

November 15, 2022

Re: Comments on Environmental Financial Advisory Board (EFAB) Charge Greenhouse Gas Reduction Fund

Dear Chair O'Neill and the members of the Environmental Financial Advisory Board:

The Community Preservation Corporation (CPC) is a 48-year old not-for-profit corporation whose mission is the financing and preservation of affordable multifamily housing, and a certified Community Development Financial Institution (CDFI). 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 Federal Housing Administration. CPC is a carbon-neutral company and has been rated AA- by S&P.

CPC has had a foundational commitment to environmental sustainability since establishing a sustainability platform in 2008. Most recently, CPC was just selected by New York State to administer the Climate Friendly Homes Fund (CFHF), a \$250M investment to finance electrification retrofits in at least 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 delivering the benefits of climate friendly homes to residents of low- and moderate-income neighborhoods. More information about CPC's [sustainability platform](#) and [CFHF](#) can be found on our website.

CPC is pleased to have the opportunity to provide comments in response to the Environmental Protection Agency's (EPA) Environmental Financial Advisory Board (EFAB) charge concerning the Greenhouse Gas Reduction Fund. Responses to specific questions included in the charge follow:

I. OBJECTIVES

A. ENVIRONMENTAL JUSTICE/DEFINITION OF "LOW INCOME AND DISADVANTAGED COMMUNITIES"

i. What considerations should EPA take into account in defining "low-income" and/or "disadvantaged" communities in order to ensure fair access/that the funding benefits disadvantaged communities?

Environmental Justice (EJ) communities, aka "low income and disadvantaged communities" are already defined by other departments of government at the federal, state and local levels. Low Income (LI) communities have been defined by the Treasury Department for purposes of the CDFI Program and by HUD on annual basis through its calculation of area median income (AMI) in each census tract. These definitions of low income should be adopted.

EJ communities should also be defined as those communities that have long suffered the negative impacts of poor air quality leading to higher rates of negative health outcomes such as asthma. In



addition, communities most vulnerable to storm impacts, flood zones and coastal areas should also be prioritized for investment.

ii. How can EPA ensure that communities and organizations who have received little or no funds in the past receive priority consideration for funding? How could EPA identify the low-income and disadvantaged communities it should prioritize for greenhouse gas and other air pollution reduction investments?

LI 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 (like food banks or charter schools). Though all of the resources have supported specific needs in these areas, none of them have specifically addressed climate or greenhouse gas (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 GHG Reduction Fund (GHGRF) has the power to change that. Enhancing existing investments (such as investments in housing) in LI and EJ communities is the key to integrating climate into all of the work that is done to better 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 climate in their existing investments, and with this new source of capital, they will finally have the means to do so as well.

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 and 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 government agencies. These additive benefits are supported by complimentary financing sources, tax credits, grants, or low interest loans.

The GHGRF is the first source of low cost capital available to intentionally address climate. Non-profit lenders, CDFIs, MDIs, Credit Unions and others stand ready to intentionally address climate in the work we are already doing by accessing GHGRF dollars and integrating this new source into our existing work.

The EPA should make neighborhoods that have suffered the worst outcomes of poor air quality and storm impacts its highest priority. Many of those neighborhoods are also low income. Some of these high-risk areas have already been delineated; where those lines have not been drawn, EPA should prioritize LI tracts and coastal areas and flood zones.



iii. What kinds of technical and/or financial assistance should GHGRF funding recipients provide to ensure that low-income and disadvantaged communities are able to be direct or indirect beneficiaries of GHGRF funding? Please identify supports that could help communities with project implementation.

Technical assistance is critical to achieving the goals of GHGRF. Simply releasing capital without providing guidance about how GHG can be responsibly reduced may cause confusion and a lack of consistency in compliance with EPA goals. The EPA and other government entities already provide this type of guidance for other forms of environmental harm. Just like there are clear guidelines for remediation and disposal of asbestos required to be removed from a building, there should likewise be similar guidance for compliance with GHG reduction strategies. Similarly, the government has created clear and consistent pathways providing definitive roadmaps for mitigation efforts with respect to radon, contaminated soil disposal, lead paint remediation, flood zone mitigation and fire resistance standards, with a certification that it has been done properly. This allows private markets to adequately address and include this important work into their everyday investments.

