November 28, 2022

Michael S. Regan
Administrator
U.S. Environmental Protection Agency
Electronically submitted via www.regulations.gov

Re: Request for Information – Greenhouse Gas Reduction Fund; Docket ID No. EPA-HQ-QA-2022-0859

Dear Administrator Regan,

On behalf of the Housing Partnership Network (HPN), I am writing to urge you to ensure that decarbonizing affordable housing is a priority use for the Greenhouse Gas Reduction Fund (GGRF) and that community development finance institutions (CDFIs) be eligible and priority recipients of funding to ensure it reaches disadvantaged communities who are often the most vulnerable to climate change.

HPN, an award-winning nonprofit collaborative of 100+ of the nation's leading affordable housing and community development organizations, appreciates the opportunity to provide comments on the GGRF program design and implementation. HPN members operate in all 50 states in urban, suburban, and rural markets, oversee $175 billion of affordable residential real estate, and reach 14 million people (about twice the population of Arizona) with housing. HPN and its affiliate, Housing Partnership Fund, are certified Community Development Financial Institutions (CDFIs) and have provided over $300 million in loans and investments to our members at the enterprise and project levels.

GGRF is a bold and crucial step to moving the U.S. to a cleaner economy. We are especially thankful that much of this funding is to be used in for the benefit of low-income and disadvantaged communities who are disproportionally left behind in the transition to a clean economy and whose communities because of this program have the chance to thrive in greener healthier environments.

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General Comments

Decarbonizing America's Affordable Housing

Before providing our specific comments on the questions posed by the request for information (RFI), HPN and our members want to draw the EPA's attention to the large scale decarbonization opportunity presented by the affordable housing sector. Thirty-nine percent (39%) of greenhouse gas emissions come from buildings, in fact if buildings were a country, they would be the sixth largest greenhouse gas emitting country in the world. In the U.S., multifamily housing has a prominent role in emissions, responsible for 13.9% of all greenhouse gas emissions (CO2 equivalent). Significant decarbonization efforts with the buildings that house 12.5 million U.S. households could reduce CO2 emissions by an estimated 38 million metric tons, a 41% reduction from current emission levels. The decarbonization opportunity in this sector will continue to grow, as our nation addresses the current shortage of 7 million rental units. Efforts to begin to decarbonize the affordable residential built environment using funding from the GGRF would have a catalytic effect that would resonate in the construction, maintenance, and operations of affordable residential buildings for years to come.

Ensuring Equity, Inclusion, and Healthy Vibrant Communities

Focusing on decarbonizing affordable housing also assures a focus on low-income and disadvantaged communities. For example, approximately 50% of HPN's member properties fall into census tracts that surpass at least one l threshold of the Biden-Harris administration Justice40 Initiative criteria using the beta version of the Climate and Economic Justice Screening Tool methodology. A third of HPN member properties exceed six or more category thresholds. Indeed, most of America's households earning at or below 80% of area median income (AMI) are renters in multi-family housing. Therefore, a focus on decarbonizing affordable housing buildings would ensure low-income and disadvantaged communities benefit from GGRF and help in the transition of the US to a clean economy. It is important that low-income multifamily renters do not miss out on the co-benefits of decarbonization, namely the economic and health benefits of reduced carbon monoxide, nitrogen compounds, and other indoor air pollutants that research confirms contributes to premature deaths and billions in costs each year.

Community Development Finance Infrastructure

The affordable housing sector is supported by a strong and thriving community development finance industry with a deep record of accomplishment achieving community trust. The community development finance industry also brings experience in leveraging private sector capital, estimated by the Department of Treasury to be close to a 10 to 1 ratio of private sector leverage that has accumulated to over $200 billion of investment in low income and disadvantaged communities. Long-established proven methods to attract private sector investment via Low-Income Housing Tax Credits (LIHTC) and New Markets Tax Credit (NMTC) create powerful leverage opportunities for GGRF funding.

Comments on EPA's Request for Information

HPN's responses to specific questions posed by the RFI below:

Section 1: Question1: 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?

