LISC
LOCAL INITIATIVES SUPPORT CORPORATION

December 5, 2022

Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, DC 20460

Re: Request for Information: Greenhouse Gas Reduction Fund (Docket Number: EPA-HQ-OA-2022-0859)

To Whom It May Concern,

The Local Initiatives Support Corporation (LISC) thanks the Environmental Protection Agency (EPA) for the opportunity to provide feedback on program design and implementation for the Greenhouse Gas Reduction Fund (GHGRF). We appreciate EPA's extensive public engagement strategy for this new program and recommend the Agency continue to engage stakeholders.

Established in 1979, LISC is a national nonprofit housing and community development organization and certified community development financial institution (CDFI) dedicated to helping community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity. LISC mobilizes corporate, government, and philanthropic support to provide local community development organizations with loans, grants, and equity investments; as well as technical and management assistance. Our organization has a nationwide footprint, with local offices in 38 cities. In 2021, LISC invested over $2 billion in these communities. Our work covers a wide range of activities, including housing, economic development, building family wealth and incomes, education, and creating healthy and sustainable communities.

Background

The Greenhouse Gas Reduction Fund (GHGRF) allows EPA to provide flexible competitive funding for financial and technical assistance to support zero-emission technologies and projects that reduce or avoid greenhouse gas emissions and other air pollution, including in low-income and disadvantaged communities. Congress provided $27 billion for the GHGRF, which must be awarded by September 30, 2024.

GHGRF resources are divided into three categories:

- $7 billion to make competitive grants to states, municipalities, Tribal governments, and eligible recipients, to provide subgrants, loans, or other forms of financial assistance as well as technical assistance to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies, including distributed technologies on residential rooftops, and to carry out other greenhouse gas emission reduction activities;

- $11.97 billion to make competitive grants to eligible recipients for the provision of financial and technical assistance to projects that reduce or avoid greenhouse gas emissions and other forms of air pollution; and
- $8 billion to make competitive grants to eligible recipients for the provision of financial and technical assistance to projects that reduce or avoid greenhouse gas emissions and other forms of air pollution in low-income and disadvantaged communities.

The GHGRF is a historic opportunity to support and scale the work of CDFIs and mission-based lenders financing projects which lower greenhouse gas emissions. This is critically important due to the disproportionate impact of climate change on our nation's most vulnerable communities. We believe that with the right program design features, the GHGRF can dramatically increase the CDFI sector's climate focused lending, training, technical assistance, and capacity building activities.

For background, CDFIs are financial institutions (nonprofits, banks, credit unions, and venture capital funds) which are certified on an annual basis by the CDFI Fund at the U.S. Department of the Treasury as primarily serving disadvantaged communities and low-income people. All CDFIs provide technical assistance, in conjunction with their financing, and are accountable to the communities and populations they serve. CDFIs have an over 25-year track record as experienced, specialized lenders skilled in complex financing. Over 1,300 CDFIs serve the nation, with more than $228 billion in assets under management — the vast majority of it in the form of loans and investments to projects in low-income and disadvantaged communities that are creating quality jobs, providing affordable housing, and improving health, educational, and financial outcomes for families.[1]

CDFIs are experts at aggregating and leveraging public and private resources to support critically needed projects meeting the needs of low-income families. According to the Treasury Department, CDFIs leverage grant investment 8:1 with private sector investment from banks, foundations, and other impact investors.[2]

General Comments

LISC believes the following program design features are essential for EPA to incorporate to ensure that GHGRF resources can reach underserved communities and people and are aligned with the Administration's Justice40 initiative.

- **Leverage the extensive existing network of CDFIs to ensure rapid, equitable and widespread investment.** We recommend that EPA explicitly include certified nonprofit CDFIs as eligible recipients of GHGRF resources. Further, we recommend that EPA include certified CDFI banks and credit unions as eligible recipients of indirect investments. We believe that such institutions were intended recipients in the legislative language that included "community- and low-income-focused lenders" within its description of organizations that could receive indirect investment. To decarbonize all sectors of the economy, we must take advantage of the power of all community development lenders.

