



December 5, 2022

Submitted via Federal eRulemaking Portal: www.regulations.gov

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

Re: Request for Information - Greenhouse Gas Reduction Fund
Docket ID No. EPA-HQ-OA-2022-0859

Dear Administrator Regan:

National Housing Trust (NHT) and the seventeen undersigned organizations, representing a cross-section of the affordable housing industry, urge EPA to ensure that decarbonizing affordable housing and making housing more energy-efficient are priority uses of the Greenhouse Gas Reduction Fund (GHGRF). We also strongly recommend that financing organizations with significant experience and success serving low-income and disadvantaged communities, such as Community Development Financial Institutions (CDFIs) and state and local housing finance agencies (HFAs), be eligible and priority recipients of GHGRF grants.

Prioritizing affordable housing decarbonization will ensure that low-income families and individuals directly benefit from the GHGRF while achieving significant carbon emission reductions.

Affordable multifamily housing offers substantial potential for reducing the nation's carbon emissions in low-income communities:

- Multifamily is a significant housing sector, especially housing occupied by LMI households; 42% of apartment households have incomes below \$35,000, compared to 25% of all households.¹

¹ <https://www.nmhc.org/research-insight/quick-facts-figures/quick-facts-resident-demographics/household-incomes/>

- Housing accounted for 21% of total U.S. energy consumption in 2021² and nearly 20% of CO₂ emissions.³
- HUD-assisted properties have the potential to generate over 11,548 GWh of solar electricity annually and reduce carbon emissions by more than eight million metric tons.⁴

For these comments, we define decarbonization as the reduction of carbon emissions from buildings through energy efficiency, electrification, and distributed generation. Investments in decarbonization—including electrification, building shell efficiency, and renewable energy—in affordable multifamily housing provide co-benefits to residents and their communities. These include increasing resiliency (e.g., ensuring passive survivability during power outages), lowering property operating and resident energy costs, creating healthier living environments (e.g., reducing indoor air pollutants), and improving resident comfort. Related investments in housing-adjacent transportation networks, such as public transit and safe streets, support greater use of low-carbon transportation options that can further reduce housing costs for low-income households and improve health and safety for communities.

Supporting energy efficiency and electrification will help ensure affordable housing residents do not bear the burden of escalating gas costs. As natural gas prices increase, utility customers who continue using natural gas are likely to experience rate increases from declining throughput, when other customers electrify and exit the gas system. There is a significant risk that low-income customers remaining in the natural gas system could bear the brunt of gas rate increases, leading to higher monthly bills.

Affordable housing has traditionally not been prioritized in clean energy programs, leaving the potential for significant carbon emissions reductions.

Public and utility investments in energy efficiency and carbon reduction measures in affordable housing lag far behind other market sectors. Although electric and gas utilities have increased energy efficiency investments for low-income customers in recent years, most programs still serve a disproportionately small share of these households. About 27.5% of all U.S. households are low-income, but these low-income households receive only 13% of electric and gas utility energy efficiency spending.⁵ Significant decarbonization efforts with the buildings that house 12.5 million U.S. low-income households will reduce CO₂ emissions by an estimated 38 million metric tons, a 41% reduction from current emission levels.⁶

² <https://www.eia.gov/tools/faqs/faq.php?id=86&t=1>

³ <https://www.epa.gov/sites/default/files/2021-04/documents/us-ghg-inventory-2021-chapter-executive-summary.pdf>

⁴ National Renewable Energy Laboratory, HUD Assisted Housing Technical Analysis. Exhibit 1 of Stewards of Affordable Housing for All's report: [Community Solar and HUD Subsidized Housing](#), 2022.

⁵ ACEEE, Report: Despite Progress, Low-Income Households Underserved by Utilities' Efficiency Programs, 2022.

⁶ Ibid

The existing affordable housing financing delivery infrastructure provides an opportunity to scale up decarbonization retrofits.

