

# **HFA IRA Bootcamp Session #4:** **EPA's Greenhouse Gas Reduction Fund**

# AGENDA

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- Welcome
  - Danielle Arigoni, NHT
- Overview of DOE Home Energy Rebate Program Guidance & EPA's Greenhouse Gas Reduction Fund (GGRF)
  - Todd Nedwick, NHT
- GGRF's National Clean Investment Fund Deep Dive
  - Climate United Coalition
- Breakout Rooms
- Report out from Cohort Learning
  - Jeanne Redondo, New Mexico Mortgage Finance Authority
- Preview of Upcoming Sessions
  - Madeleine McCullough, NHT



# SUMMARY OF HOME ENERGY REBATES

The following rebates are available for **single family homes** where household income is **below 80% AMI** and in **multifamily buildings** where more than **half of households** have incomes **below 80% AMI**.

Rebate Type	Rebate Amount
<u>Home Energy Efficiency Rebates</u>	<p>Rebate level varies depending on the level of efficiency improvements, with the higher rebates requiring energy savings <math>\geq 35\%</math>.</p> <p>Limits:</p> <ul style="list-style-type: none"><li>•Not to exceed <u>80% of project costs</u></li><li>•Not to exceed <u>\$8,000 per home or per housing unit</u></li></ul>
<u>Home Electrification Rebates</u>	<ul style="list-style-type: none"><li>•Up to 100% of project costs not to exceed max rebate level in statute or <u>\$14,000 per home or per housing unit</u></li></ul>

# DOE HOME ENERGY REBATE GUIDANCE

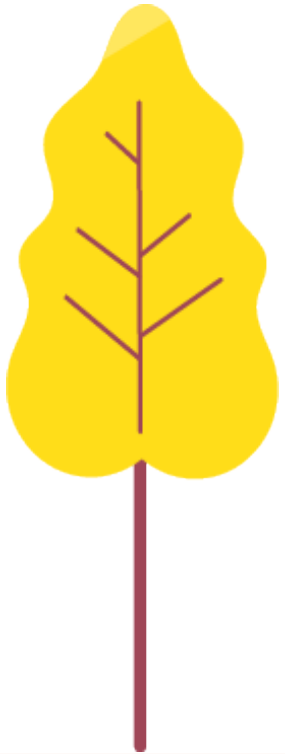
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DOE released Home Energy Rebate Program Requirements and Application Instructions on July 27<sup>th</sup>  
<https://www.energy.gov/scep/home-energy-rebate-programs-guidance>

- **Minimum rebate reservation requirements for low-income (LI) and low-income multifamily (MF) households (HH).**
  - States *must reserve at least 40%* of their rebate allocations for LI HHs
  - AND states *must reserve at least 10%* of their rebate allocations for LI MF HHs (in addition to the 40% LI requirement)
  - States can request authority to reallocate LI funds if the state shows good faith but fails to disburse the rebate funds allocated to low-income households within 5 years.
  - Applies to both the Home Energy and Home Electrification Rebate programs
- **Rebates can be used for upgrades to central systems/common areas**
  - Electrification rebates can only fund central systems and common area upgrades that also benefit individual dwelling units
  - Central heat pump water heating systems are not eligible until EnergySTAR cert



# DOE HOME ENERGY REBATE GUIDANCE



- **Streamline income documentation options**
  - States must allow for categorical eligibility based on other Federal programs
  - DOE has [released a list](#) of federal programs that qualify
  - Housing programs include public housing, project-based assistance, tenant-based assistance, and Low-Income Housing Tax Credits
- **Minimum affordability/tenant protections for 2 years after receipt of the rebate**
  - Must rent to a low-income tenant
  - Cannot evict the tenant for reasons related to the building upgrade
  - Cannot increase the rent for reasons related to the building upgrade
  - Written notification provided to tenants
- **Leveraging funding**
  - States are strongly encouraged to design their rebate programs in ways that allow for effective combinations of various funding sources, including through integration with existing programs.

# DOE HOME ENERGY REBATE GUIDANCE

Federal guidance leaves key decisions about program design up to the states...

- How to design programs to ensure low-income households are served
- Increase the maximum rebate amounts for low-income households
- Exceed the minimum rebate reservation requirements for low-income households and low-income multifamily households
- Determine whether multifamily building owners can claim a rebate for all households in a low-income qualifying building or only for those households that meet the income eligibility requirement
- Processes to protect tenants from unjustified rent increases
- Identify which programs the State will actively seek to integrate



# EPA GREENHOUSE GAS REDUCTION FUND COMPETITIONS

*Today's webinar*



## National Clean Investment Fund (NCIF)

Fund national nonprofit financing entities to create national clean financing institutions capable of partnering with the private sector to provide accessible, affordable financing for tens of thousands of clean technology projects nationwide

