

May 12, 2023

Jahi Wise  
Acting Director, Greenhouse Gas Reduction Fund  
U.S. Environmental Protection Agency  
1200 Pennsylvania Avenue, NW  
Washington, DC 20460  
[ggrf@epa.gov](mailto:ggrf@epa.gov)

Dear Acting Director Wise:

Opportunity Finance Network (OFN), a national network of more than 390 Community Development Financial Institutions (CDFIs), appreciates the opportunity to provide feedback on the EPA Implementation Framework for the Greenhouse Gas Reduction Fund (GGRF), published on April 19, 2023. We look forward to continuing to work with EPA to reach our shared environmental justice goals. The Greenhouse Gas Reduction Fund is a once-in-a-generation opportunity to accelerate the clean energy transition and center the communities most impacted by climate change. CDFIs are the vehicles needed to do this successfully.

CDFIs and mission lenders have shown that they can deliver rapid and targeted deployment of federal funds to underserved markets better than other lenders, particularly when supportive policies are coupled with adequate capital and capacity-building resources.

OFN plans to be a part of an application for the National Clean Investment Fund and the Clean Communities Investment Accelerator in partnership with other community development finance partners. OFN is a member of the Community Builders of Color Coalition and is working toward a collaborative application with the Coalition and other key partners.

The amount and structure of OFN's partnership application will be determined by the final program structure and guidance.

### **About CDFIs**

CDFIs are specialized lenders – community development banks, credit unions, loan funds, and venture capital funds – that invest to benefit low-income and low-wealth communities across America. **As mission lenders who are held accountable for reaching underserved markets and have specialized expertise in doing so, CDFIs are ideally positioned to finance projects that reduce greenhouse gas emissions in low-income and disadvantaged communities.**

CDFIs are mission lenders with the networks and relationships needed to deploy capital to low-income, under-resourced, and traditionally marginalized communities. As capillaries of the financial system, CDFIs reflect and understand the communities they serve. There are more than 1,300 Treasury-certified CDFIs investing in all 50 states and financing sectors. In Fiscal Year 2021, the CDFI Fund reported that CDFI program recipients closed \$38 billion in loans, including consumer loans, home improvement, home purchases, small businesses and microenterprises, residential real estate, and affordable housing financing.

CDFIs have a strong track record of managing federal funds. As a condition of maintaining their certification, CDFIs are required to direct at least 60% of their financial products to low-income



areas or people in their Target Markets – a threshold most CDFIs easily exceed. Data from the CDFI Fund's 2020 Annual Certification Report found that, on average, loan funds and venture capital funds direct at least 88% of their lending to their Target Markets, and regulated CDFIs direct at least 75% of their lending to their Target Markets.

CDFIs are also experts in the type of place-based investing needed to address the localized needs of climate-impacted communities. The overlap between low-income markets and climate-impacted communities intersects with many markets served by CDFIs: flood-prone areas like New Orleans' 9th ward, manufactured housing communities impacted by extreme heat in the Southwest, farmworkers and rural communities displaced by wildfires in California, coastal communities of color in Florida and along the Gulf Coast – all communities served by mission lenders working to address the impacts of climate change.

Further, CDFIs are experts at leveraging philanthropic, public, and private capital (at both the project and organizational level) and collaborating with other lending institutions, including impact investors, community banks, green banks, and other CDFIs. For example, the Treasury Department has found that CDFIs leverage a grant investment 8:1 with private sector investment from banks, foundations, and other impact investors.

More than half of OFN members offer at least one green lending product. OFN has almost 400 members, with around 55% reporting having at least one "green product." Based on the \$42 billion in assets of OFN members in 2021, this could result in a sizable potential pipeline.

### **Executive Summary**

OFN is pleased that EPA recognizes the need for CDFIs to participate in the Greenhouse Gas Reduction Fund; however, we believe the framework can be strengthened to improve outcomes for low-income and disadvantaged communities. Detailed technical comments are in the "Technical feedback, questions, and comments" section, but we wanted to highlight our overall recommendations.