Financing entities like CDFIs and HFAs have significant experience investing in low-income and disadvantaged communities while leveraging private sector capital. Leveraging existing financing channels that specialize in meeting the needs of low-income communities and are familiar to affordable housing providers is an efficient and equitable way to quickly deploy GHGRF resources. Long-established proven methods to attract private sector investment via Low-Income Housing Tax Credits (LIHTC) and New Markets Tax Credit (NMTC) create powerful leverage opportunities for GHGRF funding.

- CDFIs have a long and successful track record demonstrating the ability to effectively leverage grant and public funds. CDFIs leverage \$8 in private sector investment for every \$1 in public funding and manage more than \$222 billion nationwide.⁷
- HFAs have delivered more than \$500 billion in financing to make possible the purchase, development, and rehabilitation of over 7.5 million affordable homes and rental apartments for low- and middle-income households⁸ with a foreclosure rate of only 0.57 percent.⁹

Section 1: Low-Income and Disadvantaged Communities

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?

EPA should use existing definitions and methodologies to define “low-income” and “disadvantaged” communities based on data that is universally accessible. EPA should align GHGRF definitions with existing criteria, datasets, and tools to reduce administrative burdens and facilitate combining GHGRF funding with other programs. EPA should also define eligibility at multiple levels: low-income households, low-income communities, and disadvantaged communities.

- EPA should **define low-income households** using the Department of Housing and Urban Development (HUD)’s definition. HUD defines households as low-income if they earn less than 80 percent of the Area Median Income (AMI). HUD’s definition is used widely in an array of housing programs. In addition, AMI is a more appropriate

⁷ <https://www.ofn.org/cdfi-impact/>

⁸ NCSHA, [State Housing Finance Agencies: At the Center of the Affordable Housing System](#), 2021.

⁹ CohnReznick, [Affordable Housing Credit Study](#), 2021

measure of need than the federal poverty line because it varies by location and regional income.

- EPA should align the definition of **low-income and disadvantaged communities** with the U.S. Department of Treasury's definition for the New Market Tax Credit programs:

A "low-income community" is defined as any population census tract where the poverty rate for such tract is at least 20% or in the case of a tract not located within a metropolitan area, median family income for such tract does not exceed 80% of statewide median family income, or in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80% of the greater of statewide median family income or the metropolitan area median family income.¹⁰

EPA should consider providing flexibility to allow for multifamily developments occupied by a majority of low-income households located in non-low-income and disadvantaged communities to be eligible for funding reserved for low-income and disadvantaged communities. Defining a community at only a geographic level like a census tract will deny opportunities for low-income households to benefit from GHGRF investments when they may reside in higher-income communities. Many localities and states are seeking to preserve existing affordable housing in high-opportunity locations where there is typically a significant under-supply of low-cost housing. EPA could set a standard requiring a minimum number of units to be occupied by low-income households. For example, the IRA electrification and energy efficiency rebate programs require at least 50% of multifamily units to be occupied by qualifying households to be eligible for low-income incentives.

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?

Community lenders like CDFIs will require grants to develop affordable loan products for low-income and disadvantaged communities. To remain financially sustainable and cover operating costs, CDFIs must earn a return on their loans. If EPA or its intermediaries expect a return on the capital provided, it will require CDFIs to charge a higher interest rate to borrowers to achieve a sufficient spread to remain operable. Higher-cost loans will be out of reach for many low-income borrowers. Ideally, EPA and/or its intermediaries will provide financial assistance to CDFIs in the form of grants that must not be paid back.

If the capital is expected to be paid back to the intermediaries, it should be provided as long-term capital at a 0% interest rate. The National Housing Trust Community Development Fund (NHTCDF) provides a Green Retrofit Preservation Loan for affordable multifamily property owners to reduce energy and water consumption. NHTCDF has faced several obstacles in

¹⁰ <https://www.irs.gov/pub/irs-utl/atgnmtc.pdf>

deploying these funds, including access to the low-cost, long-term capital needed to make such loans work. Underwriting loans against energy savings requires making loans that fully amortize over 15-20 years. CDFIs generally do not have adequate long-term capital to support this kind of project.

