THE KRESGE FOUNDATION

SCHMIDT FAMILY FOUNDATION

Kerry O'Neill,
Chairperson, Environmental Financial Advisory Board (EFAB)
U.S. Environmental Protection Agency (USEPA)

RE: Comments related to EPA's Greenhouse Gas Reduction Fund

Dear EPA Environmental Financial Advisory Board,

On behalf of The Kresge Foundation and The Schmidt Family Foundation, we are pleased to submit the comments below focused on the design and implementation of EPA's Greenhouse Gas Reduction Fund (GHGRF). The comments below are informed by the direct experience of the two foundations, which together have years of experience working to support the uptake of solar and other greenhouse gas reduction strategies in communities of color and in communities with low wealth, and by over 30 investees and grantees that participated in a GHGRF information and listening session hosted by Kresge and Schmidt in November.

As foundations committed to strengthening the ability of the community development climate finance ecosystem to serve the nation's marginalized people and communities, we have learned that access to financing *per se* is not the most significant barrier to expanding the take-up and spread of solar and other carbon reduction technologies in communities of color and communities with low wealth. The more significant barrier is the inadequacy of project pipeline and demand – there simply aren't enough projects in the communities we serve, a reality driven by the need for information, planning, and technical assistance from trusted sources. We recommend that most of the GHGRF be dedicated to create pipeline demand in various ways, which we will describe in more specific detail below.

Our two foundations have invested in CDFIs, green banks, and other financing intermediaries designed to increase the number of projects in low- and moderate-income communities and communities of color. Much of the capital we have invested has, however, either not been put to use in a timely fashion, if at all, or not been utilized as originally intended. We have heard from numerous counterparties that deals in marginalized communities "do not pencil," "lack enough equity to move forward," or "move too slowly." Potential project sponsors and host sites report (i) being told that they need to put their own equity into projects – equity they do not have; and/or (ii) they need to understand the technology, financing, and other project specifics without solely relying on the developer or financing intermediary as the source of that information – they find the learning curve extremely steep.

At the same time, we believe that there are vast potential sources of private capital for CDFIs, green banks, and other financing intermediaries. Private investors (including banks, insurance companies, and corporations) want to invest in the transition to cleaner technologies in low- and moderate-income communities. And yet, they share our experience of seeing too few opportunities to do so at scale. The conclusion seems clear: if we can build demand in communities, the financing will follow.

This is not to suggest that there is no need or opportunity for the GHGRF to invest in eligible recipients and their subgrantees' ability and capacity to finance projects in marginalized communities. Quite to the contrary. But it *is* to suggest that most GHGRF capital should be invested in building pipeline, thereby confronting the persistent barriers to increased demand. If you build it (demand) they (investors) will come.

More specifically, to optimize the historic opportunity presented by the GHGRF to remove the barriers to full uptake and to catalyze the transition to a cleaner future in BIPOC communities and communities of low wealth, we recommend that:

- One-third of the entire amount of the GHGRF be allocated for the purpose of setting up and funding – as subgrantees – technical assistance providers deployed in low-income census tracts to provide education, technical assistance, project planning and development services – at no cost – to schools, social service organizations, houses of worship, community centers, affordable housing developments, environmental justice organizations, community solar proponents, and other nonprofits.

- One-third of the entire amount of the GHGRF be allocated to those same TA providers to use as pass-through equity grants equivalent to 15% of total project costs for projects receiving technical assistance that have signed contracts to purchase and install zero-emission technologies.

Eligible recipients well suited to carrying out, overseeing, and implementing these first two recommendations could include State, municipal and Tribal governments, but also the affiliated CDFIs of national networks such as NeighborWorks America, Goodwill Industries, National Community Action Partnership, and Habitat for Humanity International.

- One-sixth of the entire amount of the GHGRF be allocated to investments in the workforce and workforce-related business growth opportunities for people of color and businesses located in marginalized communities. Eligible recipients that can warehouse and manage capital for these purposes would include national and regional entities with experience supporting small business as a vehicle for wealth creation and improved communities, including Inclusiv (and through Inclusiv, its network of community development credit unions), Accion Opportunity Fund, Lift Fund, and similar organizations.

- One-sixth of the entire amount of the GHGRF be allocated to equity grants to eligible recipients who sit atop networks of other eligible recipients. Of that, 90% or more of the amounts awarded should be required to be used as pass-through grants to their member entities (subgrantees that also would qualify as eligible recipients) to be used to start or expand climate-related lending programs and to serve as permanent loan fund equity. Requiring a very high level of pass-through funding would encourage networks to come together around common applications through their membership organizations. It would also ensure that the membership organizations do not focus on building their own balance sheets, but rather on disbursing capital far and wide. Eligible recipients well-positioned to fill this role could include Coalition for Green Capital, Housing Partnership Network, NeighborWorks America, Opportunity Finance Network, Inclusiv, and Oweesta. Investing this amount in financing intermediaries and their ability to scale and offer financing would represent an unprecedented, transformational investment in the community development climate finance system.

We cannot stress enough our belief that the most significant barriers to scaling solar, solar+storage, air-source heat pumps, weatherization, and related elements of a cleaner future for communities of color and communities with low wealth lie in building and organizing demand as opposed to growing the supply of capital.

We thank the EFAB and the EPA for considering our comments. If we can be of any further assistance, please do not hesitate to contact us.

Sincerely,

DocuSigned by:
Joe Sciortino
69B6C5C9B77344F...

Rip Rapson
President & CEO
The Kresge Foundation
248-643-9630
rrapson@kresge.org

Joe Sciortino
Executive Director
The Schmidt Family Foundation
414-531-1113
jsciortino@theschmidt.org