- **Providing a clear pathway for CDFIs to participate in all 3 competitions in order to reach Justice40 goals** – GGRF was intended to serve low-income and disadvantaged communities, providing them with access to the transition to green energy and zero emissions technology. CDFIs, with their deep relationships and expertise in communities across the country, will be integral partners in meeting these goals and the National Clean Investment Fund must include investments into CDFIs as an allowable activity.
- **Reducing the restrictive requirements of the Clean Communities Investment Accelerator** – This competition has more rules and restrictions than the others, such as a \$5 million limit on grants to community lenders and a 12.5% technical assistance limit, unnecessarily restricting the portion of the GGRF funds intended solely to serve low-income and disadvantaged communities. Hub non-profits must also be allowed to provide funding to community lenders as subsidies, rather than having to comply with yet another burdensome requirement through the subaward process. CDFIs face this issue time and time again as we deliver capital to low-income and disadvantaged communities. There is an assumption that market mechanisms can be trusted to act with less restriction, but that resources going to poor communities need to have more restrictions. GGRF offers an opportunity to break from this historic mentality that contributes to inequity.



- **Providing adequate resources for market development, in addition to capital**
  - To create a pipeline for greenhouse gas reduction projects at the scale needed to maximize the benefits of GGRF, EPA should provide set-asides or allowable budgets within each of the 3 competitions for market development functions like outreach, education, and workforce development.

## **Technical feedback, questions, and comments**

### **1. Overall framework**

*EPA needs CDFIs in all three competitions to reach their Justice40 goals*

The federal government needs CDFIs to implement the Greenhouse Gas Reduction Fund successfully in the communities it is designed to serve. Ensuring that GGRF capital reaches low-income and disadvantaged communities requires partnering with financial institutions that already have the trust and expertise in providing products and services designed for these communities. CDFIs and mission lenders have a successful track record of investing in low-income and disadvantaged communities and are held accountable for serving these communities by virtue of their certification. They are resourceful problem-solvers who provide lending in hard-to-reach communities across all 50 states that traditional financial institutions have failed to serve. CDFIs are also experienced in providing climate products: 55% of the nearly 400 CDFIs that are part of the Opportunity Finance Network already have a climate lending product.

Even without direct federal support for clean energy financing, CDFIs have financed businesses and projects, including affordable housing projects, small business projects, community facilities, and consumer loans, that reduce greenhouse gas emissions and air pollution and are poised to do much more. OFN's network of CDFIs stands ready to partner with EPA to make meaningful progress on reducing greenhouse gas emissions, particularly in the low-income and disadvantaged communities prioritized in the law.

**We recommend that the EPA prioritize applications that coordinate between the NCIF and the CCIA to maximize carbon reduction and create market change.**

*Clarify requirements for eligible recipients*

EPA should provide clarification on its expectations for eligible recipients, specifically:

**How organizations will meet eligible recipient definitions:** The EPA should clarify what kinds of evidence organizations will need to provide to show that they are "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."

**Specify requirements for newly formed entities:** EPA indicated that they are encouraging organizations to apply together in partnership for GGRF funds. Since the best way to do so may entail forming a new entity, EPA should clarify how the guidance for applicants to provide "organizational documents, such as articles of incorporation or similar documents filed with a governmental authority as a condition of carrying out its activities; tax filings; financial statements; investment records; and/or any other information the applicant deems appropriate" will apply to newly formed partnership organizations or if newly formed organizations are eligible. For example, would each member of the partnership provide this type of financial documentation, since the lead applicant would be unable to provide a historic financial record? Or would the partnership need to designate a lead organization to apply on its behalf? **In the Notice of Funding Opportunity**



**(NOFO), the EPA should specify the evaluation criteria for lead applicants in a coalition, including for newly formed entities, and the documentation requirements of coalition members.**

*Allow for a broader definition of financial products, including grants*

The EPA framework states that it does not plan to consider grants as a financial product; however, grants can be an important tool for market development, lowering initial costs before the cost of capital comes down long term, and can also provide a critical funding source for components of projects not typically included in project financing. **We encourage EPA to include grants in the definition of financial products.** In addition to allowing grants, EPA should also explicitly list other financing options like unsecured loans, soft loans, interest rate buy-downs, and recoverable grants in their list of allowed financial products.

