



December 5th, 2022

Michael S. Regan  
Administrator  
U.S. Environmental Protection Agency  
1200 Pennsylvania Avenue, N.W.  
Washington, DC 20460

**REQUEST FOR INFORMATION  
GREENHOUSE GAS REDUCTION FUND DOCKET ID NO. EPA-HQ-OA-2022-0859**

Dear Administrator Regan,

The Community Preservation Corporation (CPC) is a certified Community Development Financial Institution (CDFI) and a 48-year old not-for-profit corporation whose mission is the financing and preservation of affordable multifamily housing. CPC also provides technical support to expand and preserve affordable housing. Additionally, through its ownership of CPC Mortgage Company, a first of its kind cooperative of impact driven nonprofit mortgage lenders, CPC is a nationally licensed Seller/Service for Freddie Mac, Fannie Mae, and the Federal Housing Administration. CPC is a Carbon Neutral company and has been rated AA- by S&P.

CPC's mission is centered on providing housing affordability but it is enhanced by our two other Meta goals: closing the racial wealth gap and supporting the transition to a clean energy economy. CPC has had a foundational commitment to environmental sustainability since establishing a Sustainability platform in 2008. Most recently, CPC was selected by New York State to administer the Climate Friendly Homes Fund (CFHF), a \$250M grant program to be administered for electrification retrofits in 10,000 units of multifamily housing that serve economically disadvantaged communities. By catalyzing the adoption of new, energy-efficient technologies, the program will advance New York State and CPC's commitments to supporting multifamily building owners in their transition to a green economy and help deliver the benefits of climate friendly homes to residents of low- and moderate-income neighborhoods. More information about CPC's [sustainability platform](#) and the [CFHF program](#) can be found on our website.

CPC is pleased to have the opportunity to comment on the Environmental Protection Agency's (EPA) Greenhouse Gas Reduction Fund (GHGRF). We welcome the GHGRF as an historic opportunity to further accelerate clean energy investments across the United States, and particularly welcome the Fund's emphasis on low-income and disadvantaged communities. This directly aligns with CPC's commitment to supporting these communities. As is laid out in our following responses, we urge the EPA to prioritize CDFIs as a primary capital deployment vehicle for the GHGRF and we encourage the EPA to include funding that is targeted to affordable housing in the set of eligible activities. Furthermore, it is critical that the GHGRF capital be as flexible as possible to meet the needs of low-income individuals living in disadvantaged communities and the front-line practitioners who serve them.

Responses to the specific questions included in the Request for Information follow:

## SECTION 1: LOW-INCOME AND DISADVANTAGED COMMUNITIES

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

Low-income (LI) communities have been defined by the Treasury Department for purposes of the CDFI Program and by HUD on an annual basis through its calculation of area median income (AMI) in each census tract. Typically, these entities identify low-income communities as geographies (often at the census tract level) that have a median family income of less than 50% of the area median income. Disadvantaged communities (DACs) are already defined by other departments of government at the federal, state and local levels; most notably, the White House’s Climate and Economic Justice Screening Tool defines disadvantaged communities as those that are marginalized, underserved and underinvested in housing, transportation, water and wastewater infrastructure, and health care, and overburdened by pollution. Under this definition, a community qualifies as disadvantaged if the census tract is above the threshold for one or more environmental or climate indicators and the tract is above the threshold for the socioeconomic indicators. These definitions of low-income and disadvantaged communities should be adopted by the EPA for the Greenhouse Gas Reduction Fund. This would maximize efficiency of reporting for entities that already use those metrics.

In addition, the EPA should consider incorporating elements of Environmental Justice (EJ) communities into their program definitions. EJ communities are those that have historically suffered the greatest negative impacts of poor air quality leading to higher rates of negative health outcomes such as asthma. In addition, EJ communities account for coastal and flood-prone communities most vulnerable to storm impacts. All communities, regardless of income, deserve protection from environmental climate change and local health hazards created by the burning of fossil fuels, but low-income, disadvantaged, and environmental justice communities must be prioritized by the EPA with the GHGRF.