Certainty with respect to what level of GHGR is required, and instruction regarding how to implement it, is key to achieving the market transformation that the EPA is looking for. The money in the IRA should seek to inform all sectors regarding what it takes to transition away from fossil fuel to clean energy.

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. Those entities can define the metrics and certify their completion, acting as a third-party verifier that the GHG reduction funds have been used as intended.

Third-party infrastructure is used very successfully by lenders with the Phase One Environmental Assessment process. The Phase One process identifies what needs to be done to achieve certified completion, whether that is for asbestos, radon, lead, contaminated soil, etc. A lender can rely on a third party to scope the work and insure it was completed, commensurate with government standards (ASTM, for example). GHG standards should be clearly defined by the EPA and a third-party verification system should be supported with an allocation of this capital. That very powerful mechanism can then be used independently by private markets after the GHG reduction funds are gone and GHG reduction becomes business as usual.

Specificity is key since meaningful and impactful GHG reduction cannot be achieved by simple retrofits alone. The GHGRF should reach well beyond simple, low lift and low cost measures to set a much higher standard for transformative emissions reductions.

B. PROGRAM EFFICIENCY

i. How can the GHGRF grant competition be designed so that funding is highly leveraged (i.e., each dollar of federal funding mobilizes multiple dollars of private funding)? How can the funding be used to maximize “additionality” (i.e., the extent to which funding catalyzes new projects that would



not otherwise occur)? How can EPA balance the need for grants for capacity building and short-term results with financial structures that will allow capital to be recycled over time? Where (if at all) is it appropriate to impose sustainability requirements on direct or indirect beneficiaries of GHGRF funding?

Program design to address leverage should be answered differently for the funds available to all markets vs. the funds available to LI and disadvantaged communities.

Funds available in all markets should have a very high priority on private capital leverage, return of capital and reuse of capital for the same purpose. The leverage should aspire to achieve a 3 -1 ratio of private to public capital. Using first mortgage capital as an example, grant dollars from the EPA 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. In this example, the GHGR funds would be in a top loss position, providing the private capital with protection (also known as an 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 it, they will have to achieve significant GHGR as defined by the EPA. The portion of the top loss piece (the GHGR 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. 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

When thinking about leverage in LI and disadvantaged communities, the approach needs to be more nuanced. 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 LI/DAC cannot absorb the additional debt required to take on decarbonization projects. Grants should be deployed in small and very low income projects and leverage should be defined by other sources used to support the project such as tax credits or rental assistance.



In all cases regarding the built environment, additionality is not that the projects can't get built at all, they will be built regardless. But with the GHGR funds, they can be built to address significant GHGR as defined by the EPA. We simply cannot keep building new buildings or financing existing ones without pushing to get them off of fossil fuel. This incentive capital allows all lenders to begin to do that. The additionality is that we transform business as usual so that all investments are carbon free.

This new source and scale of capital will require that non-profit lenders build new capacity to achieve the goals of the IRA and the GHGRF. Government grants typically come with administrative support between 5-15% of the grant total. Given the scale of the opportunity, it seems that 5-7% would be appropriate, but given the complexity of decarbonization and meaningful GHGR, capacity building up front should be considered so that lenders can hire technical experts and teams dedicated to helping their customers and their organizations navigate the process of decarbonization and GHGR in the work that they do.

Extra points should be given to organizations that have themselves achieved carbon neutrality (defined as having achieved net zero emissions for scopes one and two, at a minimum).

ii. Are there programs/structures at the federal or state level that could effectively complement the GHGRF? How can EPA best leverage the GHGRF to support lasting, long-term (beyond 2024) transformation of the clean energy and climate finance ecosystem, especially for disadvantaged communities, and greenhouse gas and other air pollution reductions?

As it relates to the built environment, the government has many programs that support the construction of housing and community facilities. All of those programs can be enhanced with this capital such that, when this capital is gone, that infrastructure and those programs have successfully adapted to addressing GHGR 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 net zero depending on regional standards. But most obviously, the Brownfield Tax Credit Program should be enhanced so that all projects using these resources must produce net zero projects. It makes no sense to do a complete environmental remediation of a site and connect it to gas or oil. Non-profit lenders financing these projects can use this enhanced tax credit to ensure net zero outcomes.