*Provide additional clarification about subawards*

The GGRF framework includes some information about how subawards might work in the three grant competitions, including that grantees must follow the EPA Subaward Policy. With relatively few grants in each competition, many applicants will likely apply in partnership, making the details of how subawards work very important to the overall impact of the GGRF program. Specifically, OFN is requesting additional information on how much independent authority will the recipient of a subaward have to make their own spending decisions, within the rules and regulations that apply to GGRF funds.

**EPA should clarify specifically how subawards in a coalition application will work and the degree to which the lead applicant will be responsible for managing and directing the activities of the subawardees.**

*Provide resources for market development in addition to capital*

The GGRF framework does not include investments in market development that will create a pipeline for greenhouse gas reduction projects at the scale needed to maximize the benefits of the GGRF. **EPA should provide set-asides or allowable budgets within each of the three competitions for market development functions like; outreach and education to small businesses and consumers, underwriting training for lenders, workforce development, and business support to expand the field of providers of green technology installation and repair, analysis of current energy use, modeling of potential greenhouse gas reduction, carbon accounting, hiring staff, and technology.**

*Prioritize coordination across competitions*

Before creating applications, EPA should consider how it will coordinate across each of the three competitions included in the framework. The EPA is allowing eligible entities to apply to more than one competition and to apply in partnership with other organizations: this may mean that eligible entities will receive funding through multiple grants. EPA should make sure that all application, regulatory, and reporting requirements across the three competitions are aligned and streamlined and take into consideration ways that grants from multiple competitions could work together to maximize greenhouse gas reduction and community benefits. For example, often solar projects are the most cost effective and have the greatest greenhouse gas reduction potential if done in tandem with electrification; combining funds or allowing for flexibility in integrating funds for such a project could maximize benefits.



There was potential for this program to take a "multi-product" approach to growing and strengthening local community lenders and green banks by having the ability to provide packages of support (grants, equity, credit, non-capital support) needed for operations, implementation, and scaling; the Framework focuses Indirect Recipient support mostly on grants and centralizes the majority of funds for direct investments, which drastically limits the potential for a broader ecosystem of strong local and regional lenders.

The \$14 billion NCIF competition is hamstrung by the inability to provide operational capital or market-building grants that are necessary to facilitate investments, particularly in disadvantaged communities.

Urgency should not crowd out the deeply impactful work needed in low-income and disadvantaged communities that takes time and resources. By making it harder for community lenders to access the resources they need to scale, it will unnecessarily delay their ability to get to market and the harder it will be for the U.S. to meet near-term emissions reduction objectives and environmental justice goals.

The GGRF should provide a path to market or a path to growth for community lenders. Community lenders that are capitalized under the Clean Communities Investment Accelerator will need lending capital, not just liquidity through warehouse facilities and loan purchasing programs. To best serve low-income and disadvantaged communities and most effectively use funding to reduce greenhouse gas emissions in those communities, there must be a clear connection between the Accelerator and the NCIF. **OFN recommends that EPA provide prioritization to applicants that demonstrate a plan to work across multiple competitions and provide a path for community lenders to work access both grant and lending capital.**

#### *Identify standardized definitions for reporting, including for climate information*

It is important that the grantees of all three competitions be held accountable for good stewardship of government funding. As there are not yet standardized definitions or calculations for climate information such as greenhouse gas reduction and savings, it will be important for EPA to develop such definitions to ensure comparability across grantees and projects. It will also be important for EPA and/or grantees to provide technical assistance to both direct and indirect recipients of EPA funds to ensure that consistency is attained. **OFN encourages EPA to require a standard methodology and tool to calculate greenhouse gas reductions, such as PCAF.** This transparency and consistency will help to prevent any waste, fraud, or abuse and provide a clear window into how funds are being used and the progress toward reaching the EPA's emission reduction goals.

#### *Transparency in evaluation process*

OFN encourages **EPA to include the evaluation criteria and additional detail about how applicants will be scored and evaluated in the NOFO.** Transparency about EPA's priorities will help all applicants develop more effective plans and increase trust in the program moving forward.