Affordable multifamily owners and managers will require technical assistance and flexibility to complete decarbonization projects. Technical assistance from trusted partners will drive demand for decarbonization in affordable housing. Affordable housing providers have limited staff capacity and resources to plan for and implement GHG reduction projects. Affordable multifamily property owners and managers generally do not have the expertise to conduct energy audits and evaluate which decarbonization measures make the most sense to implement. They may also be unfamiliar with finding qualified contractors to make improvements. If they commit money and time to complete a retrofit, they will need assurances that the measures selected and implemented will produce meaningful carbon savings.

GHGRF should fund technical assistance providers that can provide one-stop-shop services to affordable housing providers.¹¹ Funding should support existing one-stop-shops and be used to stand up new one-stop-shops that would:

- coordinate applying to multiple incentive programs to leverage multiple funding sources;
- provide project development and technical assistance, such as initial assessments, audits, and project support;
- act as trusted partners to building owners and build relationships in the community to identify and recruit affordable housing providers to participate in the program;
- help the customer evaluate bids and select contractors, and facilitates scheduling to ease the administrative burden on the owner; and
- inspect contractors' work during installation when necessary, and at project completion to ensure new equipment is properly installed.¹²

EPA should encourage grant recipients to partner with technical assistance providers to ensure that borrowers have access to one-stop-shop services. Partnerships between CDFIs and energy efficiency technical assistance providers can streamline the retrofit process and ensure owners have access to financing and project services.

- The Community Investment Corp (CIC) in Chicago works with Elevate, an energy efficiency technical assistance organization, to provide energy efficiency services to building owners. CIC and Elevate have supported energy efficiency upgrades in 42,000 units.¹³

¹¹ More information about these providers and example organization can be found here: <https://relaynetwork.org/>

¹² <https://www.energyefficiencyforall.org/resources/one-stop-shops-for-the-multifamily-sector/>

¹³ <https://www.cicchicago.com/programs/energy-savers/#>

- Triple Bottom Line Foundation (TBL Fund) in Colorado provides development services and customized financial products for green projects for multifamily affordable housing and disadvantaged communities. Borrowers can work with the TBL Fund’s partner organization, ICAST, to receive one-stop-shop services.

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?

For the GHGRF’s low-cost financing model to be successful, funding must first go toward building the ecosystem needed to deploy loans and capitalize projects. If this doesn’t happen, GHGRF recipients will struggle to deploy funds, especially in low-income and disadvantaged communities that lack the existing capacity to implement decarbonization projects. For example, there is a tremendous need for clean energy contractors — particularly minority- and women-owned business enterprises (MWBES) — within disadvantaged communities.

To build such a robust ecosystem, GHGRF can deploy financial assistance to lower the upfront costs (equipment purchases, insurance, permitting, additional lines of credit, etc.) of expanding contractor capacity. Specifically, the GHGRF should provide low-interest loans and/or grants to:

- expand or establish minority-owned contractor companies;
- hire and train new installers; upskill existing installers; and
- fund workforce development nonprofits.

The GHGRF should fund technical assistance for MWBE contractors, including training and certifying contractors in multifamily building energy auditing, and also in back-office functions like bidding, certifications, insurance, and business management software. These capacity-building efforts will stimulate disadvantaged communities’ demand for and ability to deploy more traditional low-cost financing solutions, which the GHGRF will then be able to deliver.

Section 2: Program Design

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)?

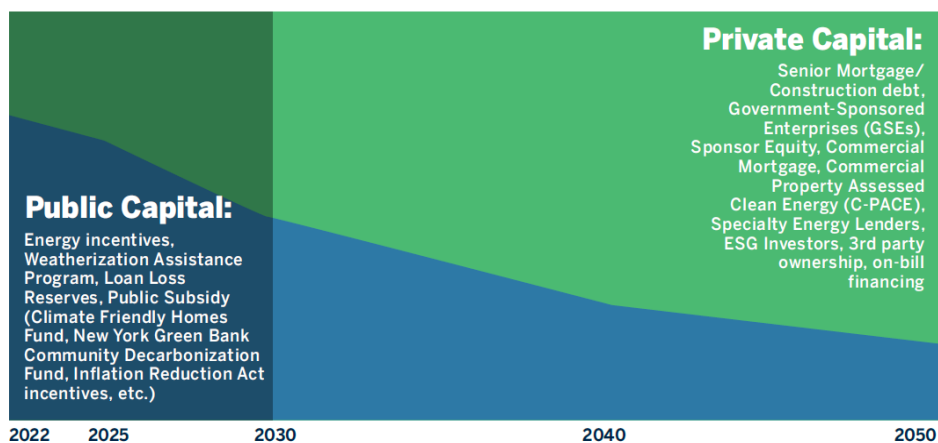
EPA should design the GHGRF to support long-term capital mobilization and market development by allowing financial assistance to be structured as grants into affordable housing projects. Financing affordable housing decarbonization is challenging due to the perceived risks of such projects which increases the cost of capital. The perception of risk is driven by a lack of familiarity with decarbonization technologies among lenders and building

