LISC
LOCAL INITIATIVES
SUPPORT CORPORATION

May 12, 2023

Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, DC 20460

Re: Request for Information: Greenhouse Gas Reduction Fund Implementation Framework

To Whom It May Concern,

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

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 2022, LISC invested over $2.8 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 GGRF 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 GGRF, which must be awarded by September 30, 2024.

As outlined in the implementation framework, the EPA has divided the GGRF into three programs:

1. The **$14 billion National Clean Investment Fund (NCIF)** competition will fund 2–3 national nonprofits that will partner with private capital providers to deliver financing at scale to businesses, communities, Community Lenders, and others, catalyzing tens of thousands of clean technology projects to accelerate our progress towards energy independence and a net-zero economic future.

2. The **$6 billion Clean Communities Investment Accelerator (CCIA)** competition will fund 2–7 hub nonprofits with the plans and capabilities to rapidly build the clean financing capacity of specific networks of public, quasi-public and non-profit Community Lenders—such as community

development financial institutions (including Native CDFIs), credit unions, green banks, housing finance agencies, minority depository institutions, and others—to ensure that households, small businesses, schools, and community institutions in low-income and disadvantaged communities have access to financing for cost-saving and pollution-reducing clean technology projects.

3. The **$7 billion Solar for All** competition will provide up to 60 grants to states, Tribal governments, municipalities, and nonprofits to expand the number of low-income and disadvantaged communities that are primed for investment in residential and community solar—enabling millions of families to access affordable, resilient, and clean solar energy.

The GGRF 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 GGRF can transform 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 1,400 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]

<u>I) Cross-Cutting Comments</u>

Our comments on the program implementation framework are focused on the National Clean Investment Fund and Clean Communities Investment Accelerator programs. We offer the following comments on the program implementation framework's cross-cutting requirements.

<u>The Build America, Buy America Act (BABA).</u>

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 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. EPA states that some projects receiving GGRF assistance will be subject to BAP requirements and that the Department will provide implementation procedures at a later date.

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.[2] Federal

[1] https://carsey.unh.edu/sites/default/files/media/2022/11/a-path-to-conventional-equity-for-cdfis.pdf
[2] https://www.whitehouse.gov/wp-content/uploads/2022/04/M-22-11.pdf

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."

Recommendation: EPA should use the authority from the Act and OMB Guidance to exempt GGRF 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 GGRF 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." These homes are privately owned, operated, and leased and not open to the public unlike other more traditional infrastructure projects.

LISC believes that most GGRF 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 should also affirmatively state that it's not applicable to GGRF technical assistance activities, since these won't be utilized for development projects.

Equity and Justice40

EPA states that it's designing the GGRF to maximize its ability to improve the lives of Americans, particularly those in low-income and disadvantaged communities that have historically been left behind. All three GGRF competitions will align with the Justice40 Initiative, ensuring that 40% of the overall benefits from the program flow to disadvantaged communities. EPA expects to define low-income and disadvantaged communities as geographically defined disadvantaged communities identified through the Climate and Economic Justice Screening Tool (CEJST). EPA states it will provide additional guidance on the definition of low-income and disadvantaged communities and may also incorporate geographically dispersed low-income households, and properties providing affordable housing to low-income residents, located outside of geographies identified by CEJST. Lastly, EPA expects to define benefits for the purpose of the GGRF as relief of the burdens identified in the Methodology section of the CEJST.

Recommendation: LISC supports the Justice40 Initiative and applauds the Administration's focus on ensuring GGRF resources benefit low-income and disadvantaged communities. We also support including underserved people in higher opportunity communities as a part of the disadvantaged community set-aside or as an additional scoring category to ensure all low-income people are prioritized. 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.