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?*

Technical assistance will be critical to achieving the goals of GHGRF. Apart from a clear and concise definition of what’s considered a “low-income and disadvantaged community”, we suggest that the EPA also clearly define the levels of GHG reduction required at the project level so that applicants know what they need to achieve in order to be qualified as an applicant. Certainty with respect to the level of GHG reduction required, and instruction regarding how to reduce onsite emissions, are key to achieving the market transformation that the EPA is looking for. Simply releasing capital without providing guidance about how GHG can be responsibly reduced and what levels of reduction are required by the fund may cause confusion and a lack of consistency. Similar to existing guidelines for remediation and disposal of asbestos, contaminated soil, and lead paint, there should likewise be similar guidance for compliance with GHG reduction strategies. This allows private markets to adequately address and include this important work into their everyday investments. Apart from this



early adoption investment capital, standards can help guide capital providers to appropriate GHG reduction well beyond the \$27 billion.

As it relates to Technical Assistance (TA), the EPA must provide fundamental support to ensure integrity and consistency in the GHG reduction supported with this capital. Using New York State as an example, the New York State Energy Research and Development Authority (NYSERDA) has been an incredible partner to other departments of government and to the private sector in supporting and enabling GHG reduction with incentives and accelerators that provide guidance about how to transition to a clean energy economy, address operational GHG emissions and prepare the market for compliance. Similar regional hubs across the country that support communities as they transition will be crucial. Lenders will need this support to ensure that the projects they finance achieve the level of GHG reduction the EPA requires. Those entities can define the regional metrics for GHG (appropriate to regional emissions factors, policies and grids) and be able to certify compliance, possibly acting as the third-party verifier that the GHG reduction funds have been used as intended.

Importantly, standards should also include guidelines for 3<sup>rd</sup> party certification that work has been completed properly. Such infrastructure is currently used - very successfully - by commercial real estate lenders with the Phase One and Phase Two Environmental Assessment process.

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?*

Low-income and disadvantaged communities have been the long time recipient of funds to address challenges that persist in such areas. The capital provided by other branches of government has gone to support affordable housing, small business development, job training and other community services. Though all of the resources have supported needs in these areas, none of them have specifically addressed climate or GHG reduction. Market economics and a lack of regulation have not supported the inclusion of GHG reduction in the work that the government already supports in these areas. The GHGRF has the power to change that. Enhancing existing investments (such as investments in housing) in low-income and disadvantaged communities is the key to integrating climate mitigation and adaptation into all of the work that is done to improve and strengthen those communities. Mission-based non-profit lenders working to further their specific community development niche have the mission and the will to address GHG reduction in their existing investments, and with this new source of capital, they will finally have the means to do so.

Mission-based non-profits use whatever tools are available to further their impact. Using affordable housing as an example, lenders have adapted to many changes in the market over the years and have integrated government priorities into affordable housing finance and development using the tools available in the communities they serve. Historic tax credits have been leveraged to promote the dual outcome of affordability and historic preservation, creating enormous benefits to downtowns working to reinvent themselves from former manufacturing hubs to communities where people can live, work, and play. The adaptive reuse of historic buildings has increased affordability and transformed neighborhoods while preserving and maintaining the architecture and character of communities. Affordable housing lenders used a non-affordable housing tool that was available to achieve benefits beyond affordability. Brownfield tax credits, New Markets tax credits, integrated supportive housing, healthcare, childcare and other benefits have been incorporated into the projects they finance to meet



the needs and goals of multiple government agencies. These supplemental benefits are supported by complimentary financing sources, tax credits, grants, and/or low interest loans.

The GHGRF is the first source of low cost capital available to intentionally address climate change alongside all of the current investments in low-income and disadvantages communities. Non-profit lenders, CDFIs, MDIs, Credit Unions and others stand ready to intentionally address climate in the work we are already doing in these communities by accessing GHGRF dollars and integrating this new source of capital into our existing work. This capital is critical, particularly in this early adoption phase of the transition to a green economy. GHGRF capital can offset higher costs until demand rises and costs come down.

## SECTION 2: PROGRAM DESIGN

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)?*

According to a 2019 survey conducted by the American Housing Survey and the U.S. Census Bureau, approximately 43.9 million residences, or 31.4% of housing in the U.S. today, are multifamily. The dominant source of financing for such housing are the ~30 private lenders that sell and service ~\$150 billion of multifamily loans each year to Freddie Mac and Fannie Mae. The platforms of these lenders (and the GSE's subsequent transfer of credit risk to other private parties) would seem to be the most logical and efficient way to leverage existing private sector capital and processes.