owners. There’s also little information available about the financial impact of decarbonization due to a lack of performance data. Lenders and building owners also don’t know how to factor in the value of decarbonization in mitigating the volatility of natural gas prices.¹⁴ More investment in decarbonizing affordable housing will increase awareness of new technologies and project outcomes and reduce the perceived risks. This will bring down the costs of capital in the long term and drive demand for financing.

The GHGRF can spur long-term capital mobilization by structuring a portion of the funds as **subsidies or equity** to encourage early adopters to undertake decarbonization projects. While using a portion of GHGRF funds as a subsidy will limit recyclability in the short term, supporting market development will mobilize private capital in the long term (See the graphic below).

Potential capital stack to achieve climate goals for affordable housing

Public funding and support will be important for early adopters (shaded area); **private** financing will be critical for a new “business as usual”



Source: Federal Reserve Bank of New York. “Sustainable affordable housing: Strategies for financing an inclusive energy transition”.

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)?

EPA can ensure that GHGRF grants facilitate additionality by prioritizing underserved markets, specifically affordable multifamily housing. Low-income and disadvantaged communities lack access to public and private-sector financing. Owners and renters in affordable multifamily housing often cannot afford the upfront costs associated with decarbonization. As such, practically any deployment of GHGRF funds to facilitate decarbonization projects in affordable multifamily housing will exhibit additionality.

¹⁴ U.S. natural gas prices have quadrupled in the last two years, from under \$2/MMBtu in early 2020 to nearly \$9/MMBtu in August 2022. The U.S. Energy Information Administration expects the retail price of natural gas for residential customers to rise more than 20% this winter.

Decarbonization scopes of work are often value-engineered out of affordable housing due to cost concerns and limited funding. Demand for affordable housing far outstrips the level of funding available to finance fully decarbonized buildings. The Low-Income Housing Tax Credit program is the main source of equity for affordable housing but is insufficient to meet the demand for affordable housing. Developers requested nearly \$2.8 billion in housing credits from states in 2020—2.5 times the available authority of \$1.1 billion allocated.¹⁵ The cost of developing affordable housing has increased by 30 percent over the last few years, creating even more pressure to find cost-cutting opportunities to maximize the number of units created and preserved each year.¹⁶

While clean energy funding opportunities exist to supplement housing funding, low-income housing, and particularly affordable multifamily housing, do not have equitable access to clean energy programs and incentives. About 27.5% of all U.S. households are low-income, but such households receive only 13% of electric and gas utility energy efficiency spending. The federal Weatherization Assistance Program (WAP) aims to lower utility bills for the nation's low-income households but overwhelmingly serves only single-family households. In most states over 90% of the housing units weatherized through WAP are single-family homes, despite the substantial opportunities for efficiency upgrades presented by the many older multifamily buildings that have deferred maintenance issues. While the Biden Administration's original Build Back Better legislation contained \$150 billion to create and preserve affordable housing, including retrofitting 1.8 million housing units, the scaled-back IRA dropped nearly all of those funds.¹⁷

While the goals and intent of the GHGRF should be additive, per-project guidance should be as flexible as possible to not create unnecessary barriers. EPA must be wary of imposing so many grant agreement criteria that they impair program functioning. EPA should predefine project types, including affordable multifamily housing, that will deliver additionality rather than requiring proof of additionality project by project.