2-3 national nonprofit financing entities

\$14 billion

October 12<sup>th</sup>, 2023



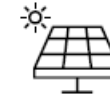
## Clean Communities Investment Accelerator (CCIA)

Fund hub nonprofits to provide funding and technical assistance to specific networks of community lenders, financing clean technology projects in low-income and disadvantaged communities while simultaneously building the capacity of community lenders that serve those communities

2-7 hub nonprofits

\$6 billion

October 12<sup>th</sup>, 2023



## Solar for All (SFA)

Fund states, territories, Tribal governments, municipalities & nonprofits to develop long-lasting program that enable low-income & disadvantaged communities to deploy and benefit from distributed residential solar

Up to 60 government and nonprofit grantees

\$7 billion

September 26<sup>th</sup>, 2023

Competition description

Grantees

Funding amount

Deadline to apply

# EPA NCIF PROJECT PRIORITIES

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## Priority qualified project categories include:

- distributed energy generation and storage
- net-zero emissions buildings
- zero-emissions transportation

Net-Zero Emissions Buildings include projects, activities, and technologies that either:

- retrofit an existing building, making a substantial contribution to that building being a net-zero emissions building, or
- construct a new net-zero emissions building in a low-income and disadvantaged community.

Make an outsized impact on delivering affordable and sustainable housing benefits—especially to low-income and disadvantaged communities. Properties providing affordable housing qualify if:

- Active affordability covenant, incl. LIHTC; HUD programs (PBRA, PH, 202/811, HTF, HOME, PSH, Continuum of Care); USDA *AND* rents do not exceed 30% of 80% AMI for at least half of the units
- Naturally occurring (unsubsidized) housing w/ rents not exceeding 30% or 80% AMI for at least half of the units



# EPA NCIF FINANCIAL ASSISTANCE

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**At least 40% of funds must be used for the purposes of providing financial assistance in low income and disadvantaged communities.**

Financial assistance constitutes financial products, including:

- *Debt* (such as loans, partially forgivable loans, forgivable loans, zero interest and below market interest loans, loans paired with interest rate buydowns, secured and unsecured loans, lines of credit, subordinated debt, warehouse lending, loan purchasing programs, and other debt instruments)
- *Equity* (such as equity project finance investments, private equity investments, and other equity instruments)
- *Hybrids* (such as mezzanine debt, preferred equity, and other hybrid instruments)
- *Credit enhancements* (such as loan guarantees, loan guarantee funds, loan loss reserves, and other credit enhancement instruments)

Subgrants are not eligible as financial assistance to qualified projects

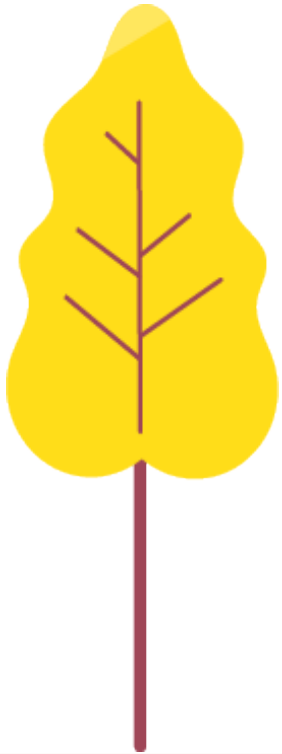
Grantees may provide financial assistance to various types of counterparties, which include (as examples) project sponsors as well as community lenders and other similar institutions

**Allowable costs in addition to financing for qualified projects include:**

- Predevelopment activities
- Market-building activities
- Program administration activities

# EPA SOLAR FOR ALL

States planning to apply for a Solar for All grant were required to submit a Notice of Intent to EPA by July 31<sup>st</sup>. The following states did so:



Alabama  
Alaska  
Arizona  
Arkansas  
California  
Colorado  
Connecticut  
Delaware  
District of  
Columbia  
Georgia  
Hawaii  
Illinois  
Indiana  
Iowa  
Kansas

Kentucky  
Louisiana  
Maine  
Maryland  
Massachusetts  
Michigan  
Minnesota  
Mississippi  
Missouri  
Nebraska  
New Hampshire  
New Jersey  
New Mexico  
New York  
North Carolina  
Ohio

Oklahoma  
Oregon  
Pennsylvania  
Puerto Rico  
Rhode Island  
South Carolina  
Tennessee  
Texas  
Utah  
Vermont  
Virginia  
Washington  
West Virginia  
Wisconsin

**If your agency is participating or is planning to participate in the Solar for All application in your state, please add your name and agency to the chat.**

# CLIMATE UNITED

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**Beth Bafford**  
*Vice President,  
Strategy  
Calvert*



**Sadie McKeown**  
*President  
The Community  
Preservation  
Corporation (CPC)*



**Atalia Howe**  
*VP, Initiatives and Impact  
Investing  
The Community  
Preservation  
Corporation (CPC)*



**James Ruggiero**  
*Senior Business  
Development  
Officer  
Self-Help*



An aerial photograph of a large-scale renewable energy facility. The foreground and middle ground are dominated by rows of blue solar panels arranged in a grid pattern. Several white wind turbines are scattered throughout the solar array. In the background, there's a small town or village, followed by rolling green hills and a range of mountains under a sky with scattered white and grey clouds. A large, semi-transparent teal triangle is overlaid on the left side of the image, containing the text.