To that end, there are several ways to leverage EPA monies alongside the ~16,000 multifamily loans already being purchased by Freddie Mac and Fannie Mae each year; the general proposition being that lower cost mortgage capital could be obtained in return for an agreement to reduce or eliminate GHG emissions at the property level. This can be done via a buy-down in the rate of the first mortgage, or using a second mortgage that would "piggy-back" off of the origination, underwriting and closing of the first mortgage.

It should be noted that apart from newly constructed projects that sometimes are built to net zero standards, most of the existing multifamily housing stock in the country consist of older/smaller buildings that are in desperate need of low cost capital that can be directed towards achieving significant carbon reduction and greater overall energy efficiency.

Addressing GHG in the first mortgage approach includes these benefits:

- Introduce property owners who would not otherwise be thinking about GHG reduction to the process by enticing them with a lower rate on a first mortgage that they will take anyway
- Introducing private capital to what it takes to meaningfully address GHG reduction which will become increasingly important as the risk of not doing so is exposed in their portfolios
- The interest rate buy down tool can be tailored to different types of projects and markets. Using it with the mortgage banking industry through Freddie Mac and Fannie Mae can be market transformative as the GSEs set industry standards for how housing gets financed
- 3 to 1 leverage can capture hundreds of thousands of housing units (single and multifamily) over 10 years as the transition drives decarbonization to business as usual and building codes and government regulations catch up



- Market transformation of private capital, educating lenders about how to implement GHG reduction

When thinking about leverage in low-income and disadvantaged communities, the approach needs to be more nuanced. Regulated and heavily subsidized affordable housing is different than conventional multifamily housing. There is a reason that these communities are disinvested as market economics don't support broad investment without government subsidy or support. Many investments in low-income and disadvantaged communities cannot absorb the additional debt required to take on decarbonization projects. Grants should be deployed in support of small projects in very low-income communities and leverage should be defined by other sources used to support the project such as tax credits or rental assistance. Definition of leverage in low-income and disadvantaged communities should be "total" leverage, not just "private capital" leverage as the GHGR funds will most often need to be grants. In addition, prevailing wage requirements should be carved out for very small and affordable projects. The added labor costs would offset the benefits of the lower interest rate and mute the benefit of the low cost capital.

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

As it relates to existing assets, the ultimate goal should be move as many properties off fossil fuels as quickly as possible and to incentivize new construction to be built to net zero standards. Every newly constructed building connecting to fossil fuel immediately becomes a building that eventually needs to be retrofit, only adding to the greenhouse gas elimination challenge. At a minimum, all GHGR funds used for new buildings must require carbon neutral standards or "carbon neutral ready" for areas where energy grids are "dirtiest" and behind in moving to renewable sources.

In all cases regarding the built environment, additionality is not that the projects can't get built or renovated at all; they will be built or renovated regardless. But with the GHGR funds, they can be built or renovated to address significant GHG reduction and energy efficiency. The additionality is that business is transformed and – at a minimum - moved toward carbon neutral ready investments.

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?*

The EPA should structure the GHGRF such that applicants must submit business plans projecting how the money will leverage private or public capital and how the money will be recycled and reused. However, EPA must also recognize that it may not be feasible for all of the capital invested in low-income and disadvantaged communities to be recycled. Existing buildings in low-income census tracts may need to receive the capital as debt that is either forgivable or payable from cash flow as available. Prioritization should be to recycle where possible, but not at the expense of the communities that need the benefit from the GHGRF the most that will more often than not need direct grants.



Every awardee will need a small portion of the grant as start-up capital. Getting new programs up and operational will be expensive and non-profits operating on thin margins will need seed funds to cover upfront costs. However, with the support of GHGRF grants, each lender should reach self-sufficiency relatively quickly.

Non-profit lenders will benefit greatly from having sums of this capital on deposit while investments are going through the process and waiting for closings. Capital should be appropriately advanced to awardees in tranches based on pipeline in advance of closings. This way lenders can efficiently manage the capital and benefit from the interest income it generates. That will help to support the lender's infrastructure and operations.

