twenty-five (25) years from the date of execution of the GRRP Use Agreement or five (5) years beyond any existing use restriction regarding affordability running in favor of HUD or
- / **GRRP Loans:** the longer of fifteen (15) years from the date of execution of the GRRP Use Agreement or five (5) years beyond any existing use restriction regarding affordability in favor of HUD, subject to potential extensions or renewal based on availability.

In sum, owners of buildings receiving HUD-assistance will be able to utilize GRRP funds to make infrastructure improvements to make HUD-assisted assets more climate-friendly and resilient.

HUD's guidance on the GRRP includes [Notice H 2023-05](#) and a NOFO for [Elements](#), [Leading Edge](#), and [Comprehensive](#) components.

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