# Climate United

Summary and overview for NHT's  
HFA Bootcamp

August 2023

# Introducing Climate United a collaboration of experienced mission-driven lenders and investors dedicated to bringing clean energy solutions to Justice40 communities across the country

A partnership of





# Climate United will bring the benefits of the low-carbon economy to those most effected by climate change

**Existing, proven but often premium clean technologies that reduce GHG and provide direct economic and health benefits to families**



**Low-income families and Justice40 communities that often lack access to credit and technical expertise to benefit from the low-carbon transition**

# The investment strategy will focus on three main pillars of work



**Bring the benefits of electrification to low-income families and small businesses** through lower energy bills, cleaner air, greater energy security, and clean transportation that eliminates fuel costs



**Decarbonize the places where people live, work, and play**, including housing and other critical community infrastructure (Schools, churches, health and community centers, etc.) so our built environment is healthier and more resilient, and tenants benefit from energy cost savings



**Support and scale local community leaders**, working in tandem with private capital, to create a strong network of climate champions across the country that have the capacity and capital to respond to local and/or regional needs

# With three cross-cutting themes aligned with the objectives of the program

**Drive multi-dimensional impact** alongside GHG reduction in spending and investment decisions, including quality job creation, energy savings, wealth creation, health benefits, and broadened access to opportunity

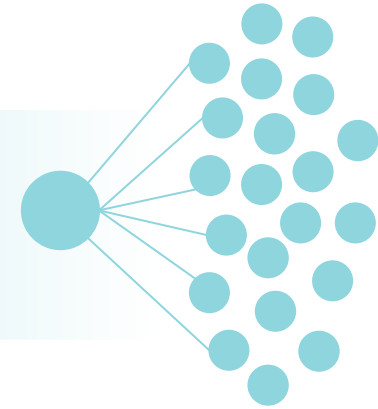
**Transform the private sector credit markets** so they understand, adopt, and scale the financial products that will be tested using a mix of GGRF and private funds

**Inform national policy** so future federal programs can more effectively target wholesale solutions that support the low-carbon transition in low-income and disadvantaged communities

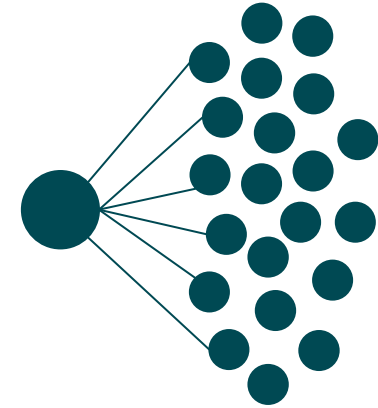


To execute Qualified Projects urgently across sectors, we will look to **leverage and augment existing platforms** and work within existing market structures

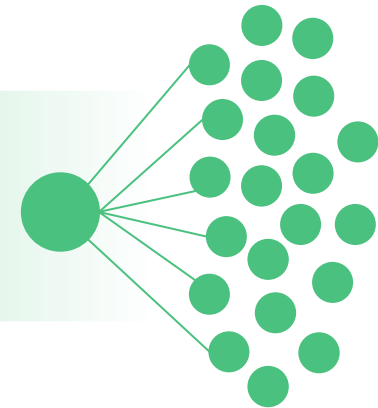
**First mortgage markets**  
(e.g., single and multi-family)