HPN suggests the EPA utilize existing mechanisms and frameworks for defining low-income and disadvantaged communities. To that end, HPN suggests the EPA consider aligning with U.S. Department of Treasury's definition for CDFI scope, to avoid duplication of existing efforts and to take advantage of existing targeting of resources that has proven effective. In doing so, the EPA will emphasize those living at or below 80% of Area Median Income. The EPA should provide flexibility and alternative means of aligning with funding opportunities to accommodate the limitations of utilizing census tracts for non-metro/rural communities, given that such frameworks do not adequately capture all low income and disadvantaged communities. We suggest considering the definition found under; Title 12, Chapter XVIII, Part 1805, Subpart A, https://www.ecfr.gov/current/title-12/section-1805.201#p-1805.201(b)(3) , which states:

Low-income means income, adjusted for family size, or not more than:

(1) For Metropolitan Areas, 80 percent of the area median family income; and

(2) For non-Metropolitan Areas, the greater of:
(i) 80 percent of the area median family income; or
(ii) 80 percent of the statewide non-Metropolitan Area median family income

Section 1: Question 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?

HPN recommends that to reach low income and disadvantaged communities, a flexible blend of low-cost capital, grants and technical assistance funding can be effective. In order to maximize the investment that flows to these communities, the EPA must ensure that funds flow down to low income and disadvantaged communities with terms that make sense in these markets. As such, the additional flow of capital will prove to be catalytic and help to transform and create markets to deliver tangible benefits to communities long overlooked. Further, this approach will allow for organizations already working and investing in these communities to use the additionality to complement investments in ways that provide decarbonization opportunities. For example, HPN and our CDFI members have provided $64 billion in debt financing to communities for multi-family housing and community facilities (e.g., schools, health centers, community centers, etc.) largely through CDFI banks and loan funds. These products, as illustrated below, can be adapted to support deeper energy efficiency and net zero properties with the help of low-cost capital, technical assistance, credit enhancement, and grants from the GGRF.

Examples of leveraging existing products for decarbonization:

1. **Current Product**: Pre-development and acquisition financing

   Decarbonization Modification: Pre-development and acquisition financing to support new construction or preservation of affordable housing with pricing incentives to develop to net-zero or near net-zero standards
2. **Current Product:** Construction financing for new construction or substantial renovation.

   Decarbonization Modification: Loans to support new construction or substantial renovation of affordable housing buildings with pricing incentives to develop to net-zero or near net-zero standards
3. **Current Product:** Permanent financing for buildings

   Decarbonization Modification: "Green" mortgages that provide pricing incentives for buildings that agree to meet certain net-zero or near net-zero standards and commit to ongoing improvements to lower emissions. In addition to new lending for construction or substantial rehabilitation, there is a large opportunity to take the existing housing portfolios of community-based lenders and developers to incentivize energy efficiency and clean energy upgrades through targeted grant programs. This would provide fast and direct access to reduced energy costs for hundreds of thousands of units of affordable housing through a pre-identified and trusted distribution network.

4. **Current Product**: Recapitalization to modify and upgrade multifamily building.

   Decarbonization Modification: Grants for gap funding of energy efficiency, electrification, and green improvements to multi-family buildings. For example, unsubsidized affordable multi-family housing, which traditionally operate on thin margins, are unable to carry additional debt since they must maintain affordability standards which can limit decarbonization upgrades. Grants may be appropriate in these circumstances to bridge the gap, and intermediaries, like Housing Partnership Network, have experience in establishing programs to effectively award grant funding utilizing criteria that advance priorities such as decarbonization and racial equity.

5. **Current Product:** Construction and Retrofits of single-family homes.

   Decarbonization: Grants or loan products to assist in decarbonization of homeownership units. There are existing products to help existing or prospective homeowners improve their housing and/or improve the energy efficiency of housing. These funds could be utilized to enhance existing product offerings as well as to ensure we are addressing decarbonization along with any other repairs. CDFI lenders also understand how to provide financing or grants to homeownership in a way that doesn't adversely encumber their property. Funding should also be available to support grants and financing for developers of homeownership, especially those that would qualify as low- to moderate-income people, emphasizing people of color, in communities designated as high-priority under the Administration's Justice40 initiative.