- **Utilize CDFIs to deploy GHGRF for underserved communities and populations**. A majority of GHGRF resources are targeted to low-income and disadvantaged communities. By law, CDFIs

[1] https://carsey.unh.edu/sites/default/files/media/2022/11/a-path-to-conventional-equity-for-cdfis.pdf

[2] Remarks by Secretary of the Treasury Janet L. Yellen on $1.25 Billion Award to CDFIs to Support Economic Relief in Underserved Communities Affected by COVID-19 (June 15, 2021)

must provide the majority of their lending and assistance activities to such places. LISC recommends that EPA prioritize the use of certified CDFIs for administering and deploying such funding.

- **Use existing federal practices to target resources to low-income and disadvantaged communities and for program administration**. The legislation leaves the term "low-income and disadvantaged communities" up to EPA to define. We believe the Target Market definition used by the CDFI Fund for certified CDFIs meaningfully captures these communities, including both consideration of individual borrower characteristics as well as the communities where borrowers are located.[3] For certified CDFIs, EPA should align with the CDFI Fund's regulatory and administrative practices as much as possible since it will allow these resources to be deployed quicker, while also creating standardization and lowering compliance costs, as CDFIs already track and report lending activity according to CDFI Fund requirements. EPA should coordinate directly with the CDFI Fund to ensure inclusion of CDFIs in implementing the program and to leverage the CDFI Fund's administrative infrastructure.

- **Take an ecosystem approach for serving low-income and disadvantaged communities and focus on outcomes.** To truly serve low-income communities, many decarbonization and greenhouse gas reduction projects will require grants, capacity building, training, and technical assistance. Many others will require below-market and specialized financing to meet project needs. EPA should take an ecosystem approach to GHGRF resources and allow them to be used flexibly by recipients to serve local markets. LISC believes that applicants should be required to show how GHGRF resources will result in financing benefits to borrowers and projects.

- **Require community accountability**. We urge EPA to ensure that direct and indirect recipients of any funds intended for low-income and disadvantaged communities have a governance structure in place that is accountable to the communities they serve. For CDFIs, we believe the accountability component of CDFI certification is sufficient since it requires CDFIs to demonstrate to the Treasury Department how they are responsive to the low-income communities and people they serve on an annual basis.[4]

- **Include equity principles in all GHGRF program design features.** We recommend that the EPA consider the current set-aside in the legislation for low-income and disadvantaged communities as a floor and not a ceiling. The legislation requires $15 billion of the almost $27 billion is utilized in low-income and disadvantaged communities, which is essential to ensuring these resources support projects in these places. It does not, though, target low-income people who live in higher income communities. LISC recommends that EPA prioritize a portion of the almost $12 billion for underserved people in higher opportunity communities, to ensure their needs are being met. Applicants should be allowed to utilize federal programmatic proxies which impose income restrictions (e.g., a Low-Income Housing Tax Credit financed affordable rental housing project) to substantiate that low-income people are being served with such funding.

<u>Specific Comments</u>

LISC offers the following specific comments based on questions in the Federal Register Notice.

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[3] 12 CFR§1805.104(ll)

[4] CDFI Certification Application, CDFI Fund p. 55

Section 1: Low-Income and Disadvantaged Communities

1. What should EPA consider when defining "low income" and "disadvantaged" communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?

LISC recommends that the EPA allow CDFI recipients of GHGRF resources to use the Investment Area definition for the purpose of serving low-income and disadvantaged communities.[5] Investment Areas are the place-based component of CDFI Target Markets and by regulation must meet certain criteria of economic distress, including high poverty rates, elevated unemployment, population loss, or low median incomes. For low-income people, LISC recommends EPA utilize the Low-Income Targeted Population definition for certified CDFIs.[6]

2. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities can participate in and benefit from the program?

One of the biggest strengths of the GHGRF program is that it can provide flexible assistance to ensure that CDFIs are able to meet the needs of all projects which lower greenhouse gas emissions. This includes a wide variety of project types, from clean energy and battery storage, affordable housing decarbonization, energy efficiency retrofits, net zero affordable housing new construction, transit-oriented development, consumer lending, and many others. In addition, the markets in which these resources will be utilized vary greatly. Due to this, LISC recommends that EPA provide a list of GHGRF qualified project types and provide flexibility to CDFIs utilizing these resources for both their financing and technical assistance.