LISC recommends that the EPA provide additional information in the GGRF funding notices on the relationship between the expenditure requirements in low-income and disadvantaged communities and the need to ensure 40 percent of overall benefits flow to these places through the Justice40 Initiative. EPA states that $2 billion of the $14 billion NCIF competition must be expended in low-income and disadvantaged communities, while the full $6 billion for CCIA must be expended in these areas. Each program also requires 40 percent of the overall benefits to accrue in disadvantaged communities. It isn't clear from the implementation framework what the relationship is between the Justice40 requirement and the expenditure requirement. For instance, expending the full amount in the CCIA program for Qualified Projects would presumably satisfy Justice40 requirements. It's important for EPA to provide additional information in the funding notices so applicants can develop their strategies based on the requirements.

Eligible Recipients

The implementation framework cites the statutory definition of Eligible Recipients although doesn't include specific institution types. EPA does though define Community Lenders under the CCIA indirect investment competition and includes CDFIs, green banks, credit unions, minority depository institutions, and others.

Recommendation: We recommend that EPA explicitly include certified non-depository institution CDFIs as eligible direct recipients of GGRF resources in the funding notices since this will make it clear to applicants that the Department intends to leverage the extensive existing network of CDFIs to ensure rapid, equitable and widespread investment. We believe this is important since certified CDFIs are mission aligned with the 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.

II) National Clean Investment Fund

We offer the following comments on the NCIF program although note that many of these requirements are the same in the CCIA component and should be considered for both programs.

Eligible Applicants

The National Clean Investment Fund competition is the largest of the three GGRF competitions and will fund 2–3 national nonprofits that will partner with private capital providers to deliver direct investments for Qualified Projects and Priority Projects. Applicants can submit applications as individual organizations or as lead applicants in the coalitions; applicants are permitted to participate in multiple applications within NCIF and across GGRF competitions.

Recommendation: LISC supports allowing lead applicants and potential subrecipients to participate in multiple NCIF applications and in other GGRF competitions. Many of the lead GGRF applicants will want to directly administer awards under multiple competitions, and many subrecipients would welcome the opportunity to partner with one or more applicants.

We note though that GGRF is unique in that there are potentially thousands of subrecipients, most of which will be administered under the CCIA funding. Many of these CCIA subrecipients may also want to be a lead applicant in a NCIF coalition application. LISC recommends that EPA explicitly state in the GGRF funding notice that CCIA subrecipients can also serve as a lead coalition applicant in NCIF. CCIA funding will be key to bolstering Community Lender capacity, including for NCIF direct recipients.

Lastly, with respect to both partner identification and project identification, we recommend that the EPA does not require an applicant to identify all potential projects and partners at the time of application; but rather that they be provided flexibility to identify partners and projects during the award period. EPA should certainly want to verify at the time of application that the applicant does have relationships in place with certain partners and a track record of investments that can support the funding request, but grantees must also be granted flexibility to add additional partners as needed to ensure funding is deployed appropriately during the award period.

Predevelopment Expenditures

EPA states award recipients will provide financial products and predevelopment expenditures to Qualified Projects and Priority Projects. Predevelopment expenditures will include site assessments, financial feasibility studies, and other activities. EPA expects to allow a limited amount of funds for predevelopment expenditures that are necessary and reasonable for the deployment of financial products to projects that the grantee intends to finance.

Recommendation: Predevelopment loans for affordable rental housing projects are often the hardest resources for developers and owners to obtain. Owners of affordable housing experience limited cash flow, which is a significant barrier to them undertaking energy upgrades. These owners don't have access to capital to pay for predevelopment costs such as emissions benchmarking and decarbonization/electrification feasibility studies, or to bridge the additional costs of emissions reduction measures throughout the retrofit process. Early-stage capital is needed to pay for predevelopment costs but is not widely available in the context of decarbonization. Affordable housing developers often struggle to receive predevelopment loans since they are covering early stage soft costs which is riskier from a financing perspective.

LISC recommends that EPA allow award recipients to utilize GGRF resources flexibly for all affordable housing financing purposes such as predevelopment, acquisition, construction, permanent lending, and bridge financing. EPA should allow recipients to use funding to support additional project expense in one or more phases of the development process. In addition, since these costs generally are for predevelopment purposes, they should be categorically excluded from BABA requirements.