Section 1: Question 3: What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to support and/or prioritize businesses owned or led by members of low-income or disadvantaged communities?

Training & Technical Assistance to Support Energy Benchmarking

As part of the administration and implementation of the GGRF, the EPA should conduct a robust utility benchmarking outreach and education campaign to state Public Utility Commissions (PUC), consumer advocates, stakeholders, and utilities. The most significant barrier multifamily housing providers face in collecting energy and water consumption data is the reluctance of utility companies to provide the data due to concerns about resident privacy, IT system limitations, and limited staff and resource capacity. At a minimum, utilities should make anonymized aggregated whole-building data available to building owners and unit-level data available to residents, including consumption and cost data.

The agency should consider providing grants to nonprofit allocatees of the GGRF to work with and assist the foregoing in its efforts to create the highest and best use of these funds.

Related to this solution, the North American Energy Standards Board (NAESB) has established a national standard for utilities to provide energy usage data in a consumer-friendly format. This NAESB standard forms the core of the Green Button Initiative. HUD could also work with Green Button or a similar group to develop a dedicated multifamily data collection and access protocol. We encourage the EPA to work with other federal agencies as well to ensure that they are all working with the same set of assumptions and that data privacy issues are adequately overcome.

Utility benchmarking is critical for building owners to make informed investments in energy upgrades and for policymakers or lenders to plan future budget needs or verify investment returns. Yet most multifamily providers do not benchmark. The IRA GGRF presents a rare opportunity for the EPA to catalyze utility benchmarking among the multifamily sector. Affordable multifamily housing providers have tight operating budgets with little capacity to absorb the costs for internal staff or third-party benchmarking service providers and would benefit from the ability to utilize GGRF funds, possibly structured as an allowance in combination with lending products from recipients of GGRF funds. Multifamily housing providers will need substantial training and technical assistance to build staff capacity, address numerous barriers and create best practice processes for data collection, entry, analysis, and reporting.

Provide technical assistance to building owners through cooperative agreements with technical assistance providers

Affordable multifamily owners and managers have limited staff capacity and resources to plan for and implement energy efficiency improvements. They often must deal with competing building needs and priorities. They will require technical resources and flexibility to complete a whole-building energy retrofit.

Property owners and managers generally do not have the expertise to conduct audits and evaluate which energy efficiency measures make the most sense to implement. They may also be unfamiliar with finding qualified construction contractors to make efficiency improvements. If they commit money and time to complete a retrofit, building owners will need assurances that the measures selected and implemented will produce meaningful energy savings. A streamlined process from application to quality assurance is necessary to ensure that the program is easy to use and achieves maximum savings.

EPA should offer a network of technical assistance providers to work with grantees to provide comprehensive technical assistance and project management services to building owners to help owners:

- develop scopes of work;
- identify and apply to other funding sources, if leveraging is required.
- prepare specification and bid documentation;
- identify contractors or permit owners to use their contractors, if preferred;
- oversee construction management and quality assurance; and
- assist owners with post-construction monitoring

To the extent that EPA utilizes GGRF resources to support green jobs training for residents of low income and disadvantaged communities, financial assistance that supports professional certification requirements, such as electrician licensure, Professional Engineer, HERS Rater, or other qualifying certifications, should be supported.

Section 2: Question 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)?

HPN recommends that the EPA take advantage of the CDFIs and affordable housing developers sectors' track record in leveraging public and private capital. The U.S. Department of Treasury has recognized that CDFIs leverage investments of 8 to 1[1] by obtaining private sector investment from banks, investment firms, and foundations. The EPA should consider existing programs that provide significant private sector investment and leverage opportunities (NMTC, LIHTC) and that GGRF funding should augment and complement those programs where possible.

