



National Council of
State Housing Agencies

May 12, 2023

U.S. Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, DC 20004

RE: Implementation Framework for the Greenhouse Gas Reduction Fund

To Whom It May Concern:

The National Council of State Housing Agencies (NCSHA),¹ on behalf of its state Housing Finance Agency (HFA) members, respectfully offers these comments on the U.S. Environmental Protection Agency's (EPA) Implementation Framework for the Greenhouse Gas Reduction Fund (GGRF). NCSHA is a nonprofit, nonpartisan organization created to advance, through advocacy and education, the efforts of the nation's state HFAs and their partners to provide affordable housing to those who need it.

HFAs administer a wide range of affordable housing and community development programs, including the Low-Income Housing Tax Credit (Housing Credit), the HOME Investment Partnerships (HOME) program, the Weatherization Assistance Program, the Housing Trust Fund, and Section 8 rental assistance. HFAs also administer multifamily finance programs, affordable housing preservation, down payment assistance, home buyer education, home repair financing programs, loan servicing, and state housing trust funds and issue tax-exempt private activity Housing Bonds to finance affordable housing for renters and home buyers.

We appreciate the opportunity to share our ideas on the role HFAs can play in the successful administration of the GGRF. As we noted in our comments on EPA's previous Request for Information (Docket ID No. EPA-HQ-OA-2022-0859), affordable multifamily housing offers substantial potential for reducing the nation's greenhouse gas emissions. Multifamily housing alone is responsible for 13.9 percent of nationwide greenhouse gas emissions (CO₂ equivalent), and HUD-assisted properties have the potential to generate more than 11,548 GWh of solar electricity annually and reduce carbon emissions by more than eight million metric tons. We ask

¹ NCSHA is a nonprofit, nonpartisan organization. None of NCSHA's activities related to federal legislation or regulation are funded by organizations that are prohibited by law from engaging in lobbying or related activities.

that you consider the entirety of our earlier comments to be incorporated by reference here, in addition to the following comments on the proposed GGRF Implementation Framework.

Greenhouse Gas Reduction Fund – National Clean Investment Fund and Clean Communities Investment Accelerator

As described in the Implementation Framework, EPA proposes the first component of the GGRF to be a National Clean Investment Fund competition that will make awards to two or three national nonprofits to “partner with private capital providers to deliver financing at scale to businesses, communities, community lenders, and others, catalyzing tens of thousands of clean technology projects to accelerate our progress towards energy independence and a net-zero economic future.” The second component of the GGRF proposed in the Implementation Framework is a Clean Communities Investment Accelerator, that will:

...fund 2-7 hub nonprofits with the plans and capabilities to rapidly build the capacity of specific networks of public, quasi-public, and non-profit community lenders—such as community development financial institutions (including Native CDFIs), credit unions, green banks, housing finance agencies, minority depository institutions, and others—to ensure that households, small businesses, schools, and community institutions in low-income and disadvantaged communities have access to financing for cost-saving and pollution-reducing clean technology projects.

HFAs can play an important role in the successful implementation of both the National Clean Investment Fund and Clean Communities Investment Accelerator. We appreciate EPA’s specific identification of HFAs as the type of “community lenders” best positioned to deliver financing through the Clean Communities Investment Accelerator.

Grant Activities and Award Amounts

The Implementation Framework allocates just under \$14 billion for the National Clean Investment Fund and expects awards to be made to two or three eligible national nonprofit entities. Assuming roughly equal award amounts, this would result in either three awards of \$4.67 billion each or two awards of \$7 billion each. With respect to the Clean Communities Investment Accelerator, successful applicants to become hub nonprofits could receive anywhere from \$857 million to \$3 billion, again assuming equal award amounts.

We strongly encourage EPA to allow a larger number of awardees in both categories. There is no reason for the agency to put so many eggs in so few baskets. Any reduced administration the agency may experience would simply flow through as greater burdens on grantees. As a practical matter, even the largest eligible entities will be challenged to efficiently manage, deploy, report on, and comply with EPA and other federal requirements associated with such large amounts of funding, not to mention likely intense public and political scrutiny.

Allowing more governmental and nonprofit grantees will enable the program to support a wider range of environmental innovation and justice – and ensure all areas of the country benefit.