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?*

Applicants should identify what private capital they intend to leverage and have letters of interest from private lenders that are willing to participate with them. Any lender can take 100% of the GHGR funds and make loans exclusively with that capital. But in that case, the opportunity to educate the private markets on how to finance the transition is missed, and that education is critical because while the IRA provides a historic level of funding to meaningfully address and mitigate the effects of climate change, it is not enough to allow the US to achieve its 2050 goals. Leverage of private capital is crucial to show the private sector how to adapt their investments to address climate and show them that these investments are not only important for preserving the planet but that they are good economic investments as well.

Costs in the early stage of the transition will be high, but as technology advances, a workforce is developed, and decarbonization becomes business as usual, those costs will come down. The GHGR funds are required to animate the market and support early adoption. As the funds are advanced over the next 10-15 years, the private sector will have to be activated. The GHGR funds are a critical tool to animating private investment and accelerating the clean energy transition.

Key here is having non-profit lenders partner with private banks to "green" existing products vs. creating standalone green products that only they lend. If "green lending" remains a separate sector outside of conventional lending, we will never achieve full market transition. Every job, every loan, and every investment must consider climate change and incorporate decarbonization. It cannot be that a building owner that burns fossil fuel has to reach for a "green loan" to install heat pumps and invest in energy efficiency. Those standards should become part of a conventional first mortgage lender's requirements. There is no regulation on the books like the Community Reinvestment Act (CRA) requiring lenders to care about climate. The CRA, passed in 1976, required private capital to specifically address poverty. Because of the CRA, today's financial institutions, working both with CDFIs and independently, support a broad network of organizations, businesses, community facilities, owners, developers etc., often working in partnership with government, to stabilize and strengthen disinvested communities.

Climate is similar today to what poverty was in the early 1970's - a persistent problem that people and financial institutions care about but do not broadly address. In today's world, private capital, in





theory, cares about climate, but is subject to no regulation that ensures direct investments. In the absence of climate regulation, GHGRF incentive capital can begin to get lenders to meaningfully address GHGR in the work that they do.

Though there is no specific regulation, there is a way to begin to regulate GHG emissions. The IRA boldly defines carbon as a pollutant. As such, it could be included in the third-party risk assessment done by lenders and investors through the Phase One Environmental disclosure process. Owners of businesses and properties are routinely required to hire objective third-party professionals to inspect properties and search databases to uncover any and all contaminants that will put an investment at risk. The proposed borrower is then required to go through a remediation of the contaminant and have a third-party verify that it was done per the appropriate government standards. Asbestos removal is evaluated by American Society for Testing and Materials (ASTM) standards; in other cases, remediation requires review and certification by a state's Department of Environmental Conservation or the federal Environmental Protection Agency. Carbon mitigation, or decarbonization, should follow the same protocols. Then, and only then, will private capital meaningfully consider climate. If a loan cannot close, an owner, working alongside of a lender, will figure out what needs to be done to get to the closing table. The GHGR funds, if administered by CDFIs and other green specialty lenders, can be a critical tool in supporting that remediation in partnership with private lenders.

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

While there is absolutely a need for a “clean energy and climate ecosystem”, and that ecosystem should be supported by the GHGRF, the GHGRF should not seek to exclusively develop this ecosystem. There is a seasoned, robust and successful industry of mission based non-profit lenders that have been investing in communities for more than four decades, primarily in low-income and disadvantaged communities. That ecosystem must be supported by the GHGRF so that current investments and projects in their pipelines have access to a tool that can meaningfully address GHG reduction. Currently, the free market does not broadly address climate change because it is not required and because it is not particularly profitable. Until that changes, market forces must be incented to care about climate through beneficial economics.

Using housing as an example, in the late 1960's and early 1970's, a significant amount of affordable housing was built with US Department of Housing and Urban Development (HUD) programs such as the 221d3 and 202, among others. The Federal Housing Authority (FHA) incented private lenders by insuring 40 year loans and subsidizing the rates. This allowed banks to make investments with their capital in their communities for affordable housing that would otherwise not be feasible. GHGR funds can be a similar catalyst for carbon free buildings.