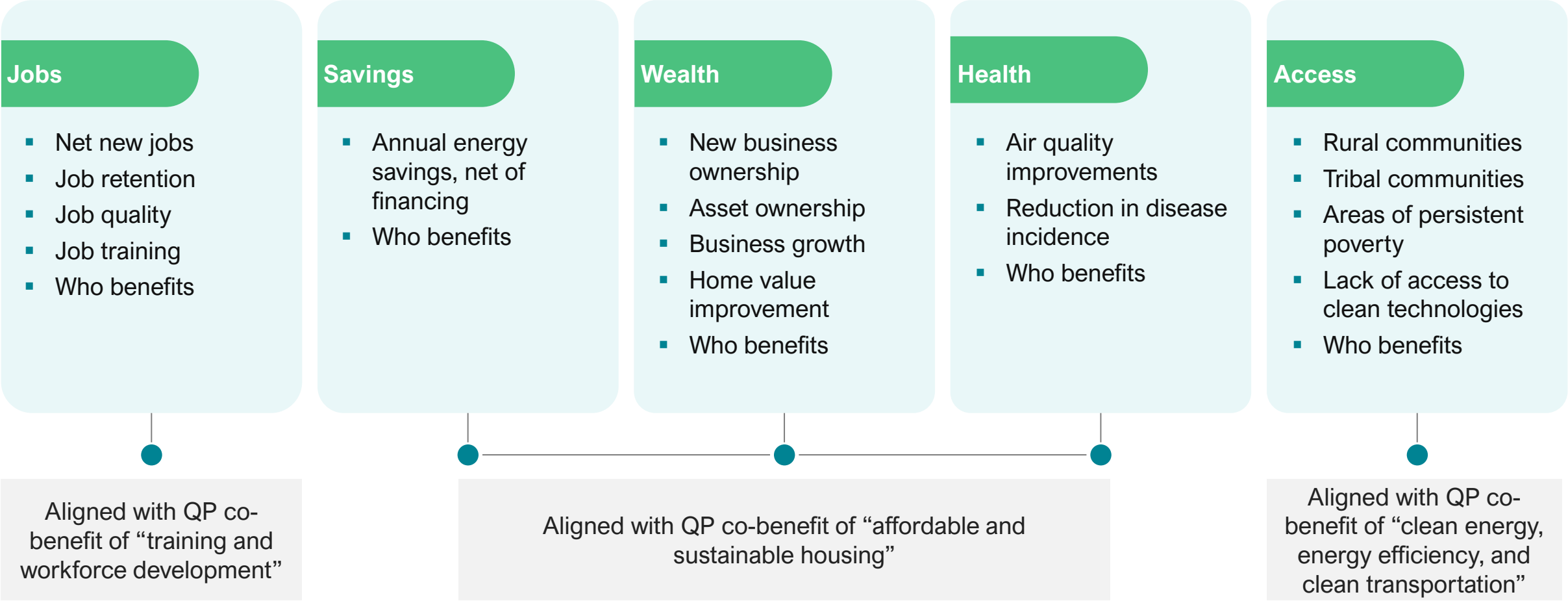
**Community facility platforms**  
(e.g., schools, health centers)



**Vehicle purchasing**  
(e.g., household, bus fleets)



# We will look across a broad set of co-benefits to maximize the impact of our investments



# Climate United brings unparalleled experience to support implementation of the National Clean Investment Fund

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## Financial & risk management

- Raised and deployed \$30 billion across all 50 states
- Experience managing large scale public-private partnerships<sup>1</sup>
- Significant infrastructure in investment and portfolio management, risk management and internal controls

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## Green deployment

- Deployed \$3 billion in clean energy, energy efficiency, and other greenhouse gas reducing activities, causing nearly \$20 billion in total investment
- Substantial pipeline and access to best-in-class partners across sectors and geographies

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## Trust in communities

- Partners deployed 60-70% of lending for the benefit of Justice40 communities
- Developed vast networks and relationships with local community-based organizations, prioritizing equity and access in program and product design

<sup>1</sup> Includes Calvert Impact's management of small business COVID recovery programs, management of State Small Business Credit Initiative programs and CPC's management of New York State's Climate Friendly Homes Fund, among others



# Multifamily housing strategy

# CPC: Flexible capital and unique expertise

CPC deploys capital to create more sustainable, equitable, and affordable communities through three lending and investing platforms



## Construction Lending

- Construction and permanent lending to multifamily real estate projects
- Focus on high performance sustainable, affordable and resilient housing

**\$10.6 BILLION**  
In Lending Since 1974



## CPC Mortgage Company

- The only nonprofit mortgage lender with Freddie Mac, Fannie Mae, FHA licenses
- National footprint
- Equity Partners: National Equity Fund and Cinnaire

**\$3.6 BILLION**  
In Lending Since 2018



## Investing CPC Equity & Impact Investing

- Long-term CPC equity investments that stabilize, revitalize and preserve affordable housing
- Impact investments in mission-aligned projects, technology and tools

**\$105 MILLION**  
Internal Valuation of Equity Portfolio

# CPC Green: The thesis and approach

➤ **Mission:** To drive national decarbonization and significant GHG Reduction in existing and to be built multifamily projects so as to:

Create transformation in the multifamily mortgage markets, which most broadly and directly impact the physical condition of buildings, by adding decarbonization to the lending process

Provide high quality, low carbon, clean, resilient and healthy homes in low income and disadvantaged communities consistent with Justice40

Create industry standards and best practices so that lenders and property owners in different parts of the country can better navigate the decarbonization process, making sure to account for local regulations, climates, building stocks and financing landscapes

Broadly collaborate with industry partners to grow capacity, educate stakeholders across the multifamily spectrum, create awareness and drive market demand for decarbonization at scale