Eligible Financial Assistance

The implementation framework states that federal financial assistance is defined consistent with 2 CRF 200.1 as financial products, including but not limited to loans, equity investments, loan guarantees, credit enhancements, forgivable and partially forgivable loans, purchase of loans, lines of credit, and debt with equity features. EPA states it does not expect to treat grants as an eligible use for federal financial assistance.

Recommendation: LISC appreciates the flexibility that EPA is providing with utilizing GGRF for financial products. There will be numerous Qualified Project types funded under this program so providing award recipients with flexible credit options will ultimately help them finance projects. We recommend though that EPA allow a portion of NCIF funding to be utilized as grants for Qualified Projects since some projects will need grant resources, often although not always, in addition to credit. The proposed implementation framework only contemplates utilizing GGRF resources for financing and EPA has discretion under both the statutory text and OMB 2 CFR 200 regulations to also allow this financial assistance to be used for 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. They will also play a critical role in enabling the transition away from fossil fuel energy sources in markets with high electricity rates where traditional underwriting based on operating savings is not viable. A grant mechanism that allows project sponsors to receive grants and then loan the funds into the deal will help secure investor consent, incent private owner-operators of projects to make the energy savings investments, 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.

We also agree with Calvert Impact Capital's feedback that to effectively execute a national strategy and reach tens of thousands of Qualified Projects, there needs to be effective intermediation and broad and flexible support of Community Lenders. Solely making smaller dollar loans across the country is not feasible, nor is it an efficient way for NCIF awardees to lend for broad distribution. EPA should accordingly allow for flexible debt and equity-like investment to Community Lender balance sheets under the NCIF program, as long as funding is then utilized for Qualified and Priority Projects.

We also believe the following types of financing are necessary to ensure GGRF resources can braid with affordable housing projects:

- 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.
- 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.
- Subordinate Debt: Similar to soft loans, project financing will require 0% subordinate, junior debt to blend down the cost of senior debt, filling in the capital stack to cover the cost of making the energy retrofits. The subordinate debt would be structured with proper covenants to maintain and document the energy benefits and restrict a "cash-out" from refinancing.
- Interest rate buy-downs: GGRF funds should be allowed to buy down interest rates to create low-cost capital to incentivize owners of buildings to improve building performance and reduce greenhouse gas emissions.
- Recoverable Grants: Recoverable grants are zero interest, non-recourse obligations and an essential funding source for affordable housing developers to cover expenses after they've obtained control of a development site. These grants are repaid from construction of permanent financing proceeds.

Lastly, Recipients should also be allowed to utilize at least 20 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. Recipients under both programs will have large responsibilities for managing these awards and the activities of subrecipient organizations, which will impose substantial compliance costs.

Subaward Policy

EPA expects to allow an applicant to apply as an individual applicant or as a lead applicant of a coalition, in which the lead applicant receives and administers the grant but may provide subawards to coalition members to carry out the substantive activities listed in the grant application. EPA expects that members of such a coalition, other than the lead applicant, may be either eligible recipients, other types of nonprofit organizations eligible for subawards under the EPA Subaward Policy, or governmental entities eligible for subawards under the EPA Subaward Policy.

EPA's Amended Grants Policy Issuance 16-01 Subaward Policy states "pass-through entities make subawards to other organizations to carry out a portion of the Federal award under terms that establish a financial assistance relationship to accomplish a public purpose that is authorized under a Federal program. Subrecipients only receive reimbursement for their actual direct or approved indirect costs such that they do not "profit" from the transaction and subrecipients are subject to the same Federal requirements as the pass-through entity. There is no requirement in the applicable regulations for pass-through entities to compete subawards."

In addition, Issuance 1601 states the following on eligibility for subawards: "Generally, unless prohibited or limited by statute, a non-Federal entity or individual is eligible to receive a subaward even if it is not eligible to receive an assistance agreement from EPA directly as long as the subaward is consistent with applicable regulations, policies, and EPA guidance."

