



We help build homes and communities across rural America.

December 5, 2022

Submitted via regulations.gov

The Honorable Michael S. Regan, Administrator  
U.S. Environmental Protection Agency  
Office of the Administrator, Mail Code 1101A  
1200 Pennsylvania Avenue, NW  
Washington, DC 20460

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

Dear Administrator Regan:

Thank you for the opportunity to comment on the implementation of the Greenhouse Gas Reduction Fund (GHGRF) by the Environmental Protection Agency (EPA). The Housing Assistance Council (HAC) encourages EPA to make use of community development financial institutions (CDFIs), to take the special needs of rural Americans into account, to recognize the importance of affordable housing in reducing greenhouse gas emissions and other air pollution, and to incorporate equity into all aspects of the program.

HAC is a national nonprofit organization that helps build homes and communities across rural America. Since 1971, HAC has provided below-market financing for affordable housing and community development, technical assistance and training, research and information, and policy formulation to enable solutions for rural communities across the country. In our work, HAC places a special focus on high-needs rural regions and populations – including the Mississippi Delta and the Black Belt, Central Appalachia, Native American Lands, the border Colonias, and farmworker communities. These places are disproportionately impacted by climate change and desperately need resources to improve the resilience of their residents and housing stock. HAC's expertise enables us to comment on the importance of the GHGRF and how the program can best meet the needs of rural America, particularly persistent poverty areas.

1025 Vermont Ave., N.W., Suite 606, Washington, DC 20005

202-842-8600 [hac@ruralhome.org](mailto:hac@ruralhome.org) [ruralhome.org](http://ruralhome.org) 202-347-3441

HAC is an equal opportunity provider, employer, and lender.

## General Comments

### **Leverage the extensive existing network of CDFIs to ensure rapid, equitable, and widespread investment.**

CDFIs are financial institutions (nonprofits, banks, credit unions, and venture capital funds) that are certified on an annual basis by the CDFI Fund at the U.S. Department of the Treasury as primarily serving disadvantaged communities and low-income people. All CDFIs provide technical assistance in conjunction with their financing, and are accountable to the communities and populations they serve. HAC recommends that EPA explicitly include certified nonprofit CDFIs as eligible recipients of GHGRF resources and of indirect GHGRF investments.

A large portion of GHGRF resources is targeted to low-income and disadvantaged communities – exactly the places where, by law, CDFIs must provide the majority of their lending and assistance. For more than 25 years, Treasury-certified CDFIs have served as experienced, specialized lenders skilled in complex financing. Many CDFIs, including HAC, filled the same role decades earlier, before the current CDFI certification process was created. There are more than 1,300 certified CDFIs serving all 50 states, the District of Columbia, Guam, and Puerto Rico.<sup>1</sup> Sixty-four of them focus on service to Native American communities and could offer the GHGRF direct access to those areas.

Not only are CDFIs already committed to meeting the GHGRF's purposes, but using them provides efficiencies for EPA because they are already under federal government oversight. To ensure they are meeting GHGRF requirements, EPA can rely on the Treasury Department's certification and periodic recertification of CDFIs and the reports it requires them to provide.

### **Address the unique needs of rural and persistent poverty communities.**

Rural communities in the United States face some special challenges in reducing emissions of greenhouse gases and other pollutants. For example, transit-oriented siting of housing and jobs is not possible in the many rural communities that lack reliable public transportation. At the same time, rural residents are more likely than their urban peers to experience substandard housing conditions and almost as likely

---

<sup>1</sup> Community Development Financial Institutions Fund, "List of Certified CDFIs with Contact Information as of November 14, 2022," <https://www.cdfifund.gov/programs-training/certification/cdfi>.



to endure burdensome housing costs.<sup>2</sup> Reducing pollutants is particularly difficult in the 377 counties that experience persistent poverty – poverty rates above 20 percent for three consecutive decades – and 81 percent of these counties are outside metropolitan areas.<sup>3</sup>

Capacity building is also sorely needed in rural America. Rural communities often have small and part-time local governments, inadequate philanthropic support, and a shortage of the specialists needed to navigate the complexities of federal programs and modern finance and to compete for government and philanthropic resources.

To ensure rural needs are addressed, HAC recommends that EPA:

- Create a rural set aside or a priority for GHGRF applications that will serve rural areas, with an even higher priority for those that will address needs in persistent poverty areas;
- Make funding available for community lenders like CDFIs in the form of grants or long-term interest-free loans so that they can make grants or very low-interest loans to their partners, particularly those with limited capacity;
- Include the rural housing programs run by the U.S. Department of Agriculture (USDA) in any references to federally assisted housing, to avoid the all-too-common confusion created when regulations or guidance mention the Department of Housing and Urban Development's programs but not USDA's.