Apart from this direct investment example, the government has many programs that support the construction of housing and community facilities. All of those programs can be enhanced with the GHGRF capital so that when this capital is gone, that infrastructure and those programs will have successfully adapted to addressing GHG reduction in business as usual practices. States can use the capital to “boost” the Low Income Housing Tax Credit, the Historic Tax Credit and all other tax credits to provide the resources for those buildings to be built all-electric or carbon neutral ready, depending on regional standards. The Brownfield Tax Credit Program should be enhanced so that all projects using Brownfield tax credit resources must produce carbon neutral ready projects. It makes



no sense to do a complete environmental remediation of a site and then connect it to gas or oil. Non-profit and other lenders financing these projects can use these enhanced tax credits to ensure carbon neutral ready outcomes.

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 importance of EPA specified guidelines around GHG reduction cannot be stressed enough. Unless there is a common goal which is tangible, well defined, and certifiable at completion, GHG reduction will become subjective and hard to measure. In order to drive meaningful and measurable impact, and to be able to demonstrate success, specific metrics must be defined and included as a part of the EPA's application and program design.

In addition, too much regulation within the GHGRF will make it difficult to achieve success in low-income and disadvantaged communities. For instance, requiring prevailing wages in small projects or for affordable housing will drive up the overall costs and make projects financially infeasible. Any and all benefits from the GHGRF will be lost due to increased costs of construction. To make meaningful progress in low-income and disadvantaged communities, prevailing wage requirements should be avoided.

While the EPA should avoid a single grant recipient to allow for a wider distribution of capital to different sectors and to obtain deep impact in low-income and disadvantaged communities, accepting greater than 10 applications would likely cause inefficiencies for the EPA. We recommend funding 5-7 applications to allow each grantee to build capacity and scale.

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

Investments in affordable housing and other smaller loans and investments would be negatively impacted if this capital came with prevailing wage requirements. While fair compensation for labor is critically important, the added cost of externally imposed prevailing wages that may be above actual local market wages for a small affordable project, would completely offset the benefit of the incentive capital. Moreover, smaller projects often cannot attract large scale union construction companies. A prevailing wage carve out should be considered for all GHGRF investments in low-income and disadvantaged communities, especially if projects are smaller in scale.

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 sub recipients 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?*





All grantees and sub recipients of GHGRF monies should be required to certify that they will comply with Title VI of the Civil Rights Act both in their program design, implementation, and data collection.

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

This answer is intentionally left blank as it is either addressed elsewhere in the document or pertains to topics outside of CPC's area of expertise.

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?*

This answer is intentionally left blank as it is either addressed elsewhere in the document or pertains to topics outside of CPC's area of expertise.

11. *Is guidance specific to Tribal and/or territorial governments necessary to implement the program? If so, what specific issues should such guidance address?*

Considering the history of racial, economic, and environmental violence against indigenous communities, and given the fact many tribal communities are located today in low-income or disadvantaged communities, special attention and intention should be paid to supporting tribal communities' access to the benefits of the GHGRF. We defer to the leaders of these communities to advise the EPA on how best to partner.

### **SECTION 3: ELIGIBLE PROJECTS**

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

The EPA should prioritize building energy efficiency, electrification, and solar plus storage. Buildings emit significant GHG emissions, sometimes up to 60% or more of a city's total carbon



footprint, and are very challenging to reduce. The key to transforming the built environment is transforming the capital markets that support it. Using the GHGRF capital to create products that look like typical market products but are enhanced with GHG reduction funds to incent property owners to reach for deep efficiency and GHG reduction is critical.

***If we can't move the private capital markets, we can't move the needle on market transformative climate investment.***

In NY State, the Housing Finance Agency has changed its requirements for new construction multi-family affordable housing to be all-electric and carbon neutral ready. This requirement has spurred an entire industry of developers, designers, engineers, contractors, lenders, syndicators, lawyers, and accountants to understand and value low-carbon building design and construction. This is possible, in part, because NYSEDA has added extra funds to cover the higher incremental costs for developers building during this early adoption phase when materials, systems, and design strategies are being tested or may not be readily available. Low-income residents will benefit from healthier buildings, greater efficiency, combined heating and cooling, and reduced utility costs. Focusing on transforming the LIHTC infrastructure, which is the most successful affordable housing program in the country, can show how broad decarbonization can reach when it is required by the capital source that makes these deals happen.

