

Massachusetts Community Climate Bank

MassHousing

Legislative Advocacy: State Advocacy

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MassHousing
The Massachusetts Community Climate Bank™ (MCCB™)
Legislative Advocacy – State Advocacy

OVERVIEW

In June of 2023, Massachusetts Governor Maura Healey announced the creation of the Massachusetts Community Climate Bank™ (MCCB™), a new financial entity created to address the challenge of fossil fuel emissions from the building sector. Notably, Governor Healey chose MassHousing as the home for the state’s climate bank. The decision to locate the MCCB within MassHousing was a recognition of the role that buildings play in the climate space – but also an acknowledgement of MassHousing’s unique expertise in lending and commitment to climate resiliency. MCCB is the nation’s first green bank dedicated to affordable housing and the state advocacy effort was significant in order to achieve this outcome.

This landmark initiative, seeded with \$50 million in state funds from the Department of Environmental Protection, is designed to maximize investment in the reduction of greenhouse gas emissions from the building sector. This initial investment will attract private sector capital and federal funds and partner with other state programs to finance clean energy retrofits and new construction of decarbonized buildings.

The bank will focus on the affordable housing market, where residents bear a disproportionate burden in energy costs and climate impacts, to promote an equitable energy transition and to meet the needs of environmental justice populations. Over time, the bank will diversify investments to include other decarbonization measures that benefit communities throughout Massachusetts.

At her press conference in June of 2023, Governor Healey said, “The Massachusetts Community Climate Bank will be our financial engine for moving forward on our climate goals, relieving the pressure of high housing costs, and creating good jobs and healthier communities. This first-of-its kind initiative is going to make our state more competitive, affordable, and equitable – and it’s going to show that in Massachusetts, we can lead the world by leading with our values and leaving no community behind.”

ADVOCACY PATH

Legislative proposals for a Climate Bank in Massachusetts have been numerous over the last several years. However, there have been competing interests in terms of how the bank would be structured, how it would be funded, and who would run it – competing interests that ultimately meant that the legislation had not advanced for at least two legislative sessions.

When Maura Healey was elected Governor of Massachusetts in November of 2022 – she made climate resiliency one of the main focuses of her new administration. The Governor named a “Climate Chief” in Massachusetts – the first time this had ever been done – who was a cabinet level leader in the Executive Branch and who reported directly to the Governor.

MassHousing saw this as an opportunity to pitch its expertise to the new Climate Chief and her team – with the specific goal of gaining their support for the idea that MassHousing could serve as the home for a Climate Bank or Green Bank in Massachusetts.

MassHousing met with the Administration's key players in a series of meetings in the early months of Governor Healey's new administration. The goal was to educate them on the decades of housing finance and investment expertise for which the Agency is well-known. The Agency provided detailed briefing materials to demonstrate that MassHousing operates at significant scale, having financed over \$6.8 billion in residential loans over the last 10 years. Additionally, MassHousing has a history of structuring financing solutions for decarbonization and clean energy projects, including complex deep-energy retrofits and passive housing standards. This information was new to the Climate Chief and her team.

This background was important in order to establish the Agency as a leader in the climate space. Specifically, MassHousing provides about \$1.5 billion in financing annually and is a national leader in ESG (Environmental, Social and Governance) Bonds with over \$1.65 billion of Sustainability Bonds and Social Bonds issued since in 2019 to fund multifamily and single-family loan products.

The Agency's advocacy included a description of its seasoned and capable underwriting staff with experience in how to get challenging deals done. MassHousing provided information on its financing of deep energy retrofits, apartments that meet Passive House standards, solar panels, EV chargers and other sustainability features, specifically in projects that serve low-income and disadvantaged communities. The Agency also outlined the work of its Homeownership Division that makes and services mortgages for low- and moderate-income homeowners and owners of 1-, 2-, 3-, and 4-family properties, many of which were built a century ago and are prime candidates for retrofits. With a servicing portfolio of 23,000 first mortgages, MassHousing has experience creating and delivering affordable home loan products to lower-income, disadvantaged communities – including home improvement loans which the Agency knows will be a key feature of future home energy improvements.