We recommend that EPA structure financial assistance as flexible capitalization grants to CDFIs, which will in turn blend these dollars at the enterprise and project level with other sources. EPA shouldn't approve individual credit decisions with GHGRF financial assistance and instead delegate underwriting and loan servicing to the CDFI recipient. LISC recommends that EPA require CDFIs to show how GHGRF resources will ultimately allow them to pass on financing benefits to beneficiaries and end users of such lending. LISC recommends that GHGRF financial assistance eligible uses include: 1) project financing, including grants, loans and equity investments; 2) loan loss reserves; 3) loan guarantees; 4) risk sharing; and 5) pass-through grants for indirect investments in organizations such as CDFI depository institutions. GHGRF technical assistance will be essential to ensuring that these resources can be utilized for individual assistance for borrowers and for market development activities. LISC recommends that GHGRF TA eligible uses include: 1) training and technical assistance to partners and potential borrowers, regardless of whether they ultimately received GHGRF supported financing; 2) community engagement for GHGRF qualified projects; 3) workforce development to build the capacity of organizations training workers for GHGRF eligible projects; 4) energy benchmarking; and 5) capacity building assistance, which should include grantmaking (recoverable and non-recoverable) for non-profit entities.

[5] https://www.law.cornell.edu/cfr/text/12/1805.201
[6] 1805.201(3)

Section 2: Program Design

Overarching Comment: The GHGRF application review process should focus on the ability of the applicant, or its subrecipients, to finance or otherwise support eligible projects. This type of information can best be gleaned by reviewing the applicant's track record, the capacity of its management team and operations, and its proposed business strategy and sample pipeline of transactions. The EPA should not attempt to underwrite specific proposed projects for financial soundness or environmental impacts, since this could significantly delay the awarding of funds, and because project pipelines are by necessity very fluid. Rather, the EPA should be assessing the ability of the applicant to successfully administer the program dollars, while also providing clear definitions and illustrative examples of the types of projects that are eligible for funding. The EPA should also develop standardized reporting and compliance tools to confirm that the applicant funded eligible projects, and to collect data (over time) capturing the realized environmental benefits of these activities. This approach will ensure that program objectives are being met, while also minimizing what could otherwise be significant delays in awarding funds.

1. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?

LISC recommends that the EPA evaluate financial assistance leverage in the context of the GHGRF applicant's overall strategy. This is important since leverage expectations at the project level will vary greatly by project type. In other words, EPA should set portfolio wide leverage requirements, rather than requiring a project by project leveraging requirement. Also, EPA should refrain from setting minimum leveraging requirements, given what are likely to be significant variances based on geography, project type, etc. Rather, the applicant should be asked to generally describe its strategy of leveraging other capital, and its track record. Lastly, EPA should not require leverage for most technical assistance activities since these are not centered on securing third-party resources.

LISC recommends that EPA develop a list of standardized program outputs for all GHGRF eligible project types, which should include anticipated greenhouse gas emission reductions, and then evaluate applicants in comparison to their peers. In practice, this means EPA should classify each applicant by the use of GHGRF for their financing activities so the Agency is comparing applicants with like entities.

LISC believes that designing GHGRF around an organization's proposed financing and track record will help EPA generally develop out key program and evaluation criteria. This is needed since GHGRF can potentially support numerous qualified projects, which can have very different financial, technical, and capacity needs. For instance, financing net zero new construction affordable housing is very different than consumer lending for high efficiency appliances, requiring different evaluation practices. EPA should allow applicants to apply for multiple financing categories, since many organizations finance numerous eligible projects. In addition, EPA should allow applicants to apply for both financial and technical assistance resources at the time of application.

We recommend that EPA design GHGRF resources so they are an enterprise level investment in CDFIs, which will then leverage the award at the institutional and project level with other public and private resources. CDFI applicants should be required to show in their application how this funding will be leveraged with other sources, including private capital. Structuring the program design around institutional investments for CDFIs will be key for them to both leverage these dollars and utilize them where there are financing gaps from other sources, including private capital.

2. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?

The law requires that GHGRF recipients prioritize investment in qualified projects that would otherwise lack access to financing. As noted above with leverage, GHGRF resources will be a larger share of total project costs for some projects versus others, so EPA should evaluate this in the context of the applicant's overall strategy and portfolio of proposed projects. EPA should require GHGRF applicants to provide information in their application on how GHGRF resources will be utilized in their proposed financing activities and what proportion of total project costs will come from this funding.

LISC notes that qualified projects which deliver greenhouse gas reductions not being served by conventional financing or federally directed low-income programs should be assumed to meet the additionality requirement. Recipients should demonstrate in their application how they will incorporate criteria to screen out projects which don't convincingly show a need for GHGRF subsidy.

