

April 10, 2023

Michael Regan, Administrator

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

Re: Environmental and Climate Justice Block Grant – Request for Information (Docket ID No. EPA-HQ-OEJECR-2023-0023)

Dear Administrator Regan:

On behalf of Opportunity Finance Network, I am writing to urge you to work with the nation's extensive network of community development financial institutions (CDFIs) to ensure the Environmental and Climate Justice Block Grant (ECJ) Program reaches the low-income and disadvantaged communities that are most impacted by climate change.

OFN is a national network of more than 390 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. OFN's membership has originated \$100.4 billion in cumulative financing in urban, rural, and Native communities through 2021. More than half of our members offer green financing products.

Official responses to the Request for Information are included as Appendix A below.

Environmental hazards and climate-driven disasters disproportionately impact low-income communities. The federal government needs CDFIs to implement the Environmental and Climate Justice Block Grant successfully in the communities it is designed to serve. Even without direct federal support for clean energy financing, CDFIs have financed businesses and projects that reduce greenhouse gas emissions and air pollution and are poised to do much more.

Disadvantaged communities have intersecting environmental, economic, and social justice needs that require flexible and diverse funding solutions. To fully deploy this Environmental and Climate Justice Program, the EPA will need a broad, cross-sector solution focused on meeting community needs. **CDFIs are the ideal partner: they are accountable to the communities they serve and have a history of partnering with local organizations to meet the needs of disadvantaged communities.** The overlap between low-income areas 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.

OFN's network of CDFIs stand ready to partner with EPA to make meaningful progress on advancing environmental justice particularly in the low-income and disadvantaged communities prioritized in the law.

Sincerely,

Mary Scott Balys
Vice President, Public Policy
Opportunity Finance Network

Sofia Gilkeson
Associate, Public Policy
Opportunity Finance Network



Appendix A: Responses to Request for Information

ECJ Program Design

1. What should EPA consider in the design of the ECJ Program to ensure that the grants benefit disadvantaged communities?

OFN encourages the EPA to work with established and trusted community partners in order to reach disadvantaged communities. CDFIs have a track record of serving disadvantaged communities and have built trust over time.

We also recommend the EPA draw from other agencies that define “low-income and disadvantaged communities” in a way that has proven impact in these communities. For instance, the US Treasury Department’s CDFI Fund uses definitions of an eligible “Target Market”¹ to meaningfully capture low-income and disadvantaged communities.

While the White House “Climate and Economic Justice Screening Tool” is helpful in identifying disadvantaged communities as part of the Justice 40 initiative, it is not as inclusive as the definitions refined by the CDFI Fund.

If EPA were to choose to define “low-income and disadvantaged communities” as 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. In terms of population, that is 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).

¹ The CDFI Fund defines an approved target market or eligible market, as one or more investment areas or targeted populations. Investment area refers to a geographic area that meets requirements set forth in Title 12, Section 1805.201(b)(3)(ii)(D), of the Code of Federal Regulations with a significant unmet need for loans, equity investments, or other financial products or services or is wholly located within an Empowerment Zone currently in effect or Enterprise Community (as designated under Section 1391 of the Internal Revenue Code of 1986 [26 U.S.C. 1391]). Target populations consist of individuals from the following populations: Low-income targeted population is defined as individuals whose family income, adjusted for family size, is not more than (1) for metropolitan areas, 80% of the area median family income in metropolitan areas; and (2) for non-metropolitan areas, the greater of 80% of the area median family income or 80% of the statewide non-metropolitan area median family income. Other targeted populations include African Americans, Hispanics, Native Americans, Native Alaskans residing in Alaska, Native Hawaiians residing in Hawaii, other Pacific Islanders residing in other Pacific Islands, and other groups with CDFI Fund approval.



OFN recommends EPA adopt an expanded version of the CDFI Fund's definitions to include those communities particularly vulnerable to climate change and environmental hazards, There will likely be considerable overlap in these target populations, as people of color and those who are low-income are disproportionately affected by environmental risks. For example, people of color and those who are low-income are more likely to live near landfills, municipal waste combustors, or hazardous waste sites; to be exposed to lead or asbestos in old, poorly maintained housing; and to be exposed to pesticides in farm fields.