In the private capital markets, current economics do not support the extra cost of decarbonization, particularly with the recent spike in interest rates. Given this, mortgage capital for subsidized affordable, naturally occurring affordable, and market rate housing all need access to additional money so buildings can be decarbonized. This capital can be deployed as simple subordinate debt, low interest loans, or grants. It can be deployed at the time of acquisition, refinance, or as mid-cycle supplemental capital. Benefits of this approach include:

- Grant dollars from the GHGRF can be used to buy down the first mortgage rate to a level that allows the property owner to access the additional funds required to build or retrofit to net zero or net zero ready.
- GHGR funds would be in a top loss position, providing the private capital with protection (AKA insurance/credit enhancement) which will drive their part of the rate lower than if they did the entire first mortgage.
- A significant rate reduction can be achieved, typically 200 basis points or more. The GHGR funds can also allow the borrower to borrow money above standard Loan to Value (LTV) ratios.
- If a typical first mortgage on a multifamily property is leveraged at 80% LTV at a rate today of 6.5%, a rate buy down with GHGR funds could bring the rate down to 4.5% and allow the owner to borrow more money up to 85% or 90% LTV.
- The goal would be to keep the cost of the debt (monthly payment) for the typical loan the same as the larger loan with the lower rate.
- Property owners financing properties, whether newly constructed, retrofitted, refinanced or acquired, are motivated first and foremost by rate. Rationally, they will want a low rate and high leverage.
- The crucial condition being that to access the lower rate, they will have to achieve significant GHGR as defined by the EPA.
- The portion of the top loss piece (the GHGRF money) that is over leverage at the time of refinance can be forgiven at refinance.



- If rates come back down as anticipated, more of the capital can be returned. If rates stay high more will be forgiven. This approach offers great flexibility.
- Other overall benefits include:
  - Introduce owners who would not otherwise be thinking about GHGR to the process by enticing them with a lower rate.
  - Introducing private capital to what it takes to meaningfully address GHGR which will become more and more important as the risk of not doing so is exposed in their portfolios.
  - The interest rate buy down tool can be tailored to different types of projects and markets. It can be used with the mortgage banking industry through Freddie Mac and Fannie Mae – who often set industry standards for how housing gets financed.
  - 3-to-1 leverage can capture hundreds of thousands of housing units (single and multifamily) over 10 years as the transition drives decarbonization to business as usual and building codes and government regulations catch up.
  - Market transformation of private capital, educating lenders on how to address GHGR.

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

The EPA should allocate GHGRF capital to mission based lenders who are best qualified to deploy the capital in the low-income and disadvantaged communities in which they traditionally serve. Green specialty lenders are less versed in disadvantaged communities and instead are far more focused on technology and large scale investments.

The EPA should look for plans in applications that directly connect the GHGRF to investment opportunities that already exist. EPA should look for direct applicants that are strong enough to directly deploy capital on their own, supplemented by industry intermediaries that are ready to work but too small to make a direct application.

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

Other necessary supports include:

- The EPA must provide support to lenders and borrowers in the form of TA to identify how to achieve GHGR at specific projects.
- Using New York State as an example, NYSERDA has been an incredible partner to other departments of government and to the private sector in supporting and enabling GHG reduction with incentives and accelerators that address how to transition to a green economy, address operational GHG emissions, and prepare the market for compliance.
- Similar regional hubs across the country that support communities as they transition will be crucial.



- Lenders will need this support to insure that the projects they are financing achieve the level of GHG reduction the EPA defines. Regional TA hubs can interpret the definitions of compliance and assist with incorporating the metrics and guide certification project completions, acting as a third-party verifier that the GHG reduction funds have been used as intended.
- Awarded applications should include start up/stand up capital for awardees to build out the required infrastructure and hire more staff to be able to execute and deploy capital quickly.