#### *Definition of low-income and disadvantaged communities*

OFN encourages EPA to build on the definition of low-income and disadvantaged communities in the Climate Justice Screening Tool to more fully capture underserved communities. In the census



tracts that are identified in the Climate and Economic Justice Screening Tool as either "low income" or "disadvantaged," about 39% of census tracts in the country would qualify for the targeted GGRF funding. In terms of population, that's about 35% of the US population. Alternatively, if the EPA were to choose to define "low-income and disadvantaged communities" as census tracts that are identified in one of the CDFI Fund's "investment areas," about 46% of census tracts in the country (including approximately 43% of the US population).

**We recommend that the EPA add CDFI Fund target markets, particularly for Native American, Hispanic, and African American populations, to most effectively drive climate-forward financing to low-income and disadvantaged communities.**

## 2. National Clean Investment Fund

*Include investments in mission lenders' balance sheets for greenhouse gas reduction lending in the definition of eligible project*

**EPA should explicitly state that the definition of eligible projects includes intermediaries providing funding to CDFIs and mission lenders that will dedicate the funding solely to qualified greenhouse gas reduction projects.** CDFIs can clearly demonstrate how their funds are being used through existing reporting mechanisms, such as the Transaction Level Reporting (TLR) data collected by the CDFI Fund at the Department of the Treasury. The EPA should also prioritize direct recipients that have an organizational governance structure in place that is accountable to low-income and disadvantaged communities. We request further clarity around how EPA intends for CDFIs to transact with NCIF awardees.

*Invest in market support functions to fully realize the potential of the GGRF*

**The EPA should create a list of allowable market support expenses, using up to 5% of the total grant award, to create a robust pipeline for effective scaling** of green technology adoption. Creating a pipeline of qualified projects will be an important piece of the successful implementation of the National Clean Investment Fund. There is a significant need for market education and project development so that consumers and businesses are aware of the products and technologies available and to build demand for qualified projects. Such activities might include investments in technology, systems, platforms, marketing and communications, and data aggregation and analysis. Funding will also be needed for product development. Allowing grantees to use a portion of their funding for market development, rather than relying on a fee structure to generate the revenue for that activity, will help keep the cost of capital low for the end borrower.

*Set up guardrails to prevent market displacement and ensure good stewardship of taxpayer dollars*

Particularly with the National Clean Investment Fund, which may fund larger projects, there is a significant risk of market displacement. The EPA should ensure proper guardrails are in place to prevent GGRF funds from subsidizing projects that would ultimately have received funding through the market, which would be a significant waste of taxpayer dollars and would stymie the market transformation goals of the GGRF. **During the grant process, EPA should review applicants' methodology and track record carefully to verify that their proposed projects and project selection criteria ensure that GGRF funds are only used for projects that would not be financially feasible otherwise.**



### *Leverage Calculations*

OFN shares EPA's commitment to leveraging the GGRF funding with other government and private sources of capital. To maximize the potential leverage, EPA needs to consider the full life cycle of the funding and work with other federal agencies to allow this funding to be paired with other available resources.

When using an intermediary model, there will be multiple opportunities for leverage. This could include at the intermediary level, at the sub-award level, and at the project level. **EPA should take into account all leverage opportunities and the track record of the grantee at leveraging government and private dollars when making awards and provide clarity and define what leveraging private capital means in the context of the National Clean Investment Fund.**

EPA should also work cooperatively with other federal agencies to help support the ability of grantees to use GGRF dollars with other federal programs and tax incentives passed in the Inflation Reduction Act or already in existence. This could include using common definitions, common reporting, and providing clarity around how these programs would interact. Maximizing the use of other federal resources will help increase the overall financial viability of projects and increase investment into both climate mitigation projects and low-income and disadvantaged communities.