EPA should also ensure that ancillary building upgrades that are necessary to facilitate the installation of decarbonization technologies can qualify for funding.

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

To ensure GHGRF grants flow to hard-to-reach affordable multifamily housing providers, EPA should implement the following best practices:

¹⁵ State HFA Factbook: 2020 NCSHA Annual Survey Results

¹⁶ <https://www.novoco.com/sites/default/files/atoms/files/ncsha-filling-funding-gaps-report-09202022.pdf>

¹⁷ [U.S. House Committee on Financial Services](#), 2021.

- **Streamline income eligibility requirements:** Verifying income eligibility of low-income multifamily households unit by unit is a time-intensive laborious process that creates barriers to multifamily housing program participation. EPA should allow recipients to create categorical eligibility within the GHGRF program, similar to [WAP's expanded categorical eligibility](#), and use HUD's means-tested program lists to qualify household income eligibility in multifamily properties.
- **One-stop-shop support:** As discussed in Section 1, Question 2, EPA and GHGRF direct recipients should fund CBOs and energy efficiency program implementers to provide a single point of contact and technical assistance to support affordable multifamily housing providers implement decarbonization projects. Such support is necessary to drive demand for decarbonization financing.

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?

GHGRF can leverage other programs in the Inflation Reduction Act (IRA) by providing financing to bridge tax credits and rebates that are not immediately available to consumers. This could include supporting zero-cost bridge loans against an individual's estimated tax credit value to make these credits as accessible as possible. For example, the GHGRF can be used to deliver bridge loans to affordable housing and nonprofit building owners who claim the Section 48 ITC.

The GHGRF should also deliver bridge financing to pay out under-resourced contractors participating in the electrification rebates program within a matter of weeks. This same bridge-loans approach can be applied to other relevant state and local rebate and incentive programs, in addition to the IRA.

The GHGRF should be used to lower the financed cost of decarbonization where the IRA's electrification and energy efficiency rebates do not fully cover upfront costs. This is especially important for affordable housing serving moderate-income families for whom the electrification rebates cover only 50 percent of the cost of electric appliances.

In addition, GHGRF can leverage programs funded through the Bipartisan Infrastructure Law which seek to accelerate investment in and the use of carbon-light transportation options, including but not limited to historic new investments in public transit, support for expanded implementation of Complete Streets, and investments in Safe Streets and Roads for All. Together, these provide new pathways for states and localities to invest in

transportation infrastructure that serves the needs of residents of affordable housing, low-income households, and residents of disadvantaged communities by lowering the cost of transportation, increasing safety and health, and reducing the associated carbon emissions from transportation.

Section 3: Eligible Projects

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.*

EPA should clarify that “zero-emissions technology” is not limited to just solar facilities.

Technologies that produce zero greenhouse gas emissions and zero emissions of other air pollutants should also include technologies that mitigate or eliminate onsite GHG emissions, including electric space and water heat pumps, electric or induction stoves, and energy efficiency measures that reduce thermal energy loads, such as building shell energy efficiency upgrades.

- Electrification projects often struggle to access traditional financing mechanisms due to the small size and high up-front cost of each project. By prioritizing building electrification projects, the EPA can ensure that the GHGRF fills gaps in current private-market financial offerings.
- Eliminating fossil-fuel-burning equipment will provide health benefits to low-income households. Burning fossil fuels in our gas stoves emit carcinogens like [benzene](#) and [formaldehyde](#) and cause [asthma attacks](#) in children and older adults. The health benefits of electrification will have an even greater impact in low-income communities, where children have higher rates of asthma, and in communities of color. Black and Hispanic children have a significantly higher risk of developing asthma than white children, regardless of income level.
- The GHGRF should be used to prove the viability of small-scale building electrification financing projects, which can then attract private investment. Creating momentum in this market sector will spur increased private investment as demand is aggregated, the pipeline is built, and the ecosystem develops and becomes self-sustaining.