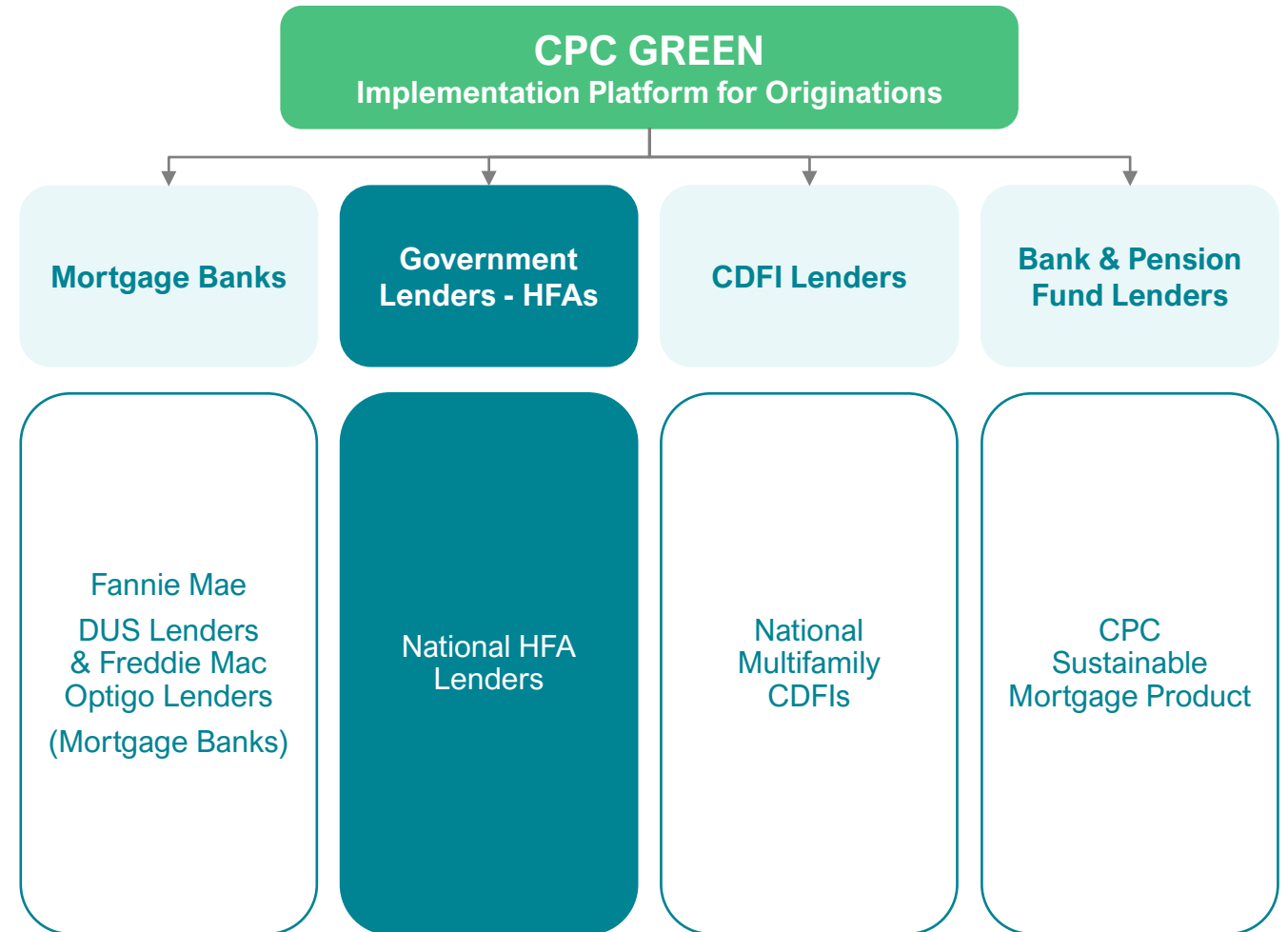
# Delivering decarbonization through the mortgage markets



We envision that the GGRF will provide **low-cost debt financing to decrease the overall cost of mortgage capital while increasing proceeds to cover deep green decarbonization costs**



As the multifamily deployment partner of Climate United, CPC Green will leverage the **existing network of mortgage lenders** and assist them in addressing climate risk through decarbonization **in the work that they already do**