Recommendation: LISC recommends that EPA state in the GGRF funding notice what type of nonprofit organizations are eligible for NCIF subawards besides Eligible Recipients. The EPA Subaward Policy provides the Department discretion on defining other eligible entity types besides those prescribed by the current implementation framework guidance.

LISC believes that GGRF resources have the ability to scale the work of our local 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 our Rural LISC network. Many of these organizations are engaged in potential GHGRF Qualified and Priority projects and we believe this funding will allow us to help scale their work. 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.

Qualified Projects

EPA states that Qualified Projects must meet all of the requirements below and that applicants will be responsible for operationalizing these requirements in their application.

I. Deployment of the proposed project, activity, or technology will reduce greenhouse gas emissions in line with the U.S. Nationally Determined Contribution as well as Executive Order 14008 and will reduce emissions of other air pollutants. Specific portfolio-wide emissions targets may be set in the NOFO, and plans that equitably achieve the deepest emissions targets may be prioritized.

II. Deployment of the proposed project, technology, or activity will deliver benefits to American communities by alleviating two or more of the following categories of burdens, as defined in the Methodology section of the CEJST: climate change, energy, health, housing, legacy pollution, transportation, water and wastewater, and workforce development.

III. Investment of awarded funds in the proposed project, technology, or activity will finance deployment of a project, activity, or technology that may not have otherwise been financed. EPA expects this to involve substantially better-than-market interest rates passing through to borrowers.

IV. Investment of awarded funds in the proposed project, technology, or activity will spur private sector investment.

V. The proposed project, technology, or activity is already commercially available.

Recommendations: LISC appreciates that the Qualified Project definition encompasses a wide variety of project types since this was intended by the law. We recommend though that EPA create a list of safe harbor projects that meet these criteria, such as affordable rental housing projects which meet green building performance standards. Many affordable housing preservation transactions will include recapitalization activities which result 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 (TOD), since these properties are higher performing and contribute less to greenhouse gas emissions and pollution through location efficient siting. Other equitable TOD projects should also qualify.

A safe harbor list is necessary to lessen compliance risk from award recipients which may be concerned on whether a project ultimately qualifies. For project types that aren't included in this list, we recommend that EPA provide applicants as much data as possible so they can define their methodology for operationalizing these requirements in their application and subsequent reporting to the Department.

Priority Project

EPA has identified the three GGRF Priority Project categories below and expects each applicant to explain their approach to them in their investment strategies. EPA states it will provide each applicant with flexibility to (1) invest in additional project categories and (2) not invest in any given Priority Project category, provided this decision is accompanied with a supporting explanation. EPA expects that specific guidance and standards, such as emissions reductions targets, for Priority Project categories may be provided in the funding notice.

I. **Distributed Power Generation and Storage**: Projects, technologies, or activities that generate and/or store zero-emissions power near to the point of use, instead of in centralized plants. Examples include distributed solar, distributed wind, geothermal, stand-alone energy storage, and community-wide microgrids.

II. **Decarbonization Retrofits of Existing Buildings**: Projects, technologies or activities that retrofit an existing building to reduce or eliminate greenhouse gas emissions and air pollution, with that project, technology, or activity consistent with the targets and strategies of net-zero emissions buildings as specified in Executive Order 14057. Examples include grid-interactive appliance electrification in affordable multifamily housing alongside energy efficiency, indoor air quality improvements, and solar; school building space and water heating grid-interactive electrification and energy efficiency; replacement of backup diesel generators with battery storage, including paired with distributed power generation; and community facility retrofits with on-site solar, storage, and charging infrastructure.

III. **Transportation Pollution Reduction**: Projects, technologies, or activities that support zero-emissions transportation modes, especially in communities that are overburdened by existing diesel pollution, particulate matter concentration, and degraded air quality. Examples include small business fleet electrification as well as public and multi-use charging depots (including for clean school buses and community facilities).