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 *only* support and develop this ecosystem. There is a seasoned, robust and successful industry of mission based non-profit lenders that have been successfully investing in communities for more than four decades, primarily in LI and disadvantaged communities. That ecosystem must also be supported by the GHGRF so that current investments and projects in their pipelines have access to a tool that can meaningfully address GHGR as defined by the EPA.

II. PROGRAM STRUCTURE

A. ELIGIBLE RECIPIENTS

i. Who could be eligible entities and/or indirect recipients under the GHGRF? What should the thresholds for deployment be – both amount and timing – for GHGRF funding by these entities? Please provide references regarding the total capital deployed by these entities into clean energy and climate projects.

Eligible recipients should include ALL 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 priorities and community needs, including clean energy and climate projects. The eligible recipients outside of the \$7 billion for states include: CDFIs, MDIs, Credit Unions and Green Banks or specialty Green Lenders that are not state entities. Applications should be accepted from individual organizations that are direct lenders as well as intermediaries that represent an industry of smaller organizations¹. The \$7 billion should be a maximum of 50 applicants (50 states) and awards should take into account the State's commitment to GHRH such that States with a proven track record receive larger awards.

The \$20 billion should be awarded to up to 10 entities. Applications should be consistent with the goals of the legislation:

- Significant Greenhouse Gas reduction (to be specifically defined by the EPA)
- Equity: Priority for LI 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 GHGR
- Market transformation – an applicant must show that their approach will help to push private markets to address GHGR to drive demand and get to BAU practices

Minimum awards should be \$1 billion and maximum awards should be \$5 billion. Entities should be able to show 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
- Priority focus should be on building energy efficiency and electrification, solar + storage and transportation

¹ Since non-profit lenders routinely accept repayments and other revenue from non-IRA activities and then deposit those funds into bank accounts, we are seeking clarification that the following language from the statute: is only intended as a way of distinguishing between depository institutions (which are not eligible) and non-depository CDFI lenders, which are eligible: "Does not take deposits other than from repayments and other revenue from using these grant funds".



Timing of all awards should be deployment over 10 years. Applicants should show how they will use the money over that timeframe, including how they will recycle some of the capital.

Mission based non-profit lenders (CDFIs, MDIs, and CUs) deploy tens of billions of dollars in capital every year to address their specific missions. 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 LI and Disadvantaged Communities reducing GHG emissions, creating awareness and generating demand across whole neighborhoods in unique and niche investments. This is much more powerful than simple, large scale investments which address only one thing, such as a coal plant conversion. The coal plant conversion might drive meaningful GHG reduction but the project would be one and done. Empowering an ecosystem of mission lenders, and engaging them in climate work, would have broader and longer lasting impacts and achieve capital market transformation. It would take the early years to ramp up and build capacity but over time they could increase the amount of those investments that are made to meet EPA defined GHG reduction standards.

Large scale energy infrastructures will also create new jobs and those jobs should be subject to Davis Bacon requirements. However, smaller scale housing and individual investments in LI and DAC should be exempted from Davis Bacon. Cost increases associated with prevailing wage are not tenable in small neighborhood projects and would offset any value or leverage the GHGRF would provide. Moreover, there is not a broad network of contractors available to do the work and many unions have yet to fully embrace the transition to clean energy, especially in the built environment.

ii. What eligible entities and/or indirect recipients would best enable funds to reach disadvantaged communities? What are their challenges and opportunities and how can EPA maximize the use of these channels?

Mission based non-profit lenders that are already executing in LI and Disadvantaged Communities are best able to achieve GHG reduction in those communities as they are there already, they have partners and pipeline and most importantly they have a process that is transparent and trusted. All lenders stating that they can have impact in LI communities must show a successful track record. Mission based lenders, whether CDFI, credit unions or green specialty lenders, should illustrate their work and KPI. The challenges of using the GHGRF capital with these organizations is how broad the reach could be for a group that still has work to do to develop the technical capacity to meaningfully address climate change and GHG reduction. However, if the EPA lays out clear guidance that any lender can follow, that will support immediate and broad adoption.