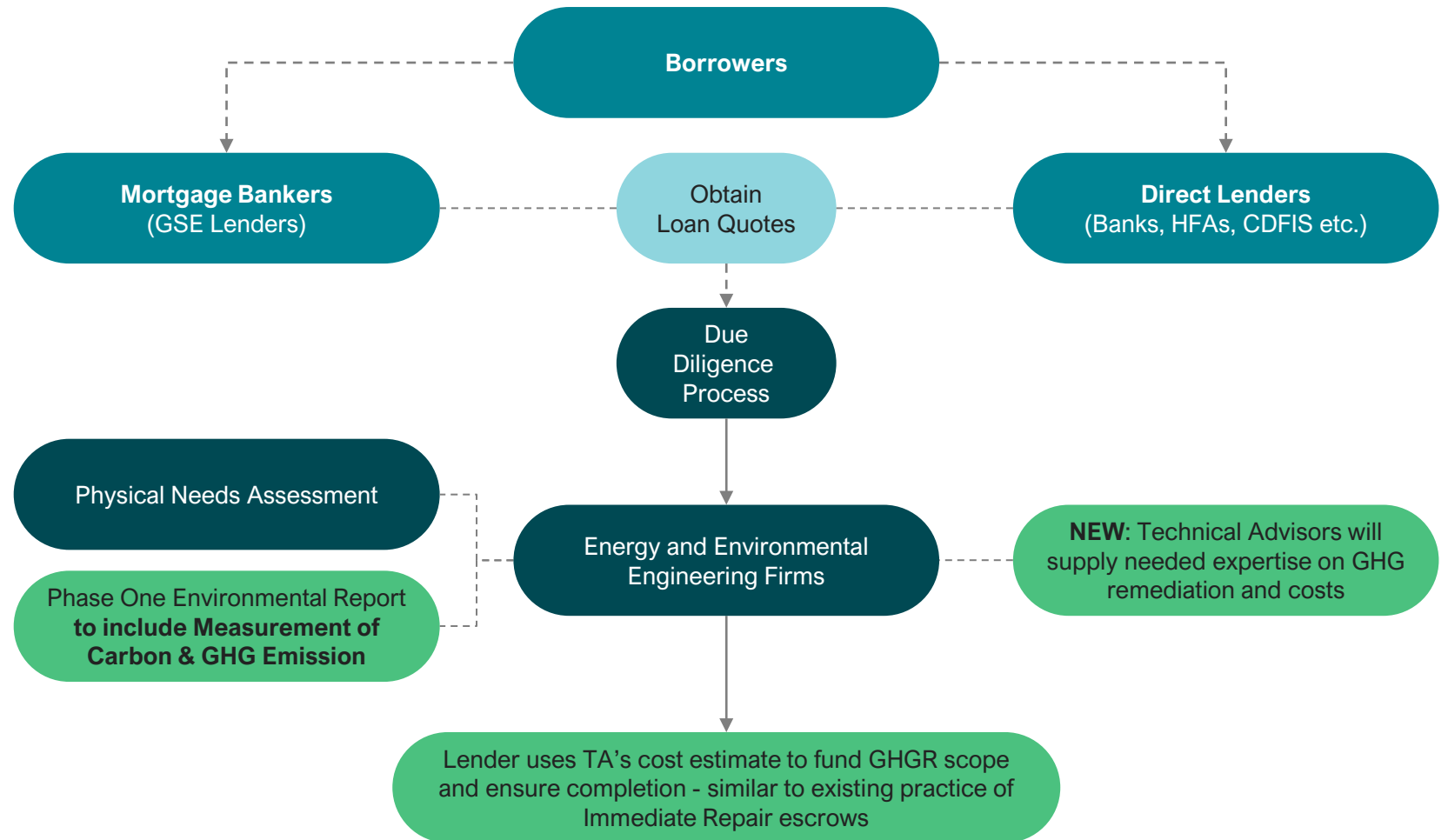
# Mortgage lending adaptation to address GHG Reduction

Accessing GHGRF capital represents only a minor change in the mortgage origination process.

An incremental step will be a third-party process to measure carbon emissions, scope carbon reduction, monitor the work and certify completion.

- This is similar to other processes: measuring and remediation for lead based paint, asbestos, radon, underground oil tanks and contaminated soil and other pollutants

Demand for decarbonization will accelerate Technical Advisory infrastructure in the mortgage markets





# Decarbonization – What Does it Actually Mean?

## **Grid Decarbonization and On-Site Solar**

As electricity supplies get cleaner, the emissions from efficient, electrified buildings will further decrease

