

Federal Deposit Insurance Corporation

Community Reinvestment Act: Interagency Questions and Answers Regarding Community Reinvestment

Comments by GRID Alternatives

I. Summary

On September 10, 2014, the Office of the Comptroller of the Currency, Treasury, Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the “Agencies”), issued a notice and request for comment to clarify and supplement their Interagency Questions and Answers Regarding Community Reinvestment (“Q&A”) to address questions raised by bankers, community organizations and others regarding the Agencies’ Community Reinvestment Act (“CRA”) regulations.¹ GRID Alternatives (“GRID”) appreciates the opportunity to submit these comments on the proposed Q&A revisions.

GRID enthusiastically supports the addition of the financing of renewable energy and energy efficiency projects on affordable housing into the Agencies’ examples of community development loans, and requests that the Agencies clarify that financing for renewable energy and energy efficiency projects on low- and moderate-income single-family homes also fit within the meaning of “community development.” In particular, GRID suggests that the Agencies modify the final example in revised Q&A § ____.12(h)-1 to include loans to “borrowers to finance renewable energy or energy-efficient equipment or projects that support the development, rehabilitation, improvement, or maintenance of affordable housing[,] community facilities, **or homes owned by low- or moderate-income individuals . . .**”

II. Background

GRID Alternatives (www.gridalternatives.org) is the country’s largest nonprofit solar installer. GRID’s mission is to make renewable energy technology and job training accessible to underserved communities, specifically low- and moderate-income individuals. GRID exclusively serves households whose income is at or below the 80% area median income level. GRID has 10 offices throughout the country, serving all of CA, CO, DC, DE, MD, VA, NY, NJ, and CT, and is continuing to expand. GRID has built a public/private partnership model to bring solar energy to low-income homeowners that maximizes energy cost savings, while integrating workforce development into every project. Every GRID project generates “triple bottom line” results: real-world, hands-on experience for local workers in the growing field of solar installation; measurable, long-term financial benefits for low-income families struggling to keep up with monthly expenses; and environmental benefits by eliminating greenhouse gas emissions and building support for solar power as a mainstream solution for all communities.

¹ 79 Fed. Reg. 53,838 (Sept. 10, 2014).

To date, GRID's work has enabled it to complete over 4,800 solar projects for low-income families across the country, while providing over 18,000 individuals with training and hands-on experience to build the skills needed to secure jobs in the rapidly growing solar industry. GRID has installed 14.2 MW of solar to date for low-income families, systems that will generate over \$120 million worth of clean, renewable power over the systems' lifespans, while eliminating over 374,000 tons of greenhouse gas emissions.

GRID uses a "barn raising" installation model, similar to Habitat for Humanity, that allows us to turn low-income solar installations into workforce development opportunities. GRID partners with over 70 local community colleges and job training organizations to incorporate GRID's volunteer-based installation projects into their construction training curricula, and provide real-world training on solar installations. Job trainees gain hands-on experience with real-world solar PV installations that have conditions and requirements comparable to what they would encounter in private industry. This is a double benefit to the low-income community since many solar job trainees come from the same neighborhoods that GRID serves. GRID also has direct partnerships with many of the largest for-profit solar installation companies to help support job placement, including an innovative program with the California Public Utilities Commission ("CPUC") where these companies install solar for some of GRID's low-income clients, on the condition that they hire graduates from local workforce development programs as part of their paid labor force for the projects. In addition to working directly with formal solar installation training programs, GRID also provides unemployed or underemployed individuals from the community with the same training and experiences through its other workforce development programs.

GRID also works with policymakers at the local, state and federal level to help design and implement inclusive solar programs and policies that ensure that low-and moderate-income families have access to renewable energy. In California, GRID is the program administrator for the CPUC's \$162 million Single-family Affordable Solar Homes ("SASH") rebate program, the