May 12, 2023

Jahi Wise
Senior Advisor to the Administrator and Acting Director
Greenhouse Gas Reduction Fund
U.S. Environmental Protection Agency

Via Electronic Mail – Environmental Protection Agency ggrf@epa.gov

RE: Greenhouse Gas Reduction Fund Implementation Framework

Dear Acting Director Wise,

On behalf of the Housing Partnership Network (HPN), I am writing to provide comments on the recently released Greenhouse Gas Reduction Fund Implementation Framework. I appreciate the additional guidance the Environmental Protection Agency (EPA) has provided on how it expects to deploy these critical resources, and EPA's openness to feedback and comment. HPN is an award-winning nonprofit collaborative of 100+ of the nation's leading affordable housing and community development organizations. HPN members operate across the U.S. in urban, suburban, and rural markets, oversee $175 billion of affordable residential real estate, and reach 14 million people (about twice the population of Arizona) with housing. The Greenhouse Gas Reduction Fund (GGRF) is a bold and crucial step to moving the U.S. to a cleaner economy and we are especially thankful that much of this funding is to be used for the benefit of low-income and disadvantaged communities who risk being disproportionately left behind in the transition to a clean economy and whose communities— because of this program—have the chance to thrive in greener, healthier environments.

As a network of practitioners committed to affordable housing, we want to emphasize our view that GGRF should prioritize decarbonizing *affordable* housing and be designed to be effectively deployed within the sector. Moreover, community development financial institutions (CDFIs) are a critical vehicle with a deep track record of reaching low-income and disadvantaged communities, and EPA should ensure they are well represented.

Decarbonizing America's Affordable Housing

Before providing our specific comments on the GGRF Implementation Framework, HPN and our members want to draw EPA's attention to the large scale decarbonization opportunity presented by the affordable housing sector. By definition, affordable housing serves low-income residents, the majority of whom are people of color, and therefore align with the Administration's equity goals. In fact, in analyzing HPN member property data, greater than half are located in census tracts identified as meeting Justice40 criteria. To effectively decarbonize the places where many very-low, low- and moderate-income people live, some complexities presented by the sector must be considered by EPA to facilitate effective deployment for greenhouse gas reductions. Roughly 20% of greenhouse gas emissions in the U.S. come from residential energy use - if U.S. residential buildings were a country, they would be the sixth largest greenhouse gas emitting country in the world[1]. In the U.S., multifamily housing has a prominent role in emissions, responsible for 13.9% of all greenhouse gas emissions (CO_2 equivalent). Significant decarbonization efforts in the affordable housing sector, the buildings that house 12.5 million U.S. households, could reduce CO_2 emissions by an estimated 38 million metric tons, a 41% reduction from current emission levels[2]. The decarbonization opportunity in this sector will continue to grow, as our nation continues to address the current shortage of 7 million rental units. GGRF could have a catalytic effect that would resonate in the construction, maintenance, and operations of affordable residential buildings for years to come if the program allows the affordable housing sector to effectively access GGRF resources.

To build and operate rental housing in the U.S. at affordable rents usually requires the use of complex financing structures and operating with constrained resources. The primary tool we have for developing affordable rental housing in the U.S. is the low-income housing tax credit (LIHTC), which limits a property's ability to take on debt or make substantial building improvements to 15-year cycles. This has important implications for greenhouse gas emissions because building systems are typically “locked in” once they are built. Affordable housing developers can struggle to obtain the funding to build housing to minimum environmental standards, let alone net-zero. Thin margins and the inability to raise rents to meet rising costs or take on additional debt further complicates the pursuit of decarbonization and improved health and safety of this critical portion of America’s built environment.

Consequently, given the alignment of the GGRF’s statutorily defined priorities that will be achieved through the decarbonization of affordable housing, program design that enables the affordable housing sector’s access to the resources should be an intentional consideration of EPA. Moreover, EPA should ensure that those delivering direct and indirect resources have experience with affordable housing financing.

[1] ACEEE, Report: Ready to Upgrade: Barriers and Strategies for Residential Electrification, 2022

[2] ACEEE, Report: Despite Progress, Low-Income Households Underserved by Utilities’ Efficiency Programs, 2022

Comments on EPA's Implementation Framework

Overall Framework

40% Low Income and Disadvantaged Community Requirement to Include Regulated Affordable Housing

As noted in the Implementation Framework's Complementary Requirements, we recognize EPA expects to provide additional guidance on the definition of low-income and disadvantaged communities that are not captured by the Climate and Economic Justice Screening Tool (CEJST). We applaud EPA's efforts to develop criteria that will deliver beneficial resources to these households and would ask that EPA consider a blanket categorical inclusion of housing built with LIHTCs and/or subject to federal affordability restrictions to satisfy the Justice40 disadvantaged communities' complementary requirement. These properties, by regulatory agreements and deed restrictions, impact low- and moderate-income households likely to be left out of market-driven decarbonization efforts and may not fall within a Justice40 definition of disadvantaged communities due to their location in areas of opportunity, despite the fact that they house a disproportionate percentage of people targeted to be assisted by the Justice40 Initiative. Moreover, HPN encourages EPA to align the definition of low income and disadvantaged communities with other federal programs, including LIHTC, by stipulating that LIHTC Qualified Census Tracts will qualify under EPA's definition.