B. ELIGIBLE PROJECTS

i. What types of projects/sectors/market segments could EPA prioritize for funding through the eligible recipients?

The EPA should prioritize building energy efficiency and electrification, solar + storage and transportation. Buildings emit significant GHG emissions, up to 70% of a city's total carbon footprint in places like NYC, and are very challenging to reduce. The key to transforming the built environment is transforming the capital markets that support them. Using this 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 as defined by the EPA is critical.

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

EPA should also support Green Specialty Lenders to drive technology innovation and market adoption and mission based lenders to penetrate GHG reduction in LI and DAC.

ii. Considering each major project type/sector/market segment, discuss:

These responses will focus only on the mortgage markets, CPC's area of expertise.

1. *What are the barriers to private sector capital?*

The barriers are: high cost to decarbonize (both first costs and operational costs); no regulation requiring addressing GHG reduction in buildings; lack of scalable incentives to retrofit buildings; lack of awareness of climate risk and the need to address it in every transaction; lack of market demand; lack of contractor experience / engagement; lack of clear guidelines around how to reduce GHG and certify its completion; and lack of technical capacity available to private lenders to get it done wholesale.

2. *Please provide any citations to relevant case studies in low-income and disadvantaged communities, in terms of emissions reductions and other benefits, including cost effectiveness, wealth creation, economic empowerment, workforce development, etc.*

In NY State, the HFA 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 NYSERDA 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 subsidy source that makes these deals happen.

3. *What project-level gaps could the GHGRF fill for each type of project? What form could capital take to fill these gaps? Please provide references that analyze the deal-level economics for the various types of projects, including whether and how these may vary by geography.*

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 housing, subsidized affordable, naturally occurring affordable and market rate, all need access to more money so buildings can be decarbonized. This capital can be deployed as simple subordinate debt, low interest loans or grants. It can be deployed this way at the time of acquisition or refinance or as mid-cycle supplemental capital. It can also be used to



drive the rate down in the private debt that a borrower would reach for. To repeat the prior example cited:

Using first mortgage capital as an example, grant dollars from the EPA 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. In this example, the 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 it, they will have to achieve significant GHGR as defined by the EPA. The portion of the top loss piece (the GHGR 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. 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

4. *Beyond assembling the capital stack for a deal, what other barriers and constraints exist that could constrict the pipeline of successful projects? What program strategies are needed to respond to these barriers and constraints?*

Other barriers include:

- Lack of specific EPA definitions of GHG reduction metrics
- High cost to achieve meaningful GHG reduction
- a lack of demand and awareness
- lack of workforce capacity and accessible technical solutions
- high cost of electricity in many places
- lack of building codes and regulations requiring GHG reduction



EPA can work with other government entities to align priorities and either incent or require all segments of the capital markets and the broad economy to come together to create whole sale solutions that can be passed down to lenders and organizations so decarbonization can be routinely retained.

iii. What types of contracting vehicles and structures will best support rapid deployment of clean technology solutions and direct involvement of the private sector, including in supporting disadvantaged communities?

The EPA should look for plans in applications that directly connect the GHGR funds to capital projects that already exist. Getting at all the investments that are currently being made in LI/DAC and adding incentive capital to decarbonize would be powerful. EPA should look for direct applicants that are strong enough to directly deploy capital on their own as well as industry intermediaries that represent scores of lenders ready to do the work but too small to make a direct application. EPA should empower those intermediaries with the capacity to develop the expertise for their lender networks to address GHG reduction as well as fund regional hubs that create tailored solutions for different climates and conditions.

EPA should allocate all LI/DAC capital to mission based lenders as that is the best way that the lender will deploy the capital in those communities. Green specialty lenders are less versed in DACs and more focused on technology and large scale investments. Both should be funded as they will complement each other in the end.

C. STRUCTURE OF FUNDING

i. Are there any potential program design requirements that would impact the ability of recipients to use the GHGRF program funds? How could EPA address these issues through program design? How could recipients comply with relevant federal requirements? How can EPA streamline the distribution of funds so that applicable federal and state review can be accomplished in a coordinated and efficient manner?