#### SECTION 4: ELIGIBLE RECIPIENTS

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

Eligible recipients should include:

- Non-profit lenders (or their controlled affiliates if they choose to set up a special purpose entity as recipient) as well as states and municipalities that are working to address decarbonization, clean energy, and climate change projects.
- CDFIs, MDIs, Credit Unions and Green Banks or specialty Green Lenders that are not state entities.
- Individual organizations that are direct lenders as well as intermediaries that represent an industry of smaller organizations.
- Since non-profit lenders routinely accept repayments and other revenue from non-IRA activities and then deposit those funds into bank accounts, the EPA should clarify the language from the statute which states that an eligible recipient is an organization that "...does not take deposits other than from repayments and other revenue from using these grant funds". The EPA should clarify if this is intended as a way of distinguishing between depository institutions (which are not eligible) and non-depository CDFI lenders (which are eligible).

Applications should be consistent with the goals of the legislation:

- Significant greenhouse gas reduction – applicants must demonstrate experience with and capacity to expand greenhouse gas reduction efforts through their existing work.
- Equity – applications must demonstrate a priority commitment to low-income and disadvantaged communities and a track record addressing needs in those communities. Applicants must be able to show that they either have a history of funding clean energy or climate projects or that they can meaningfully adapt their infrastructure and pipelines to address GHG reduction.
- Market transformation: an applicant must show that their approach will help to push private markets to address GHG reduction to drive demand and get to business as usual practices.



Entities should be able to show that they have the following:

- Adequate originations infrastructure through their organization or through the ecosystem of lenders they are representing.
- Credit and Risk infrastructure that provides the EPA with comfort in regards to proper deployment.
- Technical capacity to take on this quantity of money for climate investments, or a plan to build it.
- A track record of leveraging public and private sector capital to achieve GHGR.
- A transparent governance structure that clearly shows how the program will be administered.
- Priority focus should be on building energy efficiency and electrification and solar + storage.
- Applicants should also show how they will use the money over the 10 year timeframe, including how they will recycle as much of the capital as possible after the 10 years.

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?*

Mission based non-profit lenders that are already executing in low-income and disadvantaged communities are best able to achieve GHG reduction in those communities as they are there already, These lenders (particularly CDFIs, MDIs, and CUs) deploy tens of billions of dollars in capital every year to address their specific missions predominantly in low-income and disadvantaged communities, and they already have partners, pipelines, and processes that are transparent and trusted. These investments address a spectrum of need – from micro loans to very large affordable housing projects. Getting these entities to broaden their mission to include climate would have a dynamic impact on low-income and disadvantaged communities reducing GHG emissions, creating awareness and generating demand across whole neighborhoods in unique and niche investments. Empowering an ecosystem of mission lenders, and engaging them in climate work, would have long lasting impacts and play a key role in achieving capital market transformation.

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?*

Rather than creating new entities, we urge the EPA to structure the GHGRF to plug into existing entities wherever possible. Deploying funds into existing markets through established and credible organizations will engender catalytic market transformation and transform existing capital providers that will need to fully transition their investments long after the GHGRF are fully deployed.





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

Given the urgency of the climate crisis and the tight timeframe for capital deployment established by the IRA, we recommend that the EPA first look to existing organizations with an established track record as they will be able to deploy these funds quickly and effectively.

Any new entity that EPA funds must be able to show the following:

- Credit and risk infrastructure
- Partnerships with private capital that can be leveraged
- Proper governance that shows how funds will be deployed and managed
- Plan for outreach and impact in low-income and disadvantaged communities
- Mission statement incorporating climate and social justice
- Transparent reporting infrastructure

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?*

This answer is intentionally left blank as it is either addressed elsewhere in the document or pertains to topics outside of CPC's area of expertise.

## **SECTION 5: OVERSIGHT AND REPORTING**

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

This answer is intentionally left blank as it is either addressed elsewhere in the document or pertains to topics outside of CPC's area of expertise.

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 insure maximum accountability and good governance, all recipients and sub recipients should be required to invest in staff hired exclusively to drive sustainability and GHG reduction across the organization. Having a dedicated team is critical to holding lenders and borrowers accountable to meaningful GHG reduction.



Applicants can also agree to incorporate climate or the clean energy transition into their mission statements or corporate goals and/or become carbon neutral companies. This would get them to institutionally adopt and understand the global requirements for carbon neutrality. While green banks and specialty green lenders will not have to do this, they should be required to incorporate addressing the needs of low-income and disadvantaged communities into their goals, specifically state in their applications how they will mobilize in disadvantaged communities, differentiate their approach from that of the CDFIs, MDIs and CUs that are already there.