This more inclusive definition of low-income and disadvantaged communities will more effectively drive climate-forward financing to targeted communities.

2. Are there best practices in program design that EPA should consider in designing the ECJ Program to reduce burdens on applicants, grantees, and/or subrecipients?

EPA should streamline reporting requirements to leverage pre-existing definitions and data methodology. The more intricate the reporting requirements, the more burdensome and costly for the applicants, grantees, and subrecipients. If more robust reporting systems are required than those that already exist, grants should be available to fund operational expansions. EPA should use part of the funds allocated specifically to technical assistance to operationalize reporting mechanisms. For instance, if the EPA creates an industry standard for greenhouse gas reduction reporting in low-income communities, community finance organizations and CDFIs should receive grant funding to operationalize the data reporting requirements.

3. EPA is considering a process where it issues a NOFO soliciting applications for projects under the five ECJ Program eligible activities described above (Section III) that allows applicants, on a rolling basis over an extended period such as 12 months, to apply for the funding activities they are interested in, when they are interested in applying, as opposed to applying under multiple separate NOFOs that have 45-day submission periods. What are your views on this approach?

Any efforts by EPA to make the application process less burdensome, particularly for disadvantaged communities, is appreciated.

4. EPA is aware that applying for competitive Federal grants can be burdensome and that placing too much importance on written applications for projects to benefit disadvantaged communities may not be the best way to help communities address environmental justice challenges. EPA is considering innovative techniques to



replace portions of the written application process, such as an approach where EPA would invite applicants whose initial written application scored well to then provide a 30–60-minute oral presentation discussing predetermined questions or sets of issues. The purpose of the oral presentation would be to replace portions of the written application process to streamline the grant competition process and expedite the delivery of assistance for disadvantaged communities. What are your thoughts on this approach?

While efforts by EPA to improve the application process for disadvantaged communities is appreciated, EPA should explore whether an oral presentation truly improves outcomes for disadvantaged communities.

Oral presentations may present a bias against people with less formal education, less experience with public speaking, or those communities where English is not the primary language a language barrier. We also encourage EPA to make public the evaluation criteria for these presentations. Finally, the presentations should allow a virtual format.

Eligible Projects

1. What types of projects should EPA focus on and prioritize under the five eligible funding categories in CAA Section 138(b)(2) listed below? Please also describe how the projects you identify would benefit disadvantaged communities:
 - a. Community-led air and other pollution monitoring, prevention, and remediation, and investments in low-and zero-emission and resilient technologies and related infrastructure and workforce development that help reduce greenhouse gas emissions and other air pollutants (greenhouse gas is defined as "air pollutants carbon dioxide, hydrofluorocarbons, methane, nitrous oxide, perfluorocarbons, and sulfur hexafluoride");
 - b. Mitigating climate and health risks from urban heat islands, extreme heat, wood heater emissions, and wildfire events;
 - c. Climate resiliency and adaptation;
 - d. Reducing indoor toxics and indoor air pollution; and
 - e. Facilitating engagement of disadvantaged communities in State and Federal advisory groups, workshops, rulemakings, and other public processes.

The needs of the community will vary depending on the impact of climate change and environmental factors. EPA should ensure flexibility in the definition of eligible projects to ensure the funding supports community-driven investments best suited to the needs of individual communities.

Qualified projects should be defined broadly to fund the innovative work already happening on the ground, and provide grants to and investments in CDFIs that



offer or will offer green financing products. CDFIs have a history of serving as financial first responders. As lenders on the ground in many communities impacted by disasters, they help rebuild in a way that improves the community's resiliency. With many disadvantaged communities not having access to mainstream or traditional finance institutions, CDFIs fill a major immediate gap after disaster has struck. Having equity (grant) capital on their balance sheets allows CDFIs to respond quickly and leverage private investment in the communities impacted.

CDFIs are also experts at developing the partnerships and financial products needed to create a greener economy. As specialized lenders with on the ground relationships and expertise, CDFIs are able to include a climate and resiliency lens in all sectors of their lending: small business, housing, consumer, and more. Strong existing networks and intermediaries exist across the entire community finance sector, allowing for rapid mobilization of new products and sharing of best practices across the entire field.