There is a significant opportunity to decarbonize multifamily housing through electrification paired with energy efficiency. As of 2015, only 5% of multifamily units used electric heat pumps for space heating.¹⁸ Nearly 6 million multifamily units have fossil-fuel-burning stoves.¹⁹

Electrification projects such as installing air source heat pumps and induction ovens should include funds to upgrade electrical wiring and service panel infrastructure, and should be combined with building shell energy efficiency upgrades - which in itself reduces GHG emissions.

Affordable housing owners may find financing products more desirable if the eligible measures include non-energy efficiency improvements such as structural upgrades or health and safety improvements that must be addressed before implementing efficiency upgrades. The Montgomery County Green Bank's Commercial Loan for Energy Efficiencies and Renewables (CLEER) Program allows up to 30% of the loan to cover measures that do not directly result in energy savings. Capital for Change's LIME loan allows up to 25% of loan proceeds to be used for non-energy efficiency improvements, provided there are sufficient savings to carry the costs.

GHGRF should also prioritize investments in affordable multifamily housing projects near public transit and in walkable and bikeable communities which reduce GHG emissions through fewer vehicle trips of gasoline-fueled cars. For example, to ease constraints on the tight housing market through higher-density development, Massachusetts' new land use policy requires that the 175 communities served by Boston's transit system have at least one reasonably sized zoning district where multifamily construction is allowed by right.²⁰ Increasing density in and around transit corridors also creates a virtuous cycle of increasing ridership for nearby transit, which ultimately supports higher system revenue.

Research on transit-oriented development in California over the past two decades has found that locating housing near transit, jobs, and local amenities reduces driving, and helps keep low-income families rooted in their communities. Residents who had moved to areas of California near transit drove 42 percent fewer miles per day on average. In addition to reducing emissions, benefits include reduced commute times, increased job access, and prevention of displacement of low-income households that might follow new transit investment and related neighborhood gentrification.²¹

Similarly, investments in pedestrian and bike infrastructure around affordable housing developments are essential, and could include traffic buffers, more marked crossings, and

¹⁸ <https://atlasbuildingshub.com/about/>

¹⁹ Ibid

²⁰ Joint Center for Housing Studies, Harvard University, [The State of the Nation's Housing 2022](#).

²¹ California Housing Partnership, [California's Affordable Housing and Sustainable Communities Program, AHSC Impact Report, Rounds 1 to 6](#), 2022.

changes in signal timing, lowering posted speed limits, and protected bike paths and lanes. Such investments encourage greater physical activity which leads to increased health, and the replacement of short-distance car trips with low or no emissions options, such as walking, biking, or other micro-mobility solutions.

EPA should look to California's Affordable Housing and Sustainable Communities program (AHSC) to see the benefits of integrating financing for affordable housing, transportation, urban greening, and community programs to reduce GHG emissions. AHSC pairs affordable housing with high-quality transportation investments to foster healthy, well-connected communities, while reducing their environmental impact. With funding from California's Greenhouse Gas Reduction Fund, AHSC has invested \$2.5 billion to create 15,324 new, transit-connected affordable homes. The location efficiency of this housing avoids 4.4 million metric tons of GHG emissions.²²

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

EPA should provide flexibility in the type of financial products supported to ensure that a range of financing options are available depending on the needs of affordable housing owners. Financing products that should be available to affordable housing include:

- **Subsidies:** As mentioned above in Section 2, Question 1, subsidies are needed to “buy down” the cost of decarbonization to ensure that financing “pencils out” while the costs of capital come down in the long term. EPA should clarify that not all of the GHGRF funding is expected to be recycled and allow a portion of funds to be used as grants or 0% interest deferred loans. A grant mechanism that allows project sponsors to receive grants and then loan the funds into the deal will help to speed up securing investor consent and avoid tax liabilities. Structuring the funds as a soft loan may be preferred if the project is part of a recapitalization housing tax credit deal. Loans should be provided in the form of 0% interest, deferred payment soft loans since the retrofit project is unlikely to generate sufficient financial savings to allow owners to repay a loan
- **Unsecured loans:** Publicly financed affordable housing owners are often restricted by existing lenders to take on new debt secured by the property. This limits owners from accessing financing from traditional lenders. CDFIs typically provide more flexibility in terms of securing the loan, including providing unsecured financing, so long as cash flow from savings is available for debt service.
- **Predevelopment:** Limited cash flow is a significant barrier to affordable housing owners undertaking energy upgrades. Building owners don't have access to capital to

²² Ibid.

pay for predevelopment costs such as electrification feasibility studies, or to bridge costs throughout the retrofit process. Early-stage capital is needed to pay for predevelopment costs but is not widely available in the context of decarbonization.