EPA must also be explicitly clear about how leverage is calculated in projects that have both greenhouse gas reduction components and other components. **EPA should provide specific directions and put in place guardrails to ensure that all grantees are calculating leverage in the same manner and there is consistency between how much of the total project cost can be counted toward leverage.**

### *Provide clarity on the Justice40 Commitment*

OFN is pleased to see the strong commitment to low-income and disadvantaged communities in the Clean Communities Investment Accelerator (CCIA) and Solar for All, but with just \$2 billion of the \$14 billion in the National Clean Investment Fund (NCIF) dedicated to those communities, **EPA will need to ensure CDFIs have a clear path to access funding through the NCIF, including through balance sheet investments, to meet the full Justice40 commitment for that fund. EPA needs to clarify how the NCIF will satisfy the Justice40 commitment when only \$2 billion is set aside for low-income and disadvantaged communities.**

### *Provide clarity on the additionality requirement for the provision of Financial Assistance*

We agree that none of the GGRF funding should displace market capital and should be used in projects that would not be feasible, but for the GGRF resources. We also agree that we should work to provide capital at the lowest cost possible to consumers. **However, there is some confusion as to how to square the concept of additionality and below market rate deployment requirement in the same capital deployment structure.** If we are deploying capital below market, then that might suggest that the GGRF is not needed in order to execute the project. The mere inclusion of GGRF dollars should only be made when there is a need for this capital source, so its use of capital would be at the now market level.



### 3. Clean Communities Investment Accelerator

#### *Reduce the restrictive requirements of the Clean Communities Investment Accelerator*

In comparison to the National Clean Investment Fund, the Clean Communities Investment Accelerator is significantly more prescriptive. Though it may not have been the explicit intention of the EPA, the implication is that the agency has less trust in low-income and disadvantaged communities to make their own decisions about the right balance of technical assistance, market support, grants, and loan capital needed for specific communities. This prescriptiveness is particularly problematic given the excellent track record CDFIs and other mission lenders have in managing public funds with little to no waste, fraud, or abuse.

For example, the framework, as currently written, would prevent a large CDFI from receiving more than \$5 million from a hub non-profit, even if the CDFI has the capacity and expertise to effectively deploy and leverage additional funds. This restrictiveness would therefore slow the speed at which GGRF capital could be deployed or create market transformation and greenhouse gas reduction realized.

Conversely, small CDFIs with little experience in climate lending may need more than the 12.5% technical assistance limit proposed in the framework in order to properly prepare for and do due diligence in advance of a project. Experts in technical assistance costs for climate lending projects have indicated to OFN that the expected costs of such technical assistance are closer to 25% of total project costs. Some of these technical assistance costs will be personnel costs—in the form of in-house underwriting or analyst expertise in green-specific products and technologies. **Rather than create artificial limits on grant size and technical assistance, the EPA should trust local knowledge and let these decisions be made by those who best understand local needs.** We encourage EPA to instead require applicants to outline their methodology for determining grant size to drive market change and impact.

EPA should also rely on robust reporting requirements already in place, such as the CDFI Fund's TLR data, to demonstrate that funding into community lenders is supporting the deployment of qualified projects.

#### *Provide adequate set aside for hub non-profits to engage in technical assistance services*

While OFN agrees that as much funding as possible from the Clean Communities Investment Accelerator should flow from hub non-profits (e.g., intermediaries) to communities, the framework does not set aside technical assistance funds for hub non-profits, providing a small set aside presumably intended to cover administrative costs only. This is short-sighted because much of the training and technical assistance needed to expand the climate lending sector will be most efficient and effective if done at scale. For example, hub non-profits can provide their membership with examples of climate lending products already used in different sectors, centralized expertise about how to underwrite green energy projects and calculate greenhouse gas reduction, sector-specific regulatory updates and training in EPA reporting requirements, and opportunities for information sharing amongst members. **We recommend that the passthrough requirement be reduced from 95% to 90% so that hub non-profits can provide technical assistance services to grantees.**





*Keep the definition of qualified projects broad, in accordance with statute*

In the EPA framework, the Clean Communities Investment Accelerator defines the types of projects as qualified projects within three broad categories: distributed power generation and storage; decarbonization retrofits of existing buildings; and transportation pollution reduction. The National Clean Investment Fund does not have the same categorical restrictions. Narrowing, without a statutory mandate, the potential project types of the Clean Communities Investment Accelerator unnecessarily restricts the funds from being used for projects that meet the broader definition of qualified projects that applies to all three competitions, for example, new construction of affordable rental housing that meets green building standards or retrofits of existing buildings that significantly reduce but do not eliminate greenhouse gas emissions (i.e., decarbonization).