## Recognize the key role of housing assistance in meeting GHGRF's goals.

Housing improvements are essential to meeting GHGRF's goals. Home energy use accounts for 19 percent of U.S. greenhouse gas emissions.<sup>4</sup> Although there are many ways to reduce this carbon footprint, they require financing. Low-income homeowners seeking financial assistance to purchase upgraded heat pumps or install solar panels face the same barriers to accessing capital as they do when seeking a mortgage. Renters, particularly low-income renters, are even less able to improve their homes' energy usage.<sup>5</sup> GHGRF should include financing for

---

<sup>2</sup> Housing Assistance Council, "Taking Stock: Rural People, Poverty and Housing in the 21st Century," 2012, <https://ruralhome.org/reports/taking-stock-2010/>.

<sup>3</sup> Housing Assistance Council, "The Persistence of Poverty in Rural America," 2022, <https://ruralhome.org/wp-content/uploads/2022/04/rural-research-brief-persistent-poverty-2021.pdf>.

<sup>4</sup> Office of Policy Development and Research, U.S. Department of Housing and Urban Development, "The Role of Housing in Climate Change Mitigation and Adaptation," Evidence Matters (Summer 2022), <https://www.huduser.gov/portal/periodicals/em/Summer22/highlight1.html>.

<sup>5</sup> Mark Brennan, Tanaya Srini, Justin Steil, Miho Mazereeuw, and Larisa Ovalles, "A Perfect Storm? Disasters and Evictions," Housing Policy Debate 32:1 (2021), <https://www.tandfonline.com/doi/full/10.1080/10511482.2021.1942131>.



weatherization and electrification of existing affordable homes, as well as for construction of new energy-efficient, affordable homeownership and rental housing.

In addition to reducing carbon emissions and aiding low-income residents and communities, applying GHGRF monies to assisted housing properties will use federal resources efficiently. Updating and improving assisted properties preserves the value of earlier federal investments. Renovations that increase energy efficiency decrease the financial burden on residents, and therefore reduce reliance on federal assistance to help residents cover utility costs or to help them with the costs of food or medical care or other items they cannot afford when utility costs are high. Improving energy use and indoor air quality in housing also improves residents' health, in turn reducing the costs of health care aid, improving educational outcomes, and more.<sup>6</sup>

## **Include equity principles in all elements of the GHGRF program design.**

Populations that are socially vulnerable based on race and ethnicity, income, educational attainment, and age are disproportionately likely to be affected by climate change, including greenhouse gases and other pollution.<sup>7</sup> They are also disproportionately unlikely to be able to afford mitigation measures. The GHGRF must be designed to help overcome the impact of historical inequities for individuals and for entire communities.

Among the many steps that could be taken, EPA should consider the legislation's set-aside for low-income and disadvantaged communities as a floor rather than a ceiling. While \$15 billion of the program's funding must be used in low-income and disadvantaged communities, that does not apply to low-income people who live in higher income communities. Some portion of the almost \$12 billion to be awarded under Section 134(a)(2) of the statute should be targeted to underserved people in higher opportunity communities. Applicants should be allowed to utilize federal programs that impose income restrictions as proxies to substantiate that low-income people are being served with such funding. For example, an affordable rental housing development with financing from the Low-Income Housing Tax Credit or the U.S. Department of Agriculture's Section 515 or Section 538 program could be automatically eligible for GHGRF financing.

Relying on other programs' determinations of beneficiaries' incomes also adds efficiency to program administration and reduces the burden on program users with

---

<sup>6</sup> Lauren A. Taylor, "Housing and Health: An Overview of the Literature," Health Affairs Health Policy Brief, 2018, <https://www.healthaffairs.org/doi/10.1377/hpb20180313.396577/>.

<sup>7</sup> U.S. Environmental Protection Agency, Climate Change and Social Vulnerability in the United States: A Focus on Six Impacts, EPA 430-R-21-003, 2021, <https://www.epa.gov/cira/social-vulnerability-report>.



limited capacity, such as those in rural areas with small staffs or incomplete expertise.

## Responses to Specific Questions

### Section 1: Low-Income and Disadvantaged Communities

**1. 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?**

HAC recommends that the EPA allow CDFIs receiving GHGRF resources to use the CDFI regulations’ definitions of Target Markets, Investment Areas, and Targeted Populations<sup>8</sup> to define “low-income” and “disadvantaged” communities for GHGRF purposes. Aligning GHGRF and CDFI regulations as much as possible will allow these resources to be deployed more quickly, while also creating standardization and lowering compliance costs, as CDFIs already track and report lending activity according to CDFI Fund requirements. EPA should coordinate directly with the CDFI Fund to ensure inclusion of CDFIs in implementing the program and to leverage the CDFI Fund’s administrative infrastructure.