- **Soft loans:** Affordable housing is underwritten to limit project cash flow to keep rents low and may not generate sufficient net operating income to pay debt service. Soft loans that are contingent on cash flow (i.e., repayment is only required if the property generates sufficient cash flow after paying operating expenses and mandatory debt obligations) can ensure that highly leveraged properties can access resources to make building improvements.
- **Interest rate buy-downs:** GHGRF funds should be allowed to buy down interest rates to create low-cost first mortgage and supplemental capital to incent owners of buildings to improve building performance and reduce greenhouse gas emissions.

Section 4: Eligible Recipients

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?

Organizations with existing relationships in low-income and disadvantaged communities and experience lending to such communities are best positioned to enable projects that reduce greenhouse gas emissions and air pollution. The following entities are key players in the affordable housing finance ecosystem. They are well-suited to administer GHGRF funding because of their:

- **Experience serving low-income communities** and understanding of the needs of the state/communities;
- **Capacity to leverage** private sector funding;
- **Opportunities to deploy capital quickly** through established financial programs/processes; and
- **Accountability** mechanisms in place as stewards of public resources.

The U.S. Treasury approves Community Development Financial Institutions (CDFIs) which serve low-income and disadvantaged communities, especially communities of color, rural, and persistent poverty communities. CDFIs include community development banks, credit unions, loan funds, and venture capital funds, which share a primary mission of community development and predominant financing activity in low-income and communities of color. As capillaries of the financial system, CDFIs provide both technical assistance and financing

across all fifty states, with nearly 40 percent of CDFI lending in persistent poverty areas.²³ There are more than 1,200 certified CDFIs nationwide in every state and D.C.²⁴

State and Local Housing Finance Agencies (HFAs) play a central role in the nation's affordable housing system, delivering more than \$500 billion in financing to make possible the purchase, development, and rehabilitation of over 7.5 million affordable homes and rental apartments for low- and middle-income households. Low Income Housing Tax Credit (LIHTC) and Housing Bond financed affordable housing properties have an outstanding performance track record: only 0.57 percent of Housing Credit developments have undergone foreclosure, an unparalleled record compared to market-rate properties and all other real estate classes. This is due to strict state agency underwriting standards, stringent compliance requirements, and due diligence from the private sector.²⁵

State and local housing departments offer financing programs to multifamily housing developers for the creation or preservation of affordable rental housing units for low- to moderate-income households. The departments support new construction or the acquisition and rehabilitation of existing housing and have a strong track record of investing in energy efficiency upgrades.

Public Housing Authorities (PHAs) are local agencies that oversee public housing in 3,300 communities. Agencies that have converted properties to Section 8 Project-Based Assistance through HUD's RAD program are able to leverage public and private debt and equity to reinvest in and preserve the public housing stock. RAD properties are prime candidates for GHGRF grants and loans to support full decarbonization retrofits as part of public housing redevelopments.

EPA should create set asides to ensure that these entities have access to GHGRF funds. EPA should prioritize CDFIs for the \$8 billion for competitive grants to eligible entities to provide financial and technical assistance to projects that reduce or avoid greenhouse gas emissions in low-income and disadvantaged communities.

EPA should prioritize states, localities, and Tribal governments for the \$7 billion for competitive grants to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies. EPA should create separate pools of funding for states, localities, and Tribal governments so that states are only competing with other states for funding, and likewise for localities and Tribal governments. For example, EPA could earmark 45% of \$7 billion for states, 45% for localities, and 10% for Tribal governments. The carve-out for localities is important to ensure they have an opportunity to access funding if state leadership chooses not to participate for political reasons.