3. What should EPA consider in the design of the program to ensure that revenue from financial assistance provided using Greenhouse Gas Reduction Fund grants is recycled to ensure continued operability?

LISC recommends that CDFI recipients of funding are required to utilize program income generated from GHGRF supported financing in accordance with their CDFI certification requirements. This means that program income from GHGRF will be utilized in CDFI Target Markets after the compliance period ends. For program income which comes in during the award period, EPA should require such funding to continue to be used in accordance with the GHGRF compliance requirements, including for eligible projects.

4. What should EPA consider in the design of the program to enable Greenhouse Gas Reduction Fund grants to facilitate broad private market capital formation for greenhouse gas and air pollution reducing projects? How could Greenhouse Gas Reduction Fund grants help prove the "bankability" of financial structures that could then be replicated by private sector financial institutions?

The GHGRF is unique in the IRA since it can provide flexible financial and technical assistance to support projects which lower greenhouse gas emissions. This funding will be paired with other IRA programs, including renewable energy tax credits, electrification and home energy rebates, and other federal programs. Depending on the project, it will also be utilized with private capital sources, including debt and equity from Community Reinvestment Act covered institutions. GHGRF subsidy will help many projects access private sector resources and ultimately scale such activities as projects demonstrate performance.

As mentioned in question 1, LISC recommends designing GHGRF resources as an enterprise level investment in CDFIs, which will then leverage the award at the institutional and project level with other public and private resources. The CDFI sector has consistently demonstrated that projects serving low-income people can be sound investments, as evidenced by the field's strong loan portfolio performance and low net charge offs.[7] LISC believes that CDFIs can demonstrate the bankability of financial structures

[7] https://www.ofn.org/publications/#:~:text=Side%20by%20Side%20is%20an,for%20the%20primary%20financing%20sectors

through flexible program design which allow CDFIs to meet local needs, which can then be replicated by private sector financial institutions.

5. Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?

Allowing GHGRF to be structured as an institutional level investment for CDFIs will reduce burden on EPA and on CDFI recipients. LISC recommends that the EPA consult with the CDFI Fund on how the CDFI Program is designed and administered by Treasury since it has been a proven and successful program design model. As mentioned, LISC believes that EPA should ensure that GHGRF recipients pass on rate advantages to borrowers and that the Agency should collect standardized outputs for compliance reporting. LISC recommends that EPA leverage the CDFI Fund's compliance reporting infrastructure if it decides to collect loan level data, to reduce burden to EPA and CDFI recipients which already provide such information on an annual basis as a part of maintaining their CDFI certification.

For subrecipients receiving pass-through or capacity building assistance, LISC recommends that EPA create a list of standardized compliance outputs and require the CDFI recipient to collect such information and include it in its reporting to EPA. Such outputs should include project types, location, anticipated greenhouse gas emissions, amongst others.

Lastly, LISC recommends that award recipients report on GHGRF projects during the year funding is deployed, to minimize the need for ongoing reporting for the same project in subsequent years. This is important since it will reduce public burden for the CDFI recipient and subrecipients, while ensuring that EPA has the necessary data to evaluate compliance.

6. What, if any, common federal grant program design features should EPA consider or avoid in order to maximize the ability of eligible recipients and/or indirect recipients to leverage and recycle Greenhouse Gas Reduction Fund grants?

As mentioned, LISC believes the CDFI Program offers the best program design and administration model for EPA's GHGRF. Similar to the GHGRF, the CDFI Program provides both financial assistance and technical assistance. Due to the wide array of CDFI lending, the authorizing statute and Treasury's administration practices are focused on providing enterprise level grants to CDFIs, which are then utilized to scale CDFI lending in low-income communities and for underserved populations. Treasury ensures such funding is utilized in CDFI Target Market's and this design allows the award to be highly leveraged at both the enterprise and project level, where such funding is typically blended with other sources, bringing down the financing cost for borrowers. Importantly, it provides the needed flexibility for CDFIs to serve their individual markets.

7. What should EPA consider in the design of the program, in addition to prevailing wage requirements in section 314 of the Clean Air Act, to encourage grantees and subrecipients to fund projects that create high quality jobs and adhere to best practices for labor standards, consistent with guidance such as Executive Order 14063 on the Use of Project Labor Agreements and the Department of Labor's Good Jobs Principles?