For example, the EPA could leverage private sector capital by awarding entities proposing to provide low-cost subordinated debt that allows for the creation of a blended rate for the higher cost of net-zero upgrades and electrification. This leverage approach could become more sustainable and a common business practice as it is learned by traditional mortgage markets and real estate lenders, who are becoming more interested in climate risks and ESG investing.

It is also important to recognize that leverage and matching requirements can disadvantage under resourced communities, particularly communities of color. To ensure equitable access to GRRF

[1] *Remarks made by Secretary of the Treasury Janet Yellen on June 15, 2021*

resources, EPA should recognize that grants may be more appropriate for some projects and communities, and utilize entities like CDFIs that demonstrate overall leverage, while also creating products that are viable in underserved and under resourced communities.

Section 2: Question 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)?

HPN believes there is substantial opportunity to achieve additionality in the affordable housing sector. Environmental building standards are often financially out of reach for affordable housing developers, operators, and property managers so affordable buildings are often not being built, maintained, or rehabilitated to those standards. The EPA has an opportunity to use financing from this program to bridge the gap and bring the additionality needed to achieve those higher efficiency and low-emission standards. Subsidized finance or grants could blend with existing capital to include the higher cost of decarbonization upgrades.

Section 2: Question 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?

To ensure revenue is recycled the EPA should favor working with entities with established track records of performance, accountability, and financial sustainability while serving low income and disadvantaged communities, like CDFIs and intermediaries such as the Housing Partnership Network. These entities have experience in creating programs and products that achieve mission and financial objectives. Moreover, they have robust relationships and pipelines that allow for funds to be reinvested in similar projects as capital is returned. Grant funds can create blended return opportunities to recycle funds for affordable housing financial products (lending, debt, or equity products).

Section 2: Question 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?

If EPA GGRF funds could be used to de-risk decarbonization investments in a way that provides a track record for future capital allocators, this could create a pathway to green investing becoming

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business as usual for more investors. The CDFI industry has a reliable record of accomplishment introducing and scaling innovative technologies and products while serving low income and disadvantaged communities.

Section 2: Question 5: Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?

HPN recommends the following as ways to reduce burdens on grantees:

- HPN recommends that the EPA make funding flexible while including adequate program guidelines to ensure quality outcomes and targeting.
- HPN requests consideration that the EPA focus on enterprise-level capital to the awardee. The awardee should then develop a suite of products uniquely tailored to the clean energy and financing needs of the communities they serve while achieving the EPA's greenhouse gas reduction goals.
- Waive any ongoing income verification requirement for the end beneficiary
- Provide sufficient fees to compensate the intermediaries allocating these resources to the end users so as not to be burdensome on the allocatees.

Section 2: Question 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?

The EPA should consider an award structure that immediately builds net assets of participating entities. For example, the CDFI Financial Assistance Award is structured as general capital that is recognized as revenue in the year awarded, immediately able to leverage debt versus an approach that limits the use of capital in a way that creates contingent liabilities (such as the Capital Magnet Fund) while not being used for the full 5-year award period.

Further, the EPA should rely on and allow for existing definitions and processes used by federal, state, and local funders to decarbonize (build, rehabilitate and operate efficiently) affordable housing. Affordable housing developments typically have several sources of funding, including federal funding, that already carry many requirements that can be relied on to ensure funding is reaching targeted communities. This will help expedite the distribution of resources, not slow down transactions that are on-track and delegate to those agencies, lenders and grant recipients that are best positioned to accelerate the use and effectiveness of the GGRF.

Section 2: Question 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?

HPN suggests the EPA embrace the federal fair housing rules and regulations and by those realize that there is an opportunity to comply strictly to Title VI by working in a sector (affordable housing) that has worked with and been held to these requirements and practices for years – as enforced by the US Department of Housing & Urban Development' office of Fair Housing and Equal Opportunity FHEO.

Section 2: Question 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?

