

## EFAB Recommendations and EPA Responses

Prepared January 4, 2023

Opportunity Zones Letter

**October 18, 2022**

<https://www.epa.gov/system/files/documents/2023-01/efab-opportunity-zones.pdf>

<b><i>Overarching EPA Response</i></b>	<ul style="list-style-type: none"> <li>• <a href="#">Acknowledgement Letter</a> (signed by Vicki Arroyo, EPA Office of Policy Associate Administrator December 8, 2022)             <ul style="list-style-type: none"> <li>○ Highlights work ongoing in:                 <ul style="list-style-type: none"> <li>▪ Providing assistance to underserved communities (including those with Opportunity Zones) on enabling conditions (predevelopment, technical assistance, and planning capacity)</li> <li>▪ Interagency engagement</li> <li>▪ Funding source alignment</li> <li>▪ Updates to existing grant programs</li> </ul> </li> </ul> </li> </ul>
<b><i>EFAB Recommendation</i></b>	<b><i>EPA Response</i></b>
<p>In summary, given uncertainty around OZ longevity, the EFAB team recommends that the EPA examines its existing activities, programs and tools with an eye towards improvements that specifically benefit high priority communities more broadly, in lieu of creating new programs, resources or funding sources tailored specifically to OZ funding sources, and which changes can be implemented relatively quickly, with limited administrative complications.</p>	
<p><b><u>PREDEVELOPMENT &amp; CAPACITY BUILDING</u></b></p> <ul style="list-style-type: none"> <li>• Providing increased flexible grant funds for planning development projects (inclusive of hiring the human resources necessary to do so), and inclusive of funds to support community outreach and genuine engagement.</li> <li>• Identifying and addressing environmental remediation issues in disadvantaged and overburdened communities before “shovel readiness” or planning is fully complete, including potentially providing grant funds for the execution and development of a remediation action (mitigation) plan.</li> <li>• Sharing a “shovel-worthy” checklist – with potential funding sources and estimated</li> </ul>	<p>EPA will award up to \$150 million in grants to Environmental Finance Centers (EFCs) over the next five years. On November 4, 2022, the agency announced the selection of 29 EFCs under three categories of technical assistance. Through the <a href="#">EFC grant program</a>, technical assistance providers will help communities develop and prepare to submit project proposals, including State Revolving Fund (SRF) applications for Bipartisan Infrastructure Law (BIL) funding and greenhouse gas reduction projects through the Greenhouse Gas Reduction Fund. EFCs will support underserved communities with technical assistance to identify sustainable infrastructure solutions, which can include pre-development assistance to create the “enabling conditions” for securing financing and potentially pursuing other forms of capital.</p>

<p>timelines attached to each element - so communities are aware of the preconditions needed before investor dollars can be attracted to a project.</p>	
<p><u>PRIORITY ALLOCATIONS OF LARGE FUNDING PROGRAMS AT STATE LEVEL</u></p> <ul style="list-style-type: none"> <li>• Prioritizing applications for SRF loans with principal forgiveness, WIFIA loans, and Brownfield remediation grants for disadvantaged and overburdened communities that also qualify for OZ, USDA and NMTC funds (which is already in evidence in aligning funding with the Justice40 initiative). Benefits of prioritizing State programs such as SRF grantees include: <ul style="list-style-type: none"> <li>(i) Existing relationships and infrastructure – SRFs function as intermediaries funneling federal and state funds under EPA’s SRF Program to most local communities and their water systems, positioning these state agencies as ready partners with existing contacts and lending processes;</li> <li>(ii) Higher certainty of funding for a project’s water-related components, as most SRF’s make a determination of eligibility at the onset of application prior to environmental and engineering review for funding certification;</li> <li>(iii) Facilitation of certain water and land permits, as many SRF programs prioritize and expedite the permitting process for participating projects;</li> <li>(iv) Decreased financing costs through the use of either SRF funds or WIFIA funds which, if shared with the water system and/or redeveloper, lead to a higher, more attractive project return and probability of completion; and</li> <li>(v) Support for Early Technical Assistance and Capacity Development. The appropriation of BIL funds to SRF programs prioritizes funding for resource strapped communities that have environmental justice and affordability concerns and encourages states to develop processes to provide such support.</li> </ul> <p>These processes will be directly transferrable to communities needing similar assistance in developing and promoting Opportunity Zones projects.</p> </li> <li>• Enabling SRF loans to include disadvantaged communities to secure professional services to conduct planning for off-site infrastructure in support of OZ development projects to enhance related community benefits.</li> </ul>	<p>A series of changes to improve how government ensures equitable access and distribution of the benefits of many programs is underway. For example, existing and new programs—including programs created by the President’s Inflation Reduction Act, the Bipartisan Infrastructure Law, and the American Rescue Plan—are covered by the Justice40 Initiative if they meet the eligibility requirements. To meet the goal of the Justice40 Initiative, agencies are changing their programs to ensure the benefits reach disadvantaged communities.</p>
<p><u>INTERAGENCY COLLABORATION AND AWARENESS</u></p> <ul style="list-style-type: none"> <li>• Education of local public officials around the available sources of capital across agencies and guidance on applying (USDA, HUD, etc.) – for example, adding to the</li> </ul>	<p>EPA has experience supporting locally led, community-driven approaches to economic revitalization, improved environmental and human health outcomes, and more sustainable communities. However, more interagency coordination and awareness is</p>

Community Calendar 3 application information around relevant HUD grant application timelines that most commonly overlap with community projects

- Collaborating with HUD, Treasury, and other agencies on a reference database for communities to access examples of other successful OZ-funded projects, or if this is not readily available:
  - EPA could instead expand upon its OZ “case study” library to provide several case studies that showcase common funding sources & timelines for OZ projects – ideally those that happened in communities with EJ concerns – with an emphasis on the best “matching” funding sources (e.g. twinning tax credits, grant sources)
  - Expand case studies to include discussion of direct and indirect community benefits resulting from OZ investments – however, without improved data available on OZ funded projects, this may be limited only to anecdotal information
  - Collaborate on comprehensive guidance to assist communities in identification of community benefits that can be derived from an OZ-funded development and the funding available to leverage OZ projects to enhance water and wastewater infrastructure rehabilitation, while limiting adverse affordability impacts
  
- Actively encourage interagency working groups to discuss funding program compatibility and areas of friction across funding sources available to people of color, low-income, indigenous communities and communities with EJ concerns. This requires a “silo-busting,” collaborative approach and flexibility that EPA may be uniquely positioned to encourage among agencies and has already demonstrated capacity around in partnerships mentioned above with FEMA and USDA, for example.

essential to better deliver lasting solutions to the communities most in need. EPA is now a frequent partner in whole-of-government approaches to ensure that the agency better delivers support on the ground in communities –with its federal, state, tribal, and local partners.

The Bipartisan Infrastructure law provides EPA with more than \$60 billion over five years for a wide range of environmental programs that will bring much-needed funding to America’s water infrastructure, environmental cleanups, and clean air protections, while also advancing environmental justice and combatting climate change. The [Bipartisan Infrastructure Law Year One Anniversary Report](#) highlights how EPA is working with state, local, and Tribal partners to transform communities through the largest appropriation the Agency has ever received. EPA has already awarded \$5.5 billion of the \$14.1 billion available in FY 2022 through grants, contracts, and interagency agreements, and program implementation efforts and will continue to build on this progress in the coming year.