EPA should provide flexibility with its existing prevailing wage requirements since many of the projects that CDFIs will finance with this funding are much smaller than clean air projects. LISC recommends that EPA create exemptions from Davis-Bacon requirements for construction projects under a certain dollar threshold, or when the GHGRF funds are a comparatively small portion of the total project costs, to ensure these requirements don't preclude using these resources for eligible projects. In addition, it is important that such requirements generally be applied only to large scale development projects, rather than to working capital to small businesses, technical assistance, training, capacity building grants, and other non-construction activities.

LISC recommends that EPA allow recipients to use GHGRF TA funding to support workforce development organizations training residents on entering trades for GHGRF eligible projects. This is necessary since GHGRF and other IRA programs will create new and enlarged markets for greenhouse gas reduction projects and will require additional skilled professionals to carry out this work. These programs will create expanded good job opportunities, including for minority and women owned businesses, which is in line with the Administration's goals on creating employment pathways for undeserved people.

LISC supports a national network of Financial Opportunity Centers (FOCs), which provide low-income people employment and career counseling, one-on-one financial coaching and education and low-cost financial products that help build credit, savings and assets. They also connect clients with income supports such as food and utilities assistance and affordable health insurance. The cornerstone of the FOC model is providing these services in an integrated way to support individual goals. LISC believes that GHGRF TA funding should be able to be utilized for FOCs and like organizations focused on employment training for low-income people building their skillsets for GHGRF eligible projects.

LISC also runs a Bridges to Green Jobs training program through our LISC Boston office.[8] Through this program, LISC and our partners provide technical training for community members in weatherization practices, and then help with job placements. This program provides residents a pathway to enter the clean energy sector, setting them on a path to good pay and promising career ladders in the expanding green jobs industry. It also focuses on recruiting BIPOC individuals, due to the underrepresentation of diverse communities in this industry, helping to break down barriers for underserved populations.

8. What should EPA consider when developing program guidance and policies, such as the appropriate collection of data, to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of Title VI of the Civil Rights Act, which prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance?

EPA should require all GHGRF recipients to comply with Title VI of the Civil Rights Act and preclude any entity from receiving an award if it has been found in violation of the law. This should be a requirement in the GHGRF Notice of Funding Opportunity and included in EPA's assistance agreement for recipients.

9. What should EPA consider when developing program policies and guidance to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of the Build America, Buy America Act that requires domestic procurement of iron, steel, manufactured products, and construction material?

The Build America, Buy America Act was enacted as part of the Infrastructure Investment and Jobs Act (IIJA) and established a Buy American Program (BAP) domestic content procurement preference for federal financial assistance programs funding infrastructure projects. The BAP requirement is specific to

[8] https://www.lisc.org/boston/our-work/economic-opportunity/financial-stability/green-jobs/

iron, steel, manufactured products, and construction materials and the law further defines a project to include "the construction, alteration, maintenance, or repair of infrastructure in the United States" and includes within the definition of infrastructure those items traditionally included along with buildings and real property.

The Office of Management and Budget's (OMB) "Initial Implementation Guidance on Application of Buy America Preference in Federal Financial Assistance Programs for Infrastructure" (OMB Guidance) informs federal agencies on how to: 1) incorporate a BAP preference to federal financial assistance programs for infrastructure as required by IIJA; and 2) the process of providing waivers.[9] Federal agencies are responsible for applying this guidance, in consultation with OMB, to their financial assistance programs.

Section II of the OMB Guidance provides federal agencies key information on the applicability of Buy America requirements to federal financial assistance programs. The OMB Guidance notes that: "when determining if a particular construction project of a type not listed in the infrastructure definition, agencies should consider whether the project will serve a public function, including whether the project is publicly owned and operated, privately operated on behalf of the public, or is a place of public accommodation, as opposed to a project that is privately owned and not open to the public. Projects with the former qualities have greater indica of infrastructure, while projects with the latter quality have fewer. **Projects consisting solely of the purchase, construction, or improvement or private home for personal use, for example, would not constitute an infrastructure project** (emphasis added)."

EPA should use the authority from the Act and OMB Guidance to exempt GHGRF resources funding affordable housing projects from the BAP domestic content procurement requirements. While the Act includes "buildings and real property" in the infrastructure definition, the OMB Guidance builds on that to explicitly exempt "projects consisting solely of the purchase, construction, or improvement or private home for personal use, for example, would not constitute an infrastructure project." The use of GHGRF resources in affordable housing development projects (both single-family and rental) should not trigger BAP requirements since they are used to construct, rehabilitate, or preserve private homes which are not "open to the public." While most affordable rental housing has a general public use requirement, the actual homes themselves are privately leased and not open to the public unlike other more traditional infrastructure projects.