To effectively leverage capital from other sources, the affordable housing and community development sector has a history of "braiding and stacking" complex sources of capital. This catalytic effect of crowding in multiple sources of capital will be important to maximizing and leveraging the greenhouse gas reduction impact. The EPA should anticipate and encourage the use of GGRF funding with other sources of state and local available funding and try to make this as easy as possible to add to other funding sources, see response to Section 2, Question 6 above as well.

There is also leverage opportunities to seek alignment with existing funding streams such as:

- Rebates to State Energy Offices
- HUD's Green and Resilient Retrofit Program
- Treasury Tax Credits (particularly 25C, 25D, 45L, 179D for multi-family affordable housing sector)

Section 3: Question 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?

As a business collaborative of more than one hundred high-performing nonprofits that develop, own, manage, and finance affordable housing and community development projects, the Housing

Partnership Network is keenly attuned to the potential benefits that can be realized by low income and disadvantaged communities through direct and indirect investments in greenhouse gas emissions-reducing projects to the residential built environment. HPN members work in all 50 states, currently own more than 339,000 affordable rental units, and have significant development pipelines to meet the demand given the shortage of high-quality affordable housing. The additional reach of our CDFI members can support decarbonization projects in the commercial and single-family residential sectors of low-income and disadvantaged communities. Investing in measures that reduce GHG emissions in the residential sector, particularly in multifamily housing in low-income and disadvantaged communities, can drive disproportionate co-benefits to health, economic inequality, comfort, quality of life improvements, and resilience in the face of extreme weather. Ensuring that the existing multi-family housing stock decarbonizes in an effective manner depends on the strategic deployment of resources in ways that are flexible enough to enable projects at key timetables in building lifecycles, such as unit-turns, during targeted retrofits, and during substantial rehab or recapitalization projects.

Buildings are long-lived structures and most of the buildings that exist today will continue to rely upon energy infrastructure throughout the time-horizon within which it is essential to decarbonize. While there are many similarities to the critical projects associated with decarbonizing the housing stock, HPN recommends that the EPA provides sufficiently flexible resources to support the geographic variability in equipment needs and the unique nature of building infrastructure that often depends on building age, size, design, and local building codes.

HPN strongly recommends that the EPA considers prioritizing GGRF resources to directly invest in both properties that serve people with low incomes as well as properties that exist in low-income and disadvantaged communities, and not to projects that may result in ancillary benefits to such communities, such as projects that reduce emissions and pollutants at power generation stations. This will dramatically increase the opportunities to serve the Administrations Justice40 Initiative and have a larger positive impact on communities of color. While HPN acknowledges that such energy infrastructure is critical to decarbonize, we feel that due to the levels of historic disinvestment in affordable housing and the commensurate investment in energy infrastructure, particularly fossil fuel-based energy infrastructure, the EPA should avoid providing general assistance to entities that do not face financing barriers and avoid providing assistance for technologies that are sufficiently supported through policy, tax or other incentives.

Please describe how prioritizing such projects would:

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a. *maximize greenhouse gas emission and air pollution reductions;*

The multifamily sector is responsible for 13.9% of nationwide greenhouse gas emissions. There are an estimated 12.5 million people with low- to moderate-incomes living in multifamily buildings eligible for decarbonization upgrades and an ACEEE report estimates that deep energy retrofits to these buildings would result in an estimated 41% reduction from the current estimated emissions from the multifamily housing sector as a whole. Combined with decarbonizing source energy, this is a pivotal opportunity for meeting national emissions reduction targets with maximal co-benefits including the health and welfare of residents who live in low-income and/or disadvantaged communities, especially those in communities of color that are targeted in the Administrations Justice40 Initiative.