²³ https://cdn.ofn.org/uploads/2022/02/24093050/ofn_persistent_poverty_paper_july_2021.pdf

²⁴ <https://cdfi.org/about-cdfis/cdfi-map/>

²⁵ CohnReznick, Affordable Housing Credit Study, 2021

EPA should encourage state and local applicants to demonstrate how they will collaborate across agencies to maximize the impact and efficiency of the funds. For example, state housing finance agencies and state energy offices should be encouraged to apply together and demonstrate how they are going to collaborate most effectively to implement the funding.

For example, to encourage the decarbonization and energy efficiency of affordable housing projects across the state, the New York State Energy Research and Development Authority (NYSERDA) has partnered with both the New York City Department of Housing Preservation and Development (HPD) and New York State Homes and Community Renewal (HCR).

By partnering, NYSERDA can make progress toward achieving the state's climate goals by tapping into New York's large stock of affordable multifamily housing. At the same time, HPD and HCR can create healthier homes and reduce utility bills for low-income renters. In both cases, NYSERDA co-administers incentive programs with the housing agencies to award funding to developers when developers are applying for housing finance resources. This model allows developers to include the incentives as a funding source in their financing application to the housing agencies, making it easier for projects to "pencil out" and ensuring that the incentives impact design decisions.

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 reduction projects in communities where capacity to finance and deploy such projects does not currently exist?

As mentioned above, GHGRF should fund technical assistance providers that can provide capacity to affordable housing providers.²⁶ Funding should support existing one-stop-shops and be used to stand up new one-stop-shops that would:

- coordinate applying to multiple incentive programs to leverage multiple funding sources;
- provide project development and technical assistance, such as initial assessments, audits, and project support;
- act as trusted partners to building owners and build relationships in the community to identify and recruit affordable housing providers to participate in the program;
- help customers evaluate bids and select contractors, and facilitates scheduling to ease the administrative burden on the owner; and
- inspects contractors' work during installation when necessary, and at project completion to ensure new equipment is properly installed.²⁷

²⁶ More information about these providers and example organization can be found here: <https://relaynetwork.org/>

²⁷ <https://www.energyefficiencyforall.org/resources/one-stop-shops-for-the-multifamily-sector/>

Section 5: Oversight and Reporting

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?

Regarding 3(b), “allocation of benefits to low-income and disadvantaged communities,” EPA should develop or require awardees to develop an energy equity framework. The following resources prepared by the Pacific Northwest National Laboratory (PNNL) and the Vermont Energy Investment Corporation (VEIC) provide examples of energy equity and energy justice metrics:

- PNNL’s [Review of Energy Equity Metrics](#), 2021. This report contains a review of available literature, a survey of work in progress on the topic, and expert feedback to lay the groundwork for energy equity metrics development.
- VEIC’s [The State of Equity Measurement: A Review of Practices in the Clean Energy Industry](#), 2019. This guide surveys energy industry metrics for measuring program equity, including metrics to define target populations, determine disparate impacts, and include representative voices in program design, implementation, evaluation, and oversight.

EPA can also gain important insight into implementing equity in building projects by reviewing:

- Emerald City Collaborative’s [Equity & Buildings: A Practical Framework](#), 2021. This is intended as a practical guide to help local governments center equity within their policies and planning for the built environment.

Thank you for the opportunity to submit these comments and for your commitment to ensuring that the GHGRF benefits those who are being left out of the transition to a carbon-free economy. If you have questions about these comments, please contact Todd Nedwick, NHT’s Senior Director of Sustainability Policy at tnedwick@nhtinc.org.

Sincerely,

National Housing Trust
Bodaken and Associates
Bread from Heaven Ministries International, Midwest Building Decarbonization Coalition, Fort Wayne, IN
California Housing Partnership

Cambridge Housing Authority
Community Economic Development Assistance Corporation
Council of Large Public Housing Authorities
Enterprise Community Partners
Housing Assistance Council
LeadingAge
Local Initiatives Support Corporation
National NeighborWorks Association
Network for Oregon Affordable Housing
Novogradac
Piedmont Housing Alliance
Preservation of Affordable Housing, Inc
Schimberg Center for Housing Studies, University of Florida
Stewards of Affordable Housing for the Future