## **Electrification**

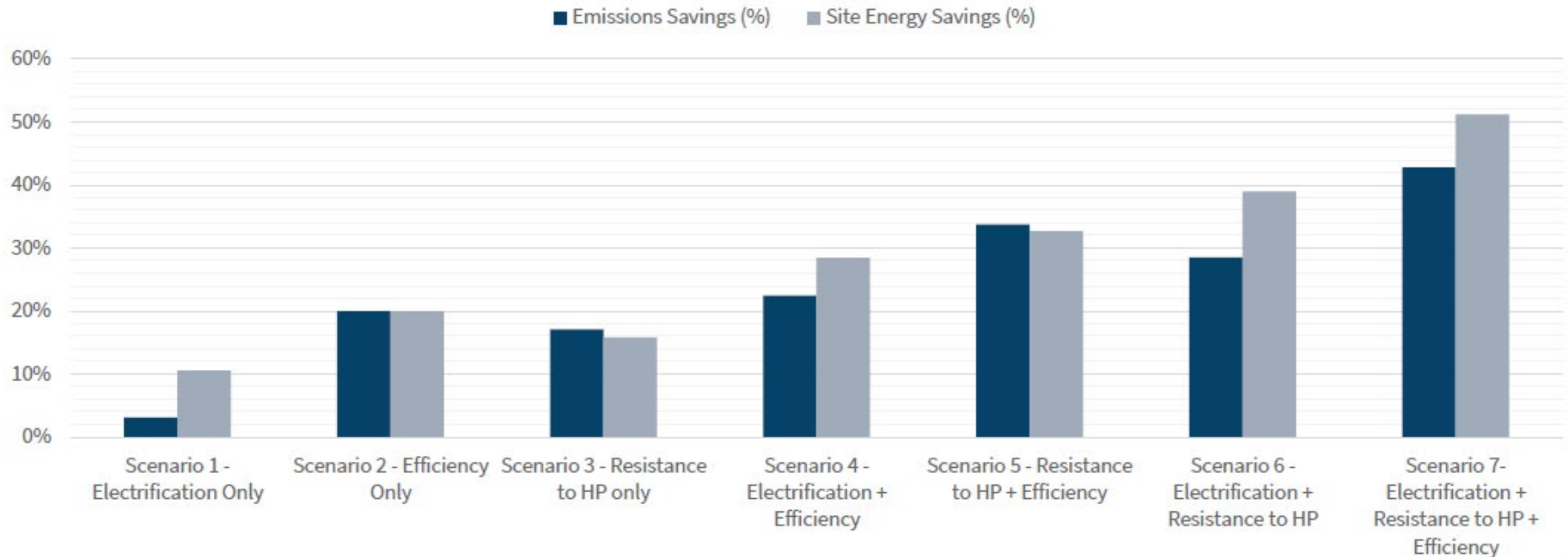
Converting fossil fuel equipment to efficient electric equipment (i.e. heat pumps) significantly decreases site energy use

## **Energy Efficiency**

Reducing energy consumption is key to decarbonization. The cleanest kilowatt-hour is the one you never use