The scopes of work that advance building decarbonization and energy efficiency are well established and among those project types, the EPA should prioritize projects that reduce energy demand and optimize building performance, including bringing buildings up to code for health and safety-related projects, which can become barriers to decarbonization projects. This includes energy- and water-efficiency, weatherization, air-sealing, and insulation projects. Furthermore, GGRF resources should, where possible, target the additional funding needed to enable and implement decarbonization projects that is over and above the amount of support available through other rebates or incentives and the expected replacement cost for inefficient alternatives (i.e., the GGRF should cover the “delta”) to ensure additionality and maximal emissions reductions of the fund. However, eligible recipients should utilize recyclable financing structures that can ensure access to high-efficiency equipment by those without sufficient upfront capital.

a. *deliver benefits to low-income and disadvantaged communities;*

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EPA should ensure that low-income and disadvantaged communities receive direct household benefits for the $15B targeted to benefit low-income and disadvantaged communities as cited in the Act. HPN recommends that the EPA considers the $15B as a floor for resources provided to low-income and disadvantaged communities and not the ceiling.

HPN strongly believes that recipients of the GGRF funding should be prioritized based upon their track record and on-going accountability to serving low-income and disadvantaged communities. Effectively addressing the needs of low-income and disadvantaged communities requires a deep understanding of specialized and varied market conditions. CDFIs and mission lenders have a long history of rapidly deploying federal funds to these underserved markets. With representation in all 50 states, CDFI are well-positioned to ensure the rapid deployment of GGRF funding to accelerate decarbonization in communities and for populations that have otherwise not benefited from the transition to clean energy. Affordable housing developers and operators provide unique and compelling opportunities to target and have meaningful impact on low-income and disadvantaged communities.

The EPA should ensure that GGRF-funded upgrades do not create or exacerbate housing quality issues and cost burden for residents, for example by resulting in higher utility bills, rent increases, health and safety concerns, or displacement. Energy upgrades have the potential to provide significant benefits such as decreased energy bills and increased resilience in emergency situations. It is crucial during implementation to identify and guard against potential negative unintended consequences to the already disadvantaged or low-income residents.

For example, electrification measures have the potential to *increase* utility bills and may, in the short term, increase relative emissions. Assessing potential impacts prior to installation and ensuring that infrastructure, weatherization, and health and safety upgrades are completed prior to electrification can help avoid negative bill impacts.

In situations where the landlord must finance electrification construction centrally, but the tenant pays for the resulting electricity usage, EPA should 1) provide clear guidance so that the tenant does not carry an inequitable operating cost burden, 2) coordinate with HUD and Treasury/State HFAs on this guidance where applicable, and 3) account for potential rent increases or displacement. Housing policy varies widely across states and municipalities, and without proper renter protections in place and supports for residents during major retrofits, people may face increased living expenses while retrofits are taking place, significant rent increases, and/or displacement.

b. *enable investment in projects that would otherwise lack access to capital or financing;*

HPN recommends flexible and patient capital that is comfortable with concessionary returns or capable of being subordinate or in a mezzanine position allowing for investment that may otherwise consider the investment too risky for the available returns. Further, in order to facilitate upgrades to existing properties, these funds should be allowed to be subordinate to all other existing debt and equity already in place.

c. *recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability; and*

CDFIs have a long and successful track record demonstrating the ability to leverage grant and public funds most effectively. As noted in Section 2, Question 1 above, the US Department of Treasury has recognized that CDFIs leverage investment on average by 8 to 1 by obtaining private sector investment from banks, investment firms, and foundations as well as by recycling (effectively reusing) funds that are provided to them. Being able to source more equity and grant-like capital that can be leveraged with private capital enables these funds to be blended into loan products to reduce the cost to borrowers, risk to lenders and the opportunity to recirculate funds – providing the ability to recycle funds to achieve a multiplier effect. This provides the opportunity to produce even more capital invested in the greening of the housing infrastructure in America than the original funding provided by the EPA.

We also recommend the EPA consider leverage opportunities with existing Government-Sponsored Enterprises (GSEs). GSEs have begun to address climate with programs such as Green Rewards and Green Up. These programs were created to incentivize owners to address energy efficiency and cost savings. Slight reductions in interest rates have driven modest energy efficiency and significant water savings in buildings financed through the GSE's multi-family lending. If the GGRF funding is used as incentive capital and deployed by non-profit financial service providers in collaboration with the GSEs, there is potential to grow and leverage the GGRF program to meaningfully address GHG reduction goals.

d. facilitate increased private sector investment.