For example, one of OFN's CDFI members, BlueHub Capital, based in Massachusetts, worked on a local community microgrid project with municipal entities, a neighborhood organization, subcontractors and vendors, as well as other stakeholders to deliver a community-controlled energy efficient and equity-driven microgrid as a form of climate disaster planning.

2. With respect to the workforce development activities under category 1(a) above:
 - a. Please describe what you perceive as the most significant challenges and barriers to connecting residents of disadvantaged, underserved, and under-represented communities to workforce opportunities related to addressing environmental justice and climate change, and what programs, services, and partnerships are needed to address these challenges and barriers.

Marginalized communities have experienced decades of underinvestment and exclusion. As a result, these communities may not have as many service providers as their more affluent counterparts and may not have relationships with or trust in traditional career training programs. Communities need trusted entities to help facilitate workforce training and provide a connection to job opportunities on future projects. CDFIs have experience working to develop a talent pool from the communities they serve.

- b. What types of jobs and career pathways should EPA prioritize to support environmental justice and climate priorities?

A key piece of deploying these grants in low-income and disadvantaged communities will be technical assistance. These communities often do not have the same networks of project-ready contractors needed to complete energy efficiency



and climate resiliency projects. With technical assistance funding, CDFIs can support training for vetting, quality assurance, and training processes to build contractor capacity in these communities.

When considering contractor cultivation, the funds should be allowed to help suitable contractors scale their businesses in order to provide the desired services, particularly minority-owned businesses. The development of these contractors in disadvantaged communities will provide additional economic benefit and opportunity.

Many CDFIs are already engaged in contractor and workforce development. For example, a CDFI, Enterprise Community Partners, through their Native American Housing Programs has partnered with local tribal colleges to facilitate an internship program to develop a new generation of local contractors, building small businesses, run by a professional workforce from and for the Tribal community in Montana. Coastal Enterprises, a CDFI based in Maine, has a workforce solutions team that works with their businesses to create good jobs that elevate earning potential for lower-income individuals.

Eligible Recipients

1. Eligibility for the ECJ Program grants is limited to a partnership between a community-based nonprofit organization and an Indian tribe, local government, or institution of higher education; a community-based nonprofit organization; or a partnership of community-based nonprofit organizations.

a. What is and how should EPA define a “community-based nonprofit organization” for purposes of implementing ECJ Program funding?

When defining a community-based nonprofit organization, the EPA should require: accountability to the community, track record of work in the community, and input and relationships within the community. **Nonprofit CDFIs should be eligible recipients for the ECJ Program.** 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 with nearly 40% of CDFI lending in persistent poverty areas.² CDFIs are also experts in the type of place-based investing needed to address localized needs of climate-impacted communities.

² Loethen and Fabiani, “[Persistent Poverty and the Prevalence of CDFIs](#)”, OFN, (2021).



b. What is and how should EPA define a “partnership” between a community-based nonprofit organization and an Indian tribe, local government, or institution of higher education for purposes of implementing ECJ Program funding?

EPA can look to other project partnerships run by other agencies to take elements that have been successful. Having a clear structure and accountability to the community will be most important in defining the partnership. CDFIs are known for partnering with local governments, local small businesses, and community development organizations, providing the capital they need to implement impactful projects and programs. CDFIs also have experience partnering with government at all levels – federal, state, and local. They also have experience partnering with education institutions and other nonprofit organizations based in communities.

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.

2. What characteristics and attributes do you think are important to the formation of a “partnership” for purposes of implementing ECJ Program funding?

A partnership should allow for enough flexibility to accommodate different entity and project types while also ensuring transparency and accountability. For instance, a partnership on Tribal land will not look or be carried out in the same way one would in an urban setting. Not every local government or nonprofit entity has the same structure - allowing flexibility in how partners work together will increase the impact and success of the ECJ program. With any government project, transparency and accountability to the community are important. OFN also encourages transparency from EPA related to performance expectations and capacity from the partnering entities.