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?*

As an affordable housing finance lender, we have included potential metrics and indicators we know best and see as most relevant to our field:

- Metrics for allocations of benefits to low-income and disadvantaged communities:
    - o Investments measured by affordability
    - o Number of high performance, carbon free units and buildings financed
  - Metrics for private sector leverage and project additionality:
    - o For each loan indicate what percentages of total capital was funded by the GHGRF, private capital, and any other sources
  - Metrics for number of GHG/air pollution reduction projects funded:
    - o EPA should define how GHG is measured and should require estimated emissions reductions attributable to the investment
    - o If the project is newly constructed EPA should require all possible efforts made to avoided GHGs because of the loan
  - Indicators of distribution of projects at the national, regional, state and local levels:
    - o Direct recipients should be able to show a broad footprint with the entities that they will be working with as sub-recipients
    - o Direct recipients should be required to show the footprint of their investments both direct and through the organizations that come in under their specific applications
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?*

The CDFI Fund's Target Market Accountability infrastructure can be leveraged for this program. In addition, CDFIs are already reporting regularly to the lenders and donors that make investments with them. Applicants should be able to share their existing reporting and how they will enhance it to

include GHG reduction. For all applicants, the EPA should create a **simple** reporting template that allows all recipients to show impact in the critical areas: GHG reduction, equity, leverage, and market transformation. This reporting template should roll up into a nationwide public database to show the impact of GHGRF capital in action, ideally represented through a map that overlays GHGRF projects with low-income and disadvantaged communities.

## SECTION 6: GENERAL COMMENTS

### *1. Do you have any other comments on the implementation of the Greenhouse Gas Reduction Fund?*

We encourage the EPA to work with national CDFIs that are connected to broader capital markets and can leverage those relationships and private capital with low-cost carbon reduction capital. CPC, for example, has direct access to the GSEs as the only non-profit mortgage bank in the United States, which will allow for an impactful application of GHGRF to transform capital markets.

Freddie Mac and Fannie Mae multi-family markets have incented baseline amounts of energy efficiency in their Green Up and Green Rewards programs over the last six years. With up to a 40 basis point discount in rate, owners and developers have achieved significant water savings and modest GHG reduction through efficiency measures. While these programs have been successful and set a new business baseline for energy and water efficiency, they have recently stalled because owners who have completed the work no longer qualify for the discount.

Additionally, the Enterprises recognize that they need to reach further and are working on ways to decarbonize as more of the loans they are making are in jurisdictions with regulations and fines for carbon emissions. But decarbonization is far more expensive than aerating water features and replacing fluorescent light bulbs. The current need demands a combined lower cost of capital and higher proceeds to effectuate meaningful GHG reduction.

By using the exclusive non-profit mortgage bank with an ability to originate and sell Multifamily GSE loans nationally, the GHFRF can drive demand for decarbonization. That demand can cause mortgage bankers and the borrower base they solicit (developers and owners of multifamily property) to decarbonize their buildings, which would be truly market transformative. When the money is fully deployed and demand remains, the capital markets, working with government and ESG investors, will need to address continued funding for the program or identify other ways to maintain the pace of decarbonization in new and existing buildings. As time passes, this may result in building codes catching up and the electrical grid will get cleaner, paving the way for the full transition to a clean energy economy.

Buildings, a crucial part of the built environment and everyday life, are currently a huge source of emissions but with the Greenhouse Gas Reduction Fund there is an opportunity to decarbonize buildings while transforming markets. At CPC, we stand at the ready to help the EPA make this opportunity a reality.



Community Preservation Corporation

On behalf of CPC, we deeply appreciate the opportunity to provide input on the design of the Greenhouse Gas Reduction Fund and look forward to supporting the catalytic impact of this funding. Should there be any other support or technical assistance CPC can provide, please do not hesitate to reach out.

Sincerely,

Rafael E. Cestero, CEO  
The Community Preservation Corporation  
[rcestero@communitycp.com](mailto:rcestero@communitycp.com)

Sadie McKeown, President  
The Community Preservation Corporation  
[smckeown@communitycp.com](mailto:smckeown@communitycp.com)

John Cannon, President  
CPC Mortgage Company  
[jcannon@communitycp.com](mailto:jcannon@communitycp.com)