Leverage is a key goal of the GGRF legislation. CDFIs have demonstrated the ability to leverage grant and public funds most effectively. Being able to source more equity and grant-like capital that can be leveraged with private capital enables these funds to be blended into loan products to reduce the cost to the borrower and risk to the lender. Capital is best leveraged by the on-the-ground lender. CDFIs and mission lenders have a successful track record of leveraging private dollars. Based upon average leverage ratios for CDFI's, investing $8 billion directly into CDFIs and mission lenders could leverage $64 billion in low-income and disadvantaged communities that is focused on improving climate outcomes and ensuring climate justice for these communities.

Low-Income Housing Tax Credits (LIHTC) have proven to be an effective way to encourage private sector investment in lower return profile investments that provide social and environmental benefits. (The LIHTC program provides direct equity from private investors in exchange for tax benefits reducing multifamily housing projects' need for debt and other subsidies.) The ability of these new funds to work in concert with new LIHTC and existing LIHTC funds is critical.

Section 3: Question 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.

A high percentage of EPA funds can be recyclable as capital. Subsidies, credits, and grants need to complement the revolving capital to achieve blended rate opportunities and one-time cost absorption and grants will be critical to serve some of the most financially challenged low-income housing communities, especially those communities of color and other communities targeted in the Administration's Justice40 Initiative.

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

- Technical assistance, capacity building, and the development of scalable technology to measure and identify investment and greenhouse gas reduction opportunities.

- Technical assistance to support affordable housing organizations and property management companies to conduct building assessments to develop energy improvement capital plans for decarbonization and energy efficiency upgrades and grants to support the acquisition and ongoing use of said technologies.

- Developing and expanding financial coaching for homeowners and building managers to improve financial performance through cost reduction.

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Section 4: Question 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.

Community Development Financial Institutions (CDFIs) already meet this statutory definition of eligible recipient and should qualify to directly apply to the EPA individually or as part of a consortium. CDFIs are mission-based lenders and investors that provide financial services to individuals, organizations and businesses operating in low-income communities to support and stimulate economic development and neighborhood revitalization. CDFIs include regulated institutions such as community development banks and credit unions, and non-regulated institutions like loan and venture capital funds. CDFI Certification is a designation given by the US

Treasury CDFI Fund. The Housing Partnership Network already works with its 100+ members to deliver needed funding to their communities across the United States.

With respect to section 134 of the Clean Air Act, HPN would like to emphasize the importance of eligible actors with potential to reduce greenhouse gas emissions within the built environment, specifically those that have an opportunity to improve the energy efficiency and clean air quality of properties serving people with low-incomes and disadvantaged communities, especially those communities of color and others prioritized in the Administration's Justice40 Initiative. Section 134 specifically mentions the prioritization of projects that replace "older less efficient units" in the use of multifamily affordable housing, with the benefits accruing to those communities being lower energy bills, healthier local environments, and cleaner air in their properties and communities.

Section 4: Question 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?

Community development practitioners including CDFIs and non-profit affordable housing developers (both rental and for-sale owners), operators, and their related companies are well positioned to deploy at scale to an existing pipeline of greenhouse gas reduction opportunities in low-income and disadvantaged communities. CDFIs have a combined $25B in assets and are already in place providing financial services and products to their target markets. As part of the Department of Treasury certification, CDFIs are required to provide over 60% of their affordable financial products and services to their target market, so they are already well positioned to immediately deploy and leverage the current EPA opportunity. As noted above, HPN is well positioned to deliver resources to its 108 members across the United States.

Section 4: Question 3: What types of entities (as eligible recipients and/or indirect recipients) could be created to enable Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist?