3. What criteria or requirements do you think are important to ensure that projects – particularly projects of partnerships between community-based nonprofit organizations and other eligible entities – are community-driven and result in benefits flowing to the community while avoiding consequences such as community displacement and/or gentrification?



Working with groups that have trust and pre-existing relationships in the community will be fundamental to the success of the ECJ Program. The EPA should prioritize entities that have a record of doing beneficial work to the community. CDFIs have a track record and have built trust in the communities they serve and therefore could be a valuable partner in ensuring commitment to communities.

4. What are your thoughts on EPA sponsoring on-line forums or webinars to facilitate potential applicants' ability to develop partnerships with other organizations and communities to submit applications for ECJ Program grants? How else can EPA be helpful in facilitating these partnerships?

OFN appreciates any opportunities to expand partnerships and learn more about these programs. On-line forums and webinars organized by sector or region would help to build relationships across eligible entities. We urge the EPA to ensure local community stakeholder engagement is core to any efforts in facilitating partnerships.

Reporting and Oversight

1. What types of governance structures, reporting requirements, and audit requirements (consistent with applicable Federal regulations) should EPA consider requiring of EPA grantees of the ECJ Program grants to ensure responsible and efficient implementation and oversight of grantee/sub-recipient operations and financial assistance activities?

OFN recommends the EPA consider the governance structures, reporting requirements, and audit requirements utilized by the CDFI Fund.

Requirements to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities include organizational compliance (e.g., financial audits and single audits) and project compliance (transaction level compliance on volume and impact of projects).

2. Are there any compliance requirements in addition to those provided for in Federal statutes or regulations (e.g., requirements related to administering Federal grant funds) that EPA should consider when designing the ECJ Program?

The EPA should prioritize working with institutions that have a trusted record working with Federal programs, such as CDFIs certified by the Treasury Department.

3. In what ways can EPA design the ECJ Program to reduce the reporting burdens on grantees and sub-awardees while also ensuring proper oversight of the grants?



EPA should leverage pre-existing definitions and data methodology. This will help reduce the cost of compliance but preserve accountability and transparency.

4. What metrics should EPA use to track relevant program progress and outcomes including, but not limited to, how the grants benefit disadvantaged communities?

OFN encourages the EPA to concentrate their reporting requirements on outcomes for the community, both from an environmental and economic lens.

5. How should EPA manage statutory requirements that apply to construction projects such as Davis Bacon prevailing wages, Build America Buy America domestic preferences, and the National Environmental Policy Act in a way that minimizes burdens on funding recipients?

EPA should ensure reporting burdens are not duplicative of other agencies' requirements.

Technical Assistance

1. What types of technical assistance would be most helpful to the ECJ Program's eligible entities to help those entities successfully perform the ECJ Program grants?

Examples of technical assistance can include:

- Research and development capital to further study and promote community climate resiliency projects. For example, CDFIs are currently fielding interest from land trusts and other groups interested in developing climate resilient projects in their communities, such as community solar or storm store credits for water retention.
- Education for ECJ Program contractors. Low-income and disadvantaged communities often have fewer project-ready contractors than higher wealth communities. Without contractors, communities cannot complete energy efficiency and climate resiliency projects. With technical assistance funding, CDFIs can support training for vetting, quality assurance, and training processes to build contractor capacity in these communities. When considering contractor cultivation, the funds should be allowed to help suitable contractors scale their businesses in order to provide the desired services, particularly minority-owned businesses.

2. Which types of organizations and institutions are best suited to provide technical assistance?



Different types of organizations have expertise in different areas. CDFIs, educational institutions, subject matter experts in emission reduction, climate resiliency, and nature-based solutions service providers are all suited to provide different types of technical assistance.

General Comments

1. Besides the questions above, do you have any other comments on the design, structure, and/or implementation of the ECJ Program including your views on ways EPA can simplify the application process for applying for the ECJ Program grants?

The Environmental Protection Agency (EPA) has an opportunity to design an ECJ program that ensures good stewardship of these public funds and creates a significant impact. It is critical that these funds reach targeted communities, because like many other challenges in society, climate change is hurting low-income and underserved communities most. To achieve the goals of the ECJ Program, the providers of these funds must have a track record of serving low-income communities. OFN's network of CDFIs stand 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.