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 market wages for a small affordable project would completely offset the benefit of the incentive capital. Moreover, smaller projects often cannot attract large union scale construction companies. A prevailing wage carve out should be considered for all small and LI/DAC investments.

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 be able to declare success which can show the need for more capital and regulatory change, specific metrics must be defined and included as a part of the application. This will help provide clarity to potential applicants and the most capable will rise to the top.



III. EXECUTION, REPORTING AND ACCOUNTABILITY

A. GIVEN THE TIGHT TIMELINE FOR IMPLEMENTATION OF THE FUNDS, WHAT ARE KEY STEPS THAT EPA COULD TAKE IN THE SHORT- (NEXT 180 DAYS), MEDIUM- (NEXT TWO YEARS BEFORE FUNDS EXPIRE IN 2024), AND LONG-TERM (BEYOND 2024)?

Given the tight time frame, in the short term, the EPA should:

- Define the threshold metrics of what will qualify as GHGR both in terms of metric tons of carbon removed but also in terms of tangible standards in the market that are knowable to lenders and investors
- Prequalify existing non-profit lenders based on the EPA definition provided and clarify that the requirement that such lender not take deposits other than from repayments and other revenue from using these grant funds does not prevent such lender from taking in money from non-IRA activities and depositing it in a bank account.
- State the minimum and maximum amount for any one applicant
- State which sectors/verticals are a priority for EPA
- Specifically define market transformation and leverage ratios
- State whether or not funds can be allocated as direct grants for low income projects
- Define how the EPA will administer the money – TA grants vs. lending capital and define the way the money can be recycled
- State the extent of Davis Bacon requirements
- Clarify what type of fund recycling is required and whether lenders can retain revenue through interest payments and origination fees

In the medium term, the EPA should:

- Define the governance structure that will oversee the recipients
- Advise how the money will flow to the lenders
- Build technical capacity to assist the recipients with successful GHGR

Over the long term, the EPA should:

- Develop a reporting system that accurately captures success and impact
- Share success stories across the broad network of lenders so lessons can be broadly learned
- Collaborate with other departments in government that deploy capital to see how those sources themselves can be enhanced to include a focus on climate and GHGR and create broad alignment across public entities and their priorities for GHGR

B. WHAT TYPES OF REQUIREMENTS COULD EPA ESTABLISH TO ENSURE THE RESPONSIBLE IMPLEMENTATION AND OVERSIGHT OF THE FUNDING?

The single biggest thing is providing common metrics on what levels of GHG emissions need to be reduced and specifying the tools that borrowers must use to get there. Secondly, there should be milestones for committing the capital and then getting it out the door. Projects often take time to close once they are committed. Lastly, EPA should have a reporting template that is simple to use and can be routinely update by funded entities to show progress and GHG reduction.



C. WHAT MECHANISMS COULD ELIGIBLE RECIPIENTS ADOPT, INCLUDING GOVERNANCE AS WELL AS OTHER MECHANISMS, TO ENSURE THAT THEIR APPLICATIONS AND SUBSEQUENT IMPLEMENTATION EFFORTS ENSURE: (1) ACCOUNTABILITY TO LOW-INCOME AND DISADVANTAGED COMMUNITIES; (2) GREENHOUSE GAS EMISSION REDUCTIONS; AND (3) THE LEVERAGING AND RECYCLING OF THE GRANTS?

Applicants should become carbon neutral companies. This would get them to institutionally adopt and understand the global requirements for getting to zero.

To insure maximum accountability and good governance, all recipients and subrecipients should be required to invest in staff hired exclusively to drive sustainability and GHGR across the organization. Having a dedicated team is critical to holding lenders and borrowers accountable to GHGR as defined by the EPA.

Applicants can also agree to incorporate Climate or the Clean Energy transition into their stated corporate goals. While Green banks and specialty green lenders will not have to do this, they should be required to incorporate addressing the needs of LI/DAC into their goals and specifically state in their applications how they will mobilize in DAC and differentiate from CDFIs, MDIs and CUs that are already there.

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 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,

Sadie McKeown, President
The Community Preservation Corporation
smckeown@communitycp.com

Rafael E. Cestero, CEO
The Community Preservation Corporation
rcestero@communitycp.com

John Cannon, President
CPC Mortgage Company
jcannon@communitycp.com