MassHousing's CEO and General Counsel took the lead in developing a strong working relationship with the new Governor's team. They explained the complexities of running a quasi-public Agency in the state and suggested that the process of writing legislation to establish a climate bank and passing legislation on which varied and disparate interest groups and legislators could agree was a monumental task. Beyond this – even upon its passage – working through the practical aspects of hiring an executive team for the climate bank, renting space, setting up payroll, and then hiring a staff that not only had climate expertise – but perhaps even more importantly had the experience to stand up a new financing vehicle – could take years!

The Agency also had an internal team working to gather specific data that illustrated the role that housing plays in these efforts and to present this in a compelling way to the Governor's office. Across Massachusetts, buildings are the source of 27% of greenhouse gas emissions. In Massachusetts cities, where most environmental justice populations live, buildings can represent as much as 70% of total emissions. The building sector, especially housing, is the hardest to decarbonize; buildings last decades, each one is unique, and heating systems are complex.

MassHousing suggested that given the scope of the climate change challenges that the Commonwealth faces, it is critical to develop new ideas and novel approaches. The state will have to be aggressive in order to make meaningful progress in achieving the Governor's ambitious decarbonization and climate goals. MassHousing made it clear that the Agency was ready to play a pivotal role in Governor Healey's efforts and that siting a Climate Bank at MassHousing would be an excellent first step.

OUTCOME

The Governor’s Climate Chief and her staff were persuaded by the compelling facts that MassHousing presented. It became clear to them that the housing arena is ripe for decarbonization solutions and establishing a Climate Bank within MassHousing was an effective way to move the needle on the state’s climate goals. By May of 2023, the Governor’s team was working actively with MassHousing to execute on this plan and develop a public announcement which would include legislative and advocacy stakeholders.

In a large-scale announcement at the Massachusetts State House in June of 2023, the Governor formally unveiled her plans for the Massachusetts Community Climate Bank within MassHousing. She explained that the Climate Bank will act as a financial engine to accelerate statewide decarbonization and to leverage the Commonwealth’s ability to compete for the significant federal funding opportunity presented by the Inflation Reduction Act through the Greenhouse Gas Reduction Fund (GGRF).

MassHousing’s leadership of the Massachusetts Community Climate Bank combines the Agency’s 50-plus years of experience delivering complex financial transactions and structuring public-private housing finance solutions with a new, clean finance vehicle dedicated to decarbonizing Massachusetts’s affordable housing stock.

The placement of MCCB at MassHousing recognizes the Agency’s experience, underwriting team, portfolio of loans, data, partnerships in the real estate and affordable housing ecosystems, and commitment to make the ambitious goals of the GGRF a reality. The MCCB is now poised to promote clean energy solutions for low- and moderate-income households by leveraging federal, state, and private funds. The state’s collaboration with MassHousing demonstrates that Massachusetts has prioritized accelerated investment in affordable homes – where residents bear a disproportionate burden of energy costs, and where families have been disproportionately impacted by pollution from fossil fuels.

As MassHousing CEO, Chrystal Kornegay, has said publicly, “Decarbonizing the Commonwealth’s housing stock is a critical component of our work to build cleaner, healthier communities, while meeting our ambitious climate goals. The Massachusetts Community Climate Bank will allow us to pursue this important work at scale, accelerating our progress toward a net zero future, and centering equity for low- and moderate-income households and Environmental Justice communities.”

MassHousing’s advocacy for the Massachusetts Community Climate Bank to be housed at the Agency was an enormous success. The Agency believes that it can serve as a model for states all across the country to begin the critically important work of decarbonization in the housing sector while at the same time recognizing the burdens that low- and moderate-income households have borne over time and taking concrete steps to make a positive change.