The Greenhouse Gas Reduction Fund is an important opportunity to catalyze capital solutions to address the climate crisis, particularly in communities that have been disproportionately impacted. The significant investment also has the potential to create a lending infrastructure, through mission-based lenders, green banks and CDFI's that enables these investments over the long-term while fostering innovation.   HPN has reservations on the efficacy of a critical mass of funding going to a single entity. Given the urgency of progressing towards national emissions reduction targets, we recommend EPA distribute funds to a broad network, particularly those with the ability to deploy funding quickly and effectively to distressed communities. The CDFI network is poised geographically to immediately and effectively deploy substantial amounts of greenhouse gas reducing investments in low-income and disadvantaged communities. Through unique programs and tailored resources that leverage federal dollars with private capital, CDFIs are resourceful problem-solvers with a proven track record of providing lending to disenfranchised and hard-to-reach communities.

Section 4: Question 4: How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

HPN believes the emphasis should be on those entities with established track records of success. There is certainly room for innovation with some portion of these resources, and we are supportive of that, but want to be sure that the majority of funding goes to disadvantaged communities, communities of color and properties that serve low and very low-income people (who represent a higher percentage of people of color) that are already and properly served with existing trusted local actors and are prioritized by the EPA.

Section 4: Question 5: 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?

There are several reputable institutions who have been doing research and practical innovation around greenhouse gas reducing strategies in communities around the country. Grants for using their expertise in the deployment of capital to maximize and measure greenhouse gas reduction will be important to eligible recipient entities.

Section 5: Question 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?

HPN believes there are efficiencies gained by aggregating reporting requirements at the primary recipient level as is already done under Department of the Treasury programs serving CDFIs.

Section 5: Question 2: Are there any compliance requirements in addition to those provided for in Federal statutes or regulations (e.g., requirements related to administering federal grant funds) that EPA should consider when designing the program?

To the extent that implementing entities will provide financial services in the form of lending or other investment instruments, there should be regulatory oversight like that provided from the CDFI Fund at the Treasury Department to the operations of CDFIs.

Section 5: Question 3: 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?

HPN recommends that the EPA:

- Utilizes known and accepted greenhouse gas accounting principles for scope 1 and scope 2 emissions, and where applicable scope 3 emissions included embodied carbon in construction.
- Utilizes census track data or being used in conjunction with other federal programs targeting low income and disadvantaged communities such as the Low-Income Housing Tax Credit or the New Markets Tax Credit. As noted in Section 1, Question 1 above, this targeting should also recognize non-metro/rural communities via definitions found in We suggest explicitly using the definition found under; Title 12, Chapter XVIII, Part 1805, Subpart A, https://www.ecfr.gov/current/title-12/chapter-XVIII/part-1805/subpart-B/section-1805.201#p-1805.201(b)(3)
- Allow flexibility where whole building utility data is unavailable.
- Consider expanding CDFI Fund Transaction Level Reporting to track carbon emissions reductions at the loan level.

Section 5: Question 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?

HPN supports the CDFI Fund's Target Market Accountability Criteria as an appropriate accountability mechanism.

Section 6: Question 1: Do you have any other comments on the implementation of the Greenhouse Gas Reduction Fund?

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In conclusion, HPN recommends that the EPA prioritize GRRF funding for use by the affordable housing industry with CDFIs acting as the deployment vehicle. The decarbonization of affordable housing in the U.S. provides a unique and timely opportunity to reduce greenhouse gas emissions, reduce operational costs and utility bills of low-income people and disadvantaged communities, and contribute to healthier more vibrant living spaces and communities where people can thrive. CDFIs have a performance record of being able to effectively deploy funds and to build public private partnerships that leverage additional sources of capital and innovation. Having developed the trust, deep familiarity, and connection with low-income and disadvantaged communities, CDFIs already have the infrastructure in place to rapidly deploy funding that will accelerate decarbonization and effectuate the EPAs greenhouse gas reduction goals.

We would be happy to provide additional information on our comments. Please contact me at hughes@housingpartnership.net or Kim Fry at Fry@housingpartnership.net with any questions.

Sincerely,

Robin Hughes
President & CEO
Housing Partnership Network #

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