Recommendations: Similar to our Qualified Projects recommendation, LISC believes that EPA should create a list of safe harbor projects that meet the Priority Project criteria. In addition, LISC recommends that EPA specifically articulate in the funding notice what level of emissions reduction will be required to qualify under the Priority Project category. We believe buildings which are retrofitted with GGRF resources (such as owner occupied or rental housing) should be eligible under the Priority Project definition as long as they result in significant decarbonization reductions from higher building performance.

<u>Program Income</u>

EPA states that GGRF resources will be subject to program income regulations as defined at 2 CFR § 200.1 and 2 CFR § 1500.8, including but not limited to repayments of principal on loans, interest on loans, and loan origination fees and may include other income from GGRF investments.

Recommendation: LISC supports program income requirements for GGRF resources although notes it's unclear how these requirements will be structured since both the OMB and EPA regulations provide flexibility on how they are to be applied to this new program. We recommend that EPA structure program income requirements so that loan repayments made during the compliance period are subject to the assistance agreement's standards and can be utilized for the assistance agreement's loan production requirements. EPA should provide recipients flexibility with program requirements since some loans may prepay early and imposing rigid relending requirements will increase compliance risk as recipients look for projects to redeploy GGRF resources.

LISC recommends that for certified CDFIs, loan repayments made after the assistance agreement end date should be utilized for Qualified Projects and Priority Projects for a five year period and then for mission based purposes. Certified CDFIs are required to have a primary mission of community development, which is affirmed on an annual basis to the U.S. Department of the Treasury.

<u>Three Year Direct Investment Strategy</u>

Applicants will be required to show three years of lending projections through a financial portfolio strategy of different asset classes, which will be refreshed every three years over the life of the award if funds aren't fully expended. In addition, the framework states that applicants should provide information on how they will provide financial products to Community Lenders under the CCIA competition.

Recommendation: LISC supports including a portfolio strategy in the overall investment strategy since recipients will need flexibility with deploying dollars over the compliance period. We recommend EPA require Recipients to adhere to deployment requirements by the overall portfolio strategy. LISC supports requiring a refreshed three year investment strategy for unexpended dollars after the original three year period. We recommend that EPA define “expenditure” as when a loan closes since disbursements may occur over an extended period after closing.

Applicants will apply separately for NCIF and CCIA funding although EPA notes that NCIF recipients will be required to show how they are supporting CCIA Community Lenders. We believe most NCIF applicants will also apply for CCIA resources. LISC recommends that EPA require applicants that apply for both NCIF and CCIA funding to show an overall strategy for how resources will be utilized together to support both indirect and direct funding activities.

Equity Accountability Plan

The program implementation framework states that applicants will be required to have an equity accountability plan to ensure it will be accountable to its goals and investment strategy. This plan may include formal structures to obtain input from low-income and disadvantaged communities and the institutions that serve those communities, such as an independent stakeholder advisory committee with representation from community-based organizations, environmental justice advocates, Tribal-serving organizations, and others that advises on organizational decisions; the committee could publish an annual performance evaluation against equity and community benefits goals. This plan may also include organizational policies and practices that ensure equity and community benefits goals are integrated into investment activities (e.g., an organizational environmental and social policy statement, an organizational policy that community benefits models are discussed with every counterparty for business loans) as well as other activities.

Recommendation: We urge EPA to ensure that direct recipients of NCIF and CCIA funds intended for low-income and disadvantaged communities have an organizational governance structure in place that is accountable to the underserved 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.[3]

Labor and Workforce Plan

The labor and workforce plan will describe the applicant’s approach to ensuring funds create high-quality jobs that lift up workers and families while also strengthening American businesses. The labor and workforce plan may include working with project sponsors to utilize tools such as community benefits agreements, community workforce agreements, local hire provisions, project labor agreements, incentives for creating good jobs (e.g., registered apprenticeships), and supportive services (e.g., childcare, transportation assistance). This plan may include partnerships with workforce development stakeholders, such as employers, labor unions, training providers, nonprofits, and the publicly funded workforce system, to address workforce gaps and strengthen the ecosystem for deploying projects.