On the other hand, the Implementation Framework proposes a maximum amount of capitalization funding under the Clean Communities Investment Accelerator of just \$5 million per community lender. This amount is too small, and we would respectfully propose instead a limit of \$50-100 million per community lender, for a number of reasons.

A limit of \$5 million per community lender would result in no fewer than 1,200 indirect awards of capital assistance, and possibly many more than that if even smaller amounts are provided by hub nonprofits. This could prove challenging for community lenders, hub nonprofits, and EPA alike to ensure compliance and effective administration of program funds.

In addition, a cap of \$5 million for capitalization funding could make the program less attractive for many community lenders, given necessary administrative costs and federal requirements. A limit of \$50-100 million would bring the Clean Communities Investment Accelerator into closer alignment with other federal programs designed to support community lenders, such as the New Markets Tax Credit program, where awards are frequently made in that range.

Eligible Entities and Partnerships Plans

According to the Implementation Framework, EPA will consider an eligible recipient for the National Clean Investment Fund and Clean Communities Investment Accelerator to be an entity that:

“(a) is a non-profit organization; (b) is designed to provide capital, leverage private capital, and provide other forms of financial assistance for the rapid deployment of low- and zero-emission products, technologies, and services; (c) does not take deposits other than deposits from repayments and other revenue received from financial assistance provided using grant funds under this program; (d) is funded by public or charitable contributions; and (e) invests in or finances projects alone or in conjunction with other investors.”

Many HFAs generally satisfy these requirements and should be considered eligible recipients. For example, any HFAs administer Weatherization Assistance Program (WAP) funding “to deploy products, technologies and services to reduce the greenhouse gas emissions of affordable housing in their communities,” and HFAs by the very nature of their business routinely “invest in and finance projects alone or in conjunction with other investors.”

Even if no HFA applies directly for funding, however, we believe HFAs would make very strong candidates for membership in a joint application, or to be eligible for subawards made by a lead applicant. EPA appears to contemplate such arrangements in its proposed requirement for

applications to both the National Clean Investment Fund and Clean Communities Investment Accelerator competitions to include a partnerships plan, which:

describes the applicant’s approach to engage partners to execute their direct investment strategy. . . . [to] include partnerships with community lenders, technical assistance providers, community-based organizations in low-income and disadvantaged communities, low-income and disadvantaged community solar programs, and others across the ecosystem . . .

HFAs clearly satisfy a number of these considerations, and we would respectfully recommend that EPA take into consideration and weigh favorably any previous experience working with HFAs and specific proposed engagement with HFAs in evaluating applications under the National Clean Investment Fund.

The Clean Communities Investment Accelerator competition, for its part, contemplates an active role for HFAs as community lenders eligible for capitalization funding, technical assistance, and other forms of support provided by successful applicants to become hub nonprofits. In addition to citing HFAs as a specific example of community lenders, EPA’s proposed definition requires that to be eligible as a community lender, an entity “[m]ust be either a public, quasi-public, not-for-profit or nonprofit entity . . . [and] have the legal authority to provide financial assistance to qualified projects at the state, local, territorial, or Tribal level or in the District of Columbia.” State HFAs clearly satisfy both tests, and we recommend that any future Notice of Funding Opportunity (NOFO) or supplementary guidance for the Clean Communities Investment Accelerator should explicitly categorize state HFAs as community lenders for purposes of the program.

Qualified Projects and Priority Project Categories

According to the Implementation Framework, the relevant statutory provision defines qualified projects to “include any project, activity, or technology that (A) reduces or avoids greenhouse gas emissions and other forms of air pollution in partnership with, and by leveraging investment from, the private sector; or (B) assists communities in the efforts of those communities to reduce or avoid greenhouse gas emissions and other forms of air pollution.” The Implementation Framework further elaborates on this core statutory definition in a number of ways, including by proposing a requirement that:

...[d]eployment of the proposed project, technology or activity will deliver benefits to American communities by alleviating two or more of the following categories of burdens . . . : climate change, energy, health, housing, legacy pollution, transportation, water and wastewater, and workforce development.”

Targeted investments in affordable housing have the potential to deliver these benefits. As mentioned above and in our comments to the previous RFI, multifamily housing in particular

is currently a source of significant greenhouse gas emissions in this country, and improving our nation's affordable housing stock would have positive impacts on reducing the effects of climate change. Moreover, these same investments would simultaneously help increase energy efficiency, improve resident health, and address legacy pollution, particularly in traditionally underserved communities.