It is also essential to recognize that “persons who live in rural areas” are a fundamental community that the Biden Administration has recognized in Executive Order 13985, “Advancing Racial Equity and Support for Underserved Communities Through the Federal Government,” the first executive order signed by U.S. President Joe Biden on January 20, 2021.<sup>9</sup>

### Section 2: Program Design

**1. 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)?**

HAC recommends that the EPA evaluate financial assistance leverage in the context of the GHGRF applicant’s overall strategy. This is important since leverage

<sup>8</sup> 12 CFR §1805.201 (2002), <https://www.govinfo.gov/content/pkg/CFR-2002-title12-vol6/pdf/CFR-2002-title12-vol6-sec1805-201.pdf>.

<sup>9</sup> Joseph R. Biden, Jr., “Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government,” January 20, 2021, <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/>.



expectations at the project level will vary greatly by project type. In other words, EPA should set portfolio wide leverage requirements, rather than requiring a project by project leveraging requirement. Also, EPA should refrain from setting minimum leveraging requirements, given what are likely to be significant variances based on geography, project type, etc. Rather, the applicant should be asked to generally describe its strategy of leveraging other capital, and its track record. Lastly, EPA should not require leverage for most technical assistance activities since these are not centered on securing third-party resources.

A contextual rather than “one-size fits all” approach to assessing leverage is essential if the GHGRF is to reach rural communities. While some mechanisms for drawing private sector investment to meet the needs of these communities, such as the Low Income Housing Tax Credit (LIHTC), function robustly in rural America (over the decade from 2006-2016, one quarter of LIHTC supported properties were located in census tracts categorized as rural under the definition adopted by the Federal Housing Finance Agency), these communities often struggle to access common sources of private capital. For example, under the current Community Reinvestment Act regulatory framework, rural communities often fall outside of the assessment areas of large banks whose investments constitute the lion’s share of private capital generated by CRA. Accordingly, HAC urges EPA to assess the leverage strategy of rural-serving applicants contextually, taking into account both the degree of difficulty faced by such applicants in attracting private capital and the applicants’ leveraging of other public sector capital.

***9. What should EPA consider when developing program policies and guidance to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of the Build America, Buy America Act that requires domestic procurement of iron, steel, manufactured products, and construction material?***

The 2021 Build America, Buy America Act established a Buy America Preference (BAP) domestic content procurement preference for federal financial assistance programs funding infrastructure projects. The BAP requirement is specific to iron, steel, manufactured products, and construction materials. The law further defines a project to include “the construction, alteration, maintenance, or repair of infrastructure in the United States” and includes “buildings and real property” in its definition of infrastructure.

The Office of Management and Budget (OMB) issued implementation guidance informing federal agencies on how to: 1) incorporate the required BAP preference to federal financial assistance programs for infrastructure; and 2) consider and issue





waivers.<sup>10</sup> Federal agencies are responsible for applying this guidance, in consultation with OMB, to their financial assistance programs.

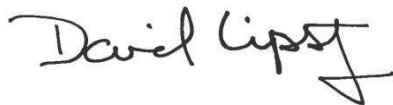
Section II of the OMB guidance provides federal agencies key information on the applicability of Buy America requirements to federal financial assistance programs. It explains that “when determining if a particular construction project of a type not listed in the [statutory infrastructure] definition above constitutes ‘infrastructure,’ agencies should consider whether the project will serve a public function, including whether the project is publicly owned and operated, privately operated on behalf of the public, or is a place of public accommodation, as opposed to a project that is privately owned and not open to the public. Projects with the former qualities have greater indica of infrastructure, while projects with the latter quality have fewer. **Projects consisting solely of the purchase, construction, or improvement or private home for personal use, for example, would not constitute an infrastructure project** [emphasis added].”

Most GHGRF qualified projects probably would not be subject to this requirement since they would not be the traditional infrastructure projects on which the statute focuses and would not serve a public function under the “buildings and real property” standard.

Based on the law and the OMB guidance, EPA should exempt GHGRF projects related to affordable housing from the BAP domestic content procurement requirements. The use of GHGRF resources in affordable housing development projects (both single-family and rental) should not trigger BAP requirements since they are used to construct, rehabilitate, or preserve private homes that are not “open to the public.” While most affordable rental housing has a general public use requirement, the actual homes themselves are privately leased and not open to the public, unlike other more traditional infrastructure projects.

Thank you for considering HAC’s comments on the GHGRF. Please do not hesitate to contact me if you have questions or wish any additional information.

Sincerely,



David Lipsetz  
President & CEO

---

<sup>10</sup> Shalanda D. Young, “Initial Implementation Guidance on Application of Buy America Preference in Federal Financial Assistance Programs for Infrastructure,” Memorandum for Heads of Executive Departments and Agencies, Office of Management and Budget, April 18, 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/04/M-22-11.pdf>.