Application of Other Federal Laws

The framework indicates that EPA will be providing further guidance on the applicability of complementary requirements including those from the Davis Bacon Act and Build America, Buy America Act. In developing this guidance, HPN urges EPA to consider the impact of such requirements on the cost of affordable housing projects and preservation efforts. The nation is facing an affordable housing crisis which has been compounded in recent years by rising construction costs. The GGRF could be a great tool to increase availability of greener housing for disadvantaged communities if the funds can work with existing programs and budgets.

Priority/Eligible Project Categories: Include Net Zero New Construction and Building Innovations for Affordable Housing ($14B and $6B):

The decarbonization of America's existing building stock is rightfully a key project priority for EPA in the GGRF Framework. Simultaneously, we strongly encourage EPA to consider including Net Zero New Construction of affordable housing as a priority project category or eligible use of funds. Due to funding constraints, affordable housing projects are typically constructed only to the sustainability standards required by a state. Significant building upgrades to existing buildings are often only feasible at key building milestones such as recapitalization on 15-year cycles. Prioritizing net zero new construction of affordable housing would allow buildings to start their life as net zero and not add to greenhouse gas emissions or wait to be retrofitted in the future.

Additionally, we would encourage building innovations strategies such as Cross Laminated Timber (CLT) projects and other Advanced Building Construction strategies be included in the scope of eligible projects. If included as an eligible use of predevelopment expenditures, such technologies could reduce overall costs and create a path to greater readiness for decarbonization, reducing the need for later corrections or adjustments. There are job creation opportunities and impacts (livable wage jobs, manufacturing revitalization) in such new carbon reduction building technologies that EPA should consider.

Provide Resources for Market Development in addition to Capital

The GGRF framework does not include investments in market development that will create a pipeline for greenhouse gas reduction projects at the scale needed to maximize the benefits of the GGRF. EPA should provide set-asides or allowable budgets within each of the three competitions, for market development functions like: portfolio assessments, underwriting training for lenders, workforce development and business support to expand the field of providers of green technology installation and repair, analysis of current energy use, modeling of potential greenhouse gas reduction, carbon accounting, hiring staff, and technology.

Prioritize Coordination across Competitions

Before creating applications, EPA should consider how it will coordinate across each of the three competitions included in the framework. EPA is allowing eligible entities to apply to more than one competition and to apply in partnership with other organizations: this may mean that eligible entities will receive funding through multiple grants. EPA should make sure that all application, regulatory, and reporting requirements across the three competitions are aligned and streamlined and take into consideration ways that grants from multiple competitions could work together to maximize greenhouse gas reduction and community benefits. For example, often solar projects are most cost effective and have the greatest greenhouse gas reduction potential if done in tandem with electrification; combining funds or allowing for flexibility in integrating funds for such a project could maximize benefits.

Compatibility with Other Public Funding

There are significant leverage opportunities to work with other pre-existing forms of funding to multiply EPA's decarbonization impact. HPN recommends that EPA consider several opportunities for alignment to strengthen the GGRF's effectiveness and impact.

- *LIHTC and other affordable housing finance programs:* HPN asks that EPA consider award recipients who understand the complex capital stacks associated with affordable housing finance, and the need for flexible and creative solutions to leverage and work with other sources of capital.

Federal LIHTC dollars are one example of a source of significant capital that we encourage EPA to align with GGRF guidelines.

- *US Treasury Department CDFI Fund*: The EPA framework helpfully defines program income within the guidelines of the $14B National Clean Investment Fund (NCIF) and the $7B Solar for All program. HPN agrees with EPA's intent that program income be reinvested in decarbonization goals. However, we suggest that EPA define program income consistent with the method the U.S. Treasury Department has used in the past for other programs that provide lending capital, such as the Capital Magnet Fund. Treasury Department's definition is "*Program Income in the form of principal and equity repayments of the CMF Award earned during the Investment Period must be reinvested by the Recipient."* This definition has influenced accounting treatment and reporting practice for federally supported programs in order to expand lending and adopting it would allow lenders to focus on deploying the program more efficiently instead of creating new standards.
- *State and Local Program Alignment:* HPN members use many municipal and state programs for decarbonization. We would advise EPA to incentivize these local programs (such as the New York State Climate and Community Investment Act) to find ways to complement EPA funding in a way that reduces application costs and reporting burdens on recipients and leverages existing policy levers for private, state and/or local investment.