LISC believes that most GHGRF qualified projects wouldn't qualify for this requirement since they are not either the traditional infrastructure projects listed in the Act's definition or generally don't serve a public function under the "buildings and real property" standard. EPA should develop a list of qualified projects excluded from this requirement and affirmatively state it's not applicable to GHGRF technical assistance activities, since these won't be utilized for development projects.

10. What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or "Bipartisan Infrastructure Law," could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

Greenhouse Gas Reduction Funds are unique in that they can provide flexible support for clean energy projects and those that lower greenhouse gas emissions. EPA should provide flexibility in the program

[9] https://www.whitehouse.gov/wp-content/uploads/2022/04/M-22-11.pdf

design so it will easily complement other IRA funding sources, including increases in the Investment Tax Credit, home energy rebates, environmental and climate justice block grants, and funding to make HUD-assisted rental housing properties more resilient and energy efficient. The GHGRF's program flexibility is essential to ensuring that it provides complimentary debt, equity, and technical assistance support for projects with other IRA assistance and to ensure that funding is also being utilized for low-income and disadvantaged communities and people.

One example of how GHGRF could be used with other IRA sources is by allowing financial assistance recipients to utilize the award to bridge Investment Tax Credits and home energy rebates that are not immediately available for consumers and owners. Such bridge financing will also be important for under resourced minority and women owned contractors participating in electrification rebate programs.

Section 3: Eligible Projects

1. What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the statutory definition of "qualified projects" and "zero emissions technology" as well as the statute's direct and indirect investment provisions? Please describe how prioritizing such projects would:
a. maximize greenhouse gas emission and air pollution reductions;
b. deliver benefits to low-income and disadvantaged communities;
c. enable investment in projects that would otherwise lack access to capital or financing;
d. recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability; and
e. facilitate increased private sector investment.

LISC doesn't recommend that EPA prioritize specific project types in their GHGRF application review practices due to the wide array of eligible projects which can lower greenhouse gas emissions for low-income people and disadvantaged communities. Instead, LISC recommends that EPA prioritize applicants which demonstrate in their application the most benefit for such people and places in terms of financing advantages (such as lower cost and more flexible debt) and other criteria including quality jobs generated, direct financial and health benefits, reduction in greenhouse gas emissions; and others.

LISC does recommend that EPA provide a list of eligible GHGRF qualified project types and provide flexibility to CDFIs utilizing these resources for both their financing and technical assistance. We note that Congress provided EPA flexibility with defining eligible projects by allowing those that "reduce or avoid greenhouse gas emissions and other forms of air pollution." Eligible projects which have a direct relationship to reducing greenhouse gas emissions or air pollution (such as building energy retrofits or electrification) should qualify although we also encourage EPA to include other projects which meet that definition. For instance, affordable housing preservation transactions which include recapitalization activities should be listed as an eligible project type, since these properties are being upgraded, resulting in higher performance standards. In addition, EPA should allow affordable rental housing new construction to qualify, if it meets green building standards, or is a transit-oriented development, since these properties are higher performing and contribute less to greenhouse gas emissions and pollution through location efficient siting.

2. Please describe what forms of financial assistance (e.g. subgrants, loans, or other forms of financial assistance) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects.

As noted previously, LISC recommends that GHGRF financial assistance eligible uses include: 1) project financing; 2) loan loss reserves; 3) loan guarantees; 4) risk sharing; and 5) pass-through grants to indirect recipients such as CDFI depository institutions. It's important that EPA allow GHGRF grants to be used for financing which supports the applicant's strategy since there are so many potential eligible project types and financing needs. For instance, affordable housing properties will require varied financing approaches, including:

- Grants: Grants are needed to lower the cost of decarbonization to ensure that such financing pencils out while the costs of capital come down in the long term. A grant mechanism that allows project sponsors to receive grants and then loan the funds into the deal will help secure investor consent and avoid tax liabilities. In addition, grants can be an important funding source for battery storage or other components not typically included in project financing.
- Unsecured loans: Publicly financed affordable housing owners are often restricted by existing lenders to take on new debt secured by the property. This limits owners from accessing financing from traditional lenders. CDFIs typically provide more flexibility in terms of securing the loan, including providing unsecured financing, so long as cash flow from savings is available for debt service.
- Predevelopment: Limited cash flow is a significant barrier to affordable housing owners undertaking energy upgrades. Building owners don't have access to capital to pay for predevelopment costs such as electrification feasibility studies, or to bridge costs throughout the retrofit process. Early-stage capital is needed to pay for predevelopment costs, but is not widely available in the context of decarbonization.
- Soft loans: Affordable housing is underwritten to limit project cash flow to keep rents low and may not generate sufficient net operating income to pay debt service. Soft loans that are contingent on cash flow (i.e., repayment is only required if the property generates sufficient cash flow after paying operating expenses and mandatory debt obligations) can ensure that highly-leveraged properties can access resources to make building improvements. Structuring the funds as a soft loan may be preferred if the project is part of a recapitalization Low-Income Housing Tax Credit project. Loans will generally take the form of zero to little interest, deferred payment soft loans since the retrofit project is unlikely to generate sufficient financial savings to allow owners to repay a loan.
- Interest rate buy-downs: GHGRF funds should be allowed to buy down interest rates to create low-cost capital to incent owners of buildings to improve building performance and reduce greenhouse gas emissions.

3. Beyond financial assistance for project financing what other supports – such as technical assistance -- are necessary to accelerate deployment of such projects?

GHGRF technical assistance activities will be essential to ensuring that these resources can be utilized for individual assistance for borrowers and for market development activities. LISC recommends that GHGRF TA eligible uses include: 1) training and technical assistance to partners and potential borrowers, regardless of whether they ultimately received GHGRF supported financing; 2) community engagement for GHGRF qualified projects; 3) workforce development to build the capacity of organizations training workers for GHGRF eligible projects; 4) energy benchmarking; and 5) capacity building assistance, which should include grantmaking (recoverable and non-recoverable) for non-profit entities.

Section 4: Eligible Recipients

1. Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.

As mentioned, LISC recommends that certified CDFIs are listed as an eligible GHGRF recipient and CDFI depository institutions are allowed as indirect recipients. Certified CDFIs are mission aligned with the federal government and have a proven track record of financing in low-income communities and projects serving economically distressed places. CDFI green lending activity is not specifically tracked by the CDFI Fund, although Inclusiv, the trade association for CDFI credit unions, operates a training program for credit unions, nonprofit CDFI loan funds, and community banks seeking to build and expand green lending programs. They report that in the past 12 months, 96 of the community-based lending institutions that have graduated from their training courses have invested more than $2.24 billion in green loans.

LISC believes that all eligible recipients should be existing organizations which have a demonstrated track record in low-income and disadvantaged communities with: financing and grant making; training, technical assistance, capacity building activities; accountability practices to the communities and populations they serve; primary mission of community development; and a history of managing federal resources at scale with their funding request. This will ensure GHGRF resources are administered by organizations with sufficient capacity and mitigate risk to EPA.

2. What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

LISC believes there are numerous organizations which GHGRF eligible recipients will be able to support with indirect investments. As mentioned, we recommend certified CDFI depositories be explicitly included as “community- and low-income focused lenders and capital providers.” In addition, we believe such funding should be allowed for existing and new nonprofit organizations engaged in GHGRF qualified projects. Such organizations could include nonprofit affordable housing and community development organizations, and EPA should require the eligible recipient to provide the Agency compliance reporting on how such funding is utilized for eligible projects.

3. How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

LISC recommends that EPA primarily support new institutions through the indirect recipient authority in the law, where eligible recipients can use such funding for nascent organizations. Eligible recipients which provide such funding should be required to demonstrate the capacity and experience of supporting the creation of new organizations, which are engaged in GHGRF eligible projects. LISC also recommends that EPA allow both joint applications from multiple organizations working together in partnership and nascent organizations set up by established organizations for the purpose of applying for GHGRF funding. Under the latter, EPA should evaluate such entities through the track record and performance of the related entities.

4. What kinds of technical and/or financial assistance could Greenhouse Gas Reduction Fund grants facilitate to maximize investment in and deployment of greenhouse gas and air pollution reducing projects by existing and/or new eligible recipients and/or indirect recipients?

GHGRF financial and technical assistance grants have the ability to scale the work of CDFIs and our partners engaged in greenhouse gas emission reduction projects. LISC supports the work of nonprofit affordable housing and community development organizations through our 38 local offices and Rural LISC network. Many of these organizations are engaged in potential GHGRF eligible projects and we believe this funding will allow us to scale their work as subrecipients of this funding. For instance, a lot of our local partners are engaged in weatherization and home repair work for low-income families. This work both lowers greenhouse gas emissions, while also improving building performance and lowering energy bills for cost burdened families. In addition, many of our nonprofit housing partners own affordable housing, and have completed deep energy retrofits or installed cool roofs when recapitalizing their properties.

Section 5: Oversight and Reporting

1. What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring of direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?

LISC recommends that EPA require eligible recipients report on their financial and technical assistance activities, including those made with indirect investments. Recipients should be allowed to utilize at least 15 percent of their award for direct administrative costs associated with managing the award so there are sufficient resources for collecting and reporting back compliance information for direct and indirect investments. LISC believes a program design model which properly supports eligible recipients should negate the need for direct reporting from other entities besides the actual funding recipient.

2. What metrics and indicators should EPA use to track relevant program outcomes including, but not limited to, (a) reductions in greenhouse gas emissions or air pollution, (b) allocation of benefits to low-income and disadvantaged communities, (c) private sector leverage and project additionality, (d) number of greenhouse gas and air pollution reduction projects funded and (f) distribution of projects at the national, regional, state and local levels?

LISC recommends EPA develop a list of standardized compliance outputs and require eligible recipients to report back to the Agency.

- Reductions in greenhouse gases or air pollution. LISC recommends that EPA allow anticipated reductions in greenhouse gases or air pollution supported by third-party assessments. For instance, if a recipient is utilizing GHGRF resources for energy efficiency retrofits of affordable rental housing, it should be allowed to report back the expected overall savings from this work. Actual savings will take some time to achieve so allowing recipients to report out the anticipated reductions should suffice. LISC also recommends that EPA create compliance training materials which show expected reductions by GHGRF eligible project type, to assist eligible recipients in compliance reporting. This is important due to the wide array of potential eligible projects.

- Allocation of benefits to low-income and disadvantaged communities. LISC believes that eligible projects which are physically located in low-income and disadvantaged communities should suffice for reporting on projects serving those areas. In terms of benefits to these places, LISC recommends that EPA provide standardized outputs by GHGRF qualified projects, such as jobs generated, utility savings, and others. While it's critically important to understand benefits, EPA should be cognizant that imposing requirements which are difficult to track will ultimately dissuade recipients from utilizing funding for such projects. This will have a disparate impact for projects serving underserved communities and populations.

- Private sector leverage and project additionality. Private sector leverage should be measured as the percentage of private sector sources in a qualified project. Such costs should include any private source, including investments made as a result of federal tax credit programs, such as the Low-Income Housing Tax Credit or New Markets Tax Credit program. LISC recommends that private sector leverage be measured by EPA on the overall portfolio of projects funded with GHGRF financial assistance versus requiring it for each individual qualified project. This will provide eligible recipients additional flexibility with award deployment while still allowing EPA to ensure adequate leverage.

  Applicants should demonstrate project additionality by indicating how GHGRF will accelerate deployment of qualified projects. LISC recommends that EPA require eligible recipients to report on the amount and use of GHGRF funding by eligible project, in addition to other project sources.

- Number of greenhouse gas and air pollution reduction projects funded. Recipient should provide a description of GHGRF funded greenhouse gases and air pollution projects.

- Distribution of projects at the national, regional, state, and local levels. Recipients should describe in their application where they intend to utilize both FA and TA resources and EPA should hold groups to such commitments in the award agreement. EPA should allow organizations with a state, regional, or national service area to serve these areas and report out the physical address of projects supported to verify their use of funding.

4. What should EPA consider in the design of the program to ensure community accountability for projects funded directly or indirectly by the Greenhouse Gas Reduction Fund? What if any existing governance structures, assessment criteria (e.g., the Community Development Financial Institutions Fund's Target Market Accountability criteria), rules, etc., should EPA consider?

LISC recommends that EPA allow the CDFI Fund's Target Market accountability requirements to suffice for certified CDFI funding recipients.

We thank you for the opportunity to offer suggestions and please contact Mark Kudlowitz (mkudlowitz@lisc.org), LISC's Senior Director of Policy, if you have any questions.

Sincerely,

Matthew Josephs
Senior Vice President, Policy