**EPA must ensure that projects that will have a significant impact in low-income and disadvantaged communities, such as the decarbonization of manufactured housing, retrofits and new construction of community facilities such as early childhood education centers, community health centers, and others, the purchase of electric vehicles by individuals and families, energy efficiency upgrades to housing financed using the low-income housing tax credit (LIHTC), and net zero new construction of affordable housing are eligible for funding under the GGRF.** EPA must also be explicit about any projects that are not eligible for funding.

*Uses of technical assistance*

Staffing is a key element in deploying funding through the GGRF. OFN is pleased to see EPA recognize the need for technical assistance dollars as a part of the capitalization of community lenders, however without ensuring lenders have adequate staff levels to manage funds, work with communities, and underwrite the loans, the lenders will not be in a position to efficiently scale their operations. **OFN recommends that EPA specifically include hiring staff as an allowable use of the technical assistance funding.**

*Allow grantees to provide subsidies*

In the framework, EPA states that the NOFO will "define whether grantees must provide subgrants, governed by the EPA Subaward Policy, and/or subsidies". To minimize the funding spent on compliance and administration and maximize the funding flowing to greenhouse gas reduction projects, **OFN recommends that EPA allow grantees to provide subsidies to community lenders.**

#### **4. Solar for All**

*Program Coordination and Partnerships*

EPA should encourage grant recipients to work with CDFIs and other mission lenders to ensure that the Solar for All funding reaches low-income and disadvantaged communities. CDFIs are experts in the type of place-based investing needed to address the localized needs of climate impacted communities. CDFIs and local governments have a strong history of effective partnerships. For example, during the COVID-19 pandemic, CDFIs worked with local governments to deliver direct investment in the most impacted communities, which were disadvantaged communities. New York State set up a CDFI Revolving Loan Fund Program to target small businesses with the help of participating lenders, two of which were CDFIs serving specific geographic areas. Pennsylvania had a COVID-19 Relief Statewide Small Business Assistance Program that successfully delivered \$190



billion to 80% low- and moderate-income small business owners, 24.7% rural businesses, and 55% women-owned businesses all through CDFIs.

**EPA should prioritize applications that include community organizations with a strong track record of delivering projects in low-income and disadvantaged communities, like CDFIs, to best leverage their expertise and most efficiently deploy funding.**

*Project Eligibility*

Solar PV installations on community facilities can have a catalyzing effect in low-income and disadvantaged communities. **EPA should allow Solar for All programs to use a portion of award funding to offer technical assistance and credit enhancements for solar photovoltaic (PV) installations on community buildings, including churches, health centers, charter schools, and small businesses.**

At a minimum, EPA should clarify that multifamily buildings and family farms are eligible for all forms of financial assistance and technical assistance under Solar for All programs, even though they are often classified as commercial properties. In the proposed implementation framework, the word "residential" can be interpreted to exclude commercial properties, i.e., multifamily buildings and family farms, where millions of low-income families actually live.

If Solar for All programs can adopt a comprehensive, community-wide approach that includes single-family homes, multifamily buildings, family farms, and community buildings, we will be better able to facilitate numerous follow-on benefits such as:

- a. An activated network of community lenders that can finance the installation of solar PV systems in perpetuity;
- b. Long-term job creation and workforce development opportunities; and
- c. Wealth creation opportunities for minority and women-owned businesses.

**Conclusion**

CDFIs have financed businesses and projects that reduce greenhouse gas emissions and air pollution and are poised to do much more. OFN's network of CDFIs stand ready to partner with the EPA to make meaningful progress on reducing greenhouse gas emissions. OFN thanks the EPA for their consideration of these recommendations and is excited about the opportunity to make a meaningful impact in low-income and disadvantaged communities.

Sincerely,

Beth Lipson  
Interim President and CEO, Opportunity Finance Network