Comments and Questions on the $14B National Clean Investment Fund

Deployment of Direct Capital Investment

The EPA framework acknowledges that coalitions are likely to apply under the competition and further speaks to the use of partnerships in deploying investments, but it is not clear how EPA is defining coalitions or partnerships. The Clean Communities Investment Accelerator (CCIA) directly speaks to the use of intermediaries, or *hub* nonprofits as a mechanism for delivering resources. HPN supports a similar structure as part of the National Clean Investment Fund, as a way to effectively deploy funds rapidly and broadly. HPN recommends that the final guidance clarify expectations around direct investment and the use of partners, and closely align that structure with the hub-non-profit model outlined in the CCIA.

Additionality of funding

Recognizing the intent to ensure funds support green investments that would not otherwise have been financed, we encourage EPA to think broadly about this and consider the burden of obtaining evidence of this. Affordable housing is already complex in terms of putting together various sources to finance a deal and delivering affordable housing within constrained budgets. HPN recommends that EPA not over-complicate how additionality is measured, as capital is likely to support the overall financing of the projects that deliver on both improving or producing affordable housing and putting in decarbonization or net-zero measures. Moreover, HPN recommends that in assessing additionality, EPA not be too prescriptive in how this requirement is met and be mindful that the burden is not pushed down onto already overly burdened communities or sectors.

Administration and Market Support

Awardees will need clarity on eligible administration expenses before completing the application, so that they can plan for the business costs of meeting the planning and reporting requirements of this fund. Administrative costs include but are not limited to developing tools to track community impact and jobs, collecting and analyzing data on carbon emission reductions, reporting on financing leverage, and cultivating investable pipeline through market support.

Comments and Questions on the $6B Clean Communities Investment Accelerator

Incentivize Participation from Broad Set of CDFIs

To meet the ambitious greenhouse gas reduction targets and transformational potential of the GGRF, EPA is rightly aiming to engage a wide range of community lending institutions in the deploying of GGRF resources, including lenders of varying size and current capacity in green financing. As part of that strategy, it should be noted that there are highly proficient and, in some cases, relatively large CDFIs who already possess a community-focus by their nature, but also have strong technical expertise, that are currently engaged in substantial lending in the target communities where GGRF resources will result in the deepest benefits. Whereas the $6B CCIA cap of $5M for capitalization funding and $625,000 for technical assistance may be transformational in strengthening the balance sheets and catalyzing engagement in green financing for certain (especially smaller) community lenders, that cap is likely to be insufficient to facilitate behavior change in those with larger balance sheets and/or to really catalyze the shift to a greener lending model. Larger CDFIs and other community lenders can play a vital role in deploying GGRF resources into target projects and communities if they are sufficiently incentivized. There are many CDFIs that have demonstrated experience and larger balance sheets, but do not have active capital sources for green lending programs. Growing their capacity in this space will benefit the program and the communities in which they work.

HPN recommends EPA consider using instead (a) 50% of a Community Lender's net assets as of the end of the prior fiscal year; or (b) up to 25% of a Community Lender's total assets. This would support both larger CDFIs and others that have substantial capacity, as well as smaller, emerging community lenders who can ramp up over time.

HOUSING PARTNERSHIP NETWORK

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Comments and Questions on the $7B Solar for All

Geographic and Multi-State Coverage of Solar for All

EPA's priority to expand and/or enhance Solar for All programs is an effective way of building upon successful low-income solar programs to date. However, we would encourage EPA to consider other national and regional approaches that would help to achieve similar goals. We recommend that geographic areas of Solar for All include multi-state regions such as those within the North American Electric Reliability Corporation (NERC) regions to allow for projects to maximize decarbonization of the grid. Funding multi-state projects will foster de facto renewable portfolio standards in states where there are none, and by reducing the system operators' reliance on fossil-fuel-fired power plants, this will in turn reduce the air emissions that have long impacted the health of those living in low-income and disadvantaged communities.

HPN also asks EPA to consider national solar and storage applications. For example, a multi-state strategy focused on affordable housing has the benefit of deploying solutions across affordable housing properties that aligns with the equity and Justice40 objectives, leverages advantageous pricing variability, and spreads project risks over larger geographic areas.

Energy Efficiency Measures as Enabling Upgrades

The $7B Solar for All program thoughtfully accommodates "enabling upgrades." HPN asks that energy efficiency measures include technologies such as building control systems be included as a type of enabling upgrade that EPA seeks to fund through Solar for All. These types of enabling upgrades and technologies will stretch program funds by supporting the optimization of solar system sizing and design requirements and align with the Department of Energy's guidance on residential and community solar.

Sincerely,

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