In addition to the definition of qualified project, the Implementation Framework articulates three priority project categories for both the National Clean Investment Fund and Clean Communities Investment Accelerator that EPA believes "are particularly impactful to achieving the GGRF program objectives and the near-term climate goals of the United States." Among the examples included within the "Decarbonization Retrofits of Existing Buildings" priority project category are "grid-interactive appliance electrification in affordable multifamily housing alongside energy efficiency, indoor air quality improvements, and solar."

We greatly appreciate EPA's inclusion of investments in multifamily housing as a specific example of a priority project category for the GGRF. Given that these investments also have the potential to impact such a broad array of the targeted categories of burdens EPA is seeking to reduce, we encourage EPA to consider proposed activities specifically related to affordable housing favorably in evaluating applications under these competitions.

Greenhouse Gas Reduction Fund – Solar for All

The Implementation Framework envisions the third and final component of the GGRF to be a Solar for All competition which "will provide up to 60 grants to states, Tribal governments, municipalities, and nonprofits to expand the number of low-income and disadvantaged communities that are primed for investment in residential and community solar." EPA expects to make at least one award per geographic area, defined as a state and territory, with separate awards to serve Tribal communities. Eligible projects will include deployment of residential rooftop and community solar projects.

Eligibility for the Solar for All competition largely mirrors that of the other GGRF program components, with the addition of states, municipalities, and Tribal governments themselves as eligible to apply. We would therefore respectfully encourage EPA to consider state HFAs to be eligible to apply in the Solar for All competition in their own capacity, or to apply on behalf of or in partnership with their respective state governments, as appropriate.

Cross-Cutting Considerations

In addition to the foregoing comments on individual components of the GGRF, we offer the following comments on issues that may apply to all components or to overall GGRF program design.

Equity and Justice40 Initiative

The Implementation Framework clearly intends for the GGRF to be covered by and align with the administration's Justice40 initiative, whereby 40 percent of the overall benefits of the program flow to low-income and disadvantaged communities. EPA intends to use the Climate and Economic Justice Screening Tool (CEJST) to initially identify covered communities but expects to supplement this issuing "additional guidance on the definition of low-income and disadvantaged communities that may also incorporate geographically dispersed low-income households, and properties providing affordable housing to low-income residents, located outside of geographies identified by CEJST."

We strongly support this approach. One clear benefit of targeting federal resources, including through the GGRF, towards affordable housing, is that those resources by definition benefit low-income families and therefore comply with the Justice40 initiative. Indeed, to the extent practicable, we would encourage EPA to consider using the existence of affordability restrictions for affordable housing supported through various federal programs, including the Housing Credit, HOME, the national Housing Trust Fund, and other HUD programs, as a simple way to automatically categorize GGRF activities and projects targeted towards affordable housing as automatically counting towards satisfying Justice40 initiative requirements.

Housing Credit

Most federally subsidized low- and moderate-income housing is supported at least in part by the Housing Credit. To ensure that GGRF programs can be used at these properties, special care must be taken to structure funding so it is not considered a grant, which ultimately reduces the equity available to finance affordable housing.

There are two primary concerns with applying grants to Housing Credit properties. The first is that the eligible basis in the property must be reduced by the amount of a federal grant, which reduces the available equity in a project proportionally to the amount of the grant. The second is that a grant is considered taxable income for the property owner and could result in substantial tax liability, which creates a significant disincentive for developers using Housing Credits to accept funding in the form of a grant.

For these reasons, when other federal assistance, such as HOME funding, is included in Housing Credit transactions, it is often structured as a loan instead of as a grant. EPA should allow for a similar structure for GGRF programs, especially the National Clean Investment Fund and Solar for All programs, to ensure they can be used for the largest possible number of federally subsidized low-income affordable housing properties.

We hope these comments are helpful to EPA as you further refine the Implementation Framework for the GGRF and develop Notices of Funding Opportunity (NOFOs) in the coming months. We appreciate your recognition of the role that investments in affordable housing can

play in furtherance of EPA's goals for the GGRF, and we encourage you to consider state HFAs critical partners with EPA and potential GGRF grantees in the successful implementation of this historic program.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth Rieman". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Garth Rieman
Director of Housing Advocacy and Strategic Initiatives