# Emissions and Energy Savings

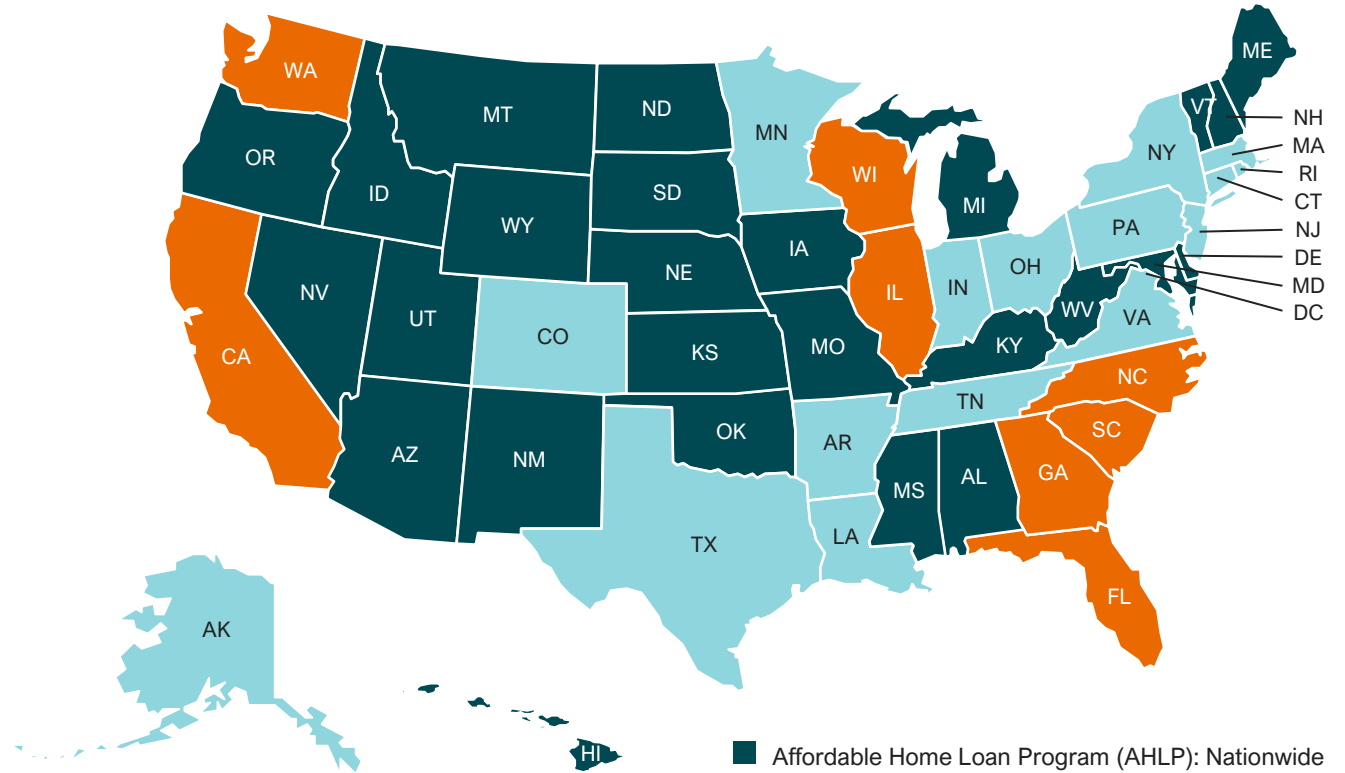
## Median Savings by Scenario





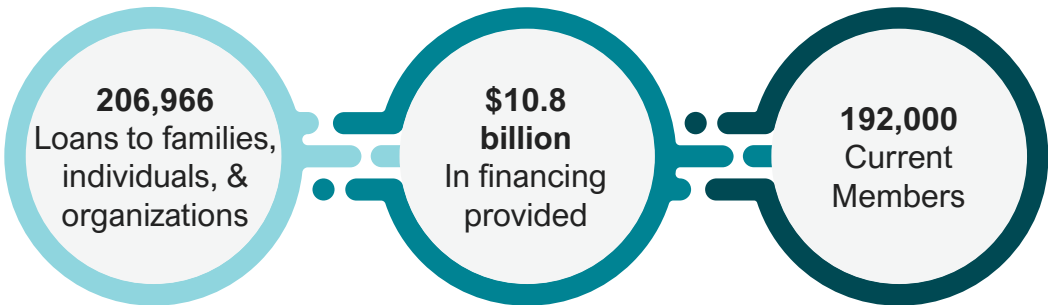
# Single family housing strategy

# Self-help is a national CDFI with a mission to create and protect economic opportunity for all



- Affordable Home Loan Program (AHLP): Nationwide
- Commercial lending and AHLP: 18 states
- Retail branches and all activities: 7 states – CA, FL, IL, NC, SC, WI, and WA

## Impact Over Forty Years (1980-2022)



# Single family GGRF deployment strategy

## Facilitate a Secondary Market for Green Home Mortgages with new Loan Loss Reserve

### Benefits



#### Affordability

Eliminate PMI cost on high LTV loans  
= ~1% interest rate savings per year



#### Scale

Leverage national partnerships with credit unions, banks, and other community lenders as well as builders and GSEs



#### Targeted

Drive affordability and accessibility for low-income and disadvantaged communities

### Goals and Products

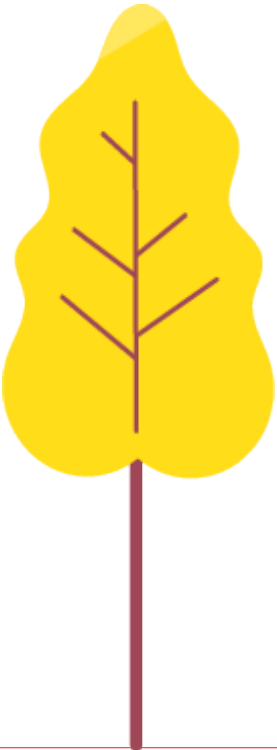
- **Decarbonization of Existing Homes**
  - Purchase/Refinance Mortgage bundled with energy efficiency upgrades
- **Construction of New Net-Zero Homes**
  - Permanent Financing for new construction net-zero emissions houses in low-income communities

# BREAKOUT ROOMS

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Please self-select the breakout room where your state or city is listed. One HFA participant will volunteer from each room to share what your group discussed. Climate United staff will facilitate the breakout rooms

- What types and forms of capital do your agency/developers need to support more sustainable affordable housing? Do the needs vary for existing buildings vs new construction?
- What is the most helpful approach for injecting additional capital into project financing?
- What technical assistance services are needed at the enterprise-level (Agency) and at the project-level (Developer) to identify and implement deep green upgrades?



# REPORT OUT: FIRST COHORT SHARING SESSION

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Discussion Question:

*How can HFAs incentive owners and developers in their state to pursue IRA funding while ensuring the agency still benefits?*





*Session dates and topics are subject to change*

## ***Upcoming Sessions***

**August 16,  
3-4PM ET**

### **Cohort Sharing Session #2**

- Discuss Solar For All & Clean Communities Investment Accelerator: what role HFAs can play/how states are approaching the programs

**September 13,  
2-3:30 PM ET**

### **Clean Energy Tax Credits**

- Overview of tax credits most relevant to affordable housing
- Underwriting impacts

**September 27,  
2-3:30PM ET**

### **QAPs**

- How states can amend/strengthen their QAP to integrate IRA funding

**October 15,  
3-4:30PM ET**

### **In-person Bootcamp at NCSHA's 2023 Annual Conference & Showplace in Boston**



**Thank you!**  
**Questions?**