Recommendation: LISC recommends that EPA allow NCIF recipients to use a portion of GGRF funding to support grants to workforce development organizations training residents on entering trades for GGRF Qualified and Priority Projects. This is necessary since GGRF 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.

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

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 GGRF 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 GGRF Qualified Projects.

LISC also runs a Bridges to Green Jobs training program through our LISC Boston office.[4] 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.

<u>Program Level and Institutional Level Compliance Reporting</u>
EPA states it will require grantees to engage in public reporting at the program and institution level to ensure transparency and proper use of taxpayer resources. Such reporting will include use of funds reporting, climate and environmental impacts, equity and community benefits, and market transformation impacts such as leveraging other investments.

Recommendation: LISC supports robust compliance requirements and believes collecting project and institutional level data is necessary. For direct recipients which are certified CDFIs, we recommend that EPA leverage the CDFI Fund's compliance reporting infrastructure for collecting loan level and institutional reporting. This will reduce burden on the EPA and CDFI recipients since they already provide such information on an annual basis as a part of maintaining their CDFI certification.

Lastly, LISC recommends that award recipients report on GGRF 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.

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

- <u>Reductions in greenhouse gases or air pollution</u>. 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 GGRF 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 GGRF eligible project type, to assist eligible recipients in compliance reporting. This is important due to the wide array of potential Qualified Projects.

- <u>Allocation of benefits to low-income and disadvantaged communities</u>. LISC believes that Qualified and Priority Projects which are physically located in low-income and disadvantaged

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

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 GGRF Qualified Projects. 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. 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 to the extent EPA requires private sector leveraging goals, that such outcomes be measured by EPA on the overall portfolio of projects funded with GGRF 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.

- Number of greenhouse gas and air pollution reduction projects funded. Recipients should provide a description of GGRF 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 GGRF 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.

III) Clean Communities Investment Accelerator

CCIA grantees will provide these resources as capitalization funding (no more than $5 million per Community Lender), technical assistance (TA) subawards (no more than $625,000 per Community Lender), and technical assistance services to Community Lenders, with at least 95% of grant funds passing through directly to Community Lenders as capitalization grants and TA subawards. EPA does not expect to allow grantees to count funds expended on technical assistance services toward the 95% pass-through requirement. All CCIA resources must be expended in low-income and disadvantaged communities.

Capitalization Funding and Priority Projects

EPA expects to require grantees to provide capitalization funding to Community Lenders, which must use it to provide eligible financial assistance to Qualified Projects within the three Priority Project categories, rather than other Qualified Projects. EPA expects to require capitalization funding to strengthen the balance sheets of Community Lenders through either one-time subgrants and/or one-time commitments to provide subsidies for qualifying transactions, which the Community Lenders can draw upon in the future and subsequently retain (i.e., when loans are repaid).

Recommendation: We recommend that EPA should remove the $5 million fixed dollar cap on Capitalization Funding (and resulting TA Subawards) to Community Lenders and replace it with a formula-based cap sized to a Community Lender's balance sheet or lending volume. The $5 million cap on Capitalization Funding and the resulting $625,000 cap on TA Subawards (set at 12.5% of Capitalization Funding award) is quite small for many Community Lenders and will not incent widespread change nor sustained adoption of GGRF Qualified and Eligible Projects, ultimately undermining EPA's goals for market transformation. Such minimal awards will likely result in a smaller uptake given the administrative burdens Community Lenders may face under EPA's Subaward Policy, as well as dampen the demand from eligible recipient applicants who will have to administer numerous subawards.

We agree with the Natural Resources Defense Council that the capitalization funding should be evaluated on an annual basis so that organizations that are quickly growing and leveraging the funds by making investments in Qualified Projects can be eligible for additional grant dollars over time. Utilizing a formula-based cap will allow for CCIA to support both new and emerging Community Lenders who may start at a $2-3 million subaward but graduate to larger awards over time, as well as well-established Community Lenders with the capacity to quickly leverage a substantially larger award and deploy capital into Qualified Projects at a greater scale.

LISC recommends that EPA allow Community Lenders to utilize CCIA funding for Qualified Projects, in addition to Priority Projects. As noted, all CCIA funding will be expended in low-income and disadvantaged communities, and we see no reason to winnow the uses of funding for underserved places versus higher income areas. Economically distressed communities have higher amounts of needs than other communities, and it's essential that Community Lenders have the flexibility to deploy this financing, commensurate with need. We believe restricting the use of this funding to only Priority Projects is inconsistent with Justice40 and the Administration's equity focus.

Lastly, we recommend that certified CDFI non-depository and depository institutions are categorically eligible as Community Lenders.

<u>Technical Assistance Subawards and Services</u>
The law directs that grantees provide Technical Assistance to Community Lenders and EPA has implemented this by requiring Recipients to provide TA Subawards and Services. For TA Subawards, EPA expects to require grantees to provide capacity-building awards to Community Lenders in the form of subawards, as defined in the EPA Subaward Policy, such that those entities can expand their provision of financial products to Qualified Projects within Priority Project categories. EPA expects Community Lenders to use these subawards for activities, including but not limited to training for management and other personnel; developing new programs, products, and services; establishing technical assistance programs to create pipelines of financeable projects; making subawards to partner organizations eligible under the EPA Subaward Policy for organizational capacity-building; and other activities deemed appropriate by the grantee and approved by EPA in the grantee's assistance agreement.

EPA expects to require grantees to restrict provision of technical assistance subawards to Community Lenders receiving capitalization funding, with a maximum technical assistance subaward equal to no more than 12.5% of the accompanying capitalization funding provided to any given Community Lender; as such, the maximum technical assistance subaward is 12.5% of $5 million (the maximum capitalization funding), or $625,000, which ensures Community Lenders can build the organizational capacity and project pipelines necessary to deploy the capital provided through the capitalization funding.
EPA also expects to require grantees to use a portion of program administration costs to provide TA Services though capacity-building services (directly and/or through competitively procured contractors) to support the establishment of new and to strengthen the capacity of existing Community Lenders, such that new and existing entities can expand their provision of financial products to Qualified Projects within Priority Project categories. EPA expects these services to include training for management and

other personnel; market analysis; programming to share best practices; and other activities deemed appropriate by the grantee and approved by EPA.

Recommendation: LISC supports allowing GGRF resources to be utilized flexibly for technical assistance activities. Our experience has shown us that there is a large demand for TA broadly, and even more so for some of the most impactful projects directed to underserved communities and populations, since these tend to be the projects with the least access to the incremental funding necessary to identify, design, build, and verify the performance of meaningful emissions reduction measures. This is specifically true in the case of naturally occurring affordable housing which does not benefit from the ecosystem of technical resources typically available to subsidized housing retrofits. If the EPA wishes to realize the full emissions reduction potential of the GGRF across the spectrum of housing typologies serving low-income and disadvantaged communities, Recipients should be encouraged to develop sector-appropriate technical assistance programs and resources.

We recommend that CCIA Recipients are provided a percentage cap (at least 20 percent) on their overall award which they can utilize for both TA Subawards and TA Services. Applicants should be allowed to commit to a certain percentage of each TA activity in the application and then held to it in their assistance agreement. This will provide more flexibility for subawarding dollars and providing direct TA. Requiring TA Services as a portion of the Recipient's direct administrative costs will ultimately disincentivize the awardee from using these resources for TA Services, since it will hinder their ability to manage the award.

As noted earlier, LISC recommends that EPA state in the GGRF funding notice what type of nonprofit organizations are eligible for CCIA subawards besides Eligible Recipients. The EPA Subaward Policy provides the Department discretion on defining other eligible entity types besides those prescribed by the current implementation framework guidance. Similar to our previous recommendation, we urge the Department to consider allowing nonprofit housing and community development organizations to receive CCIA awards, in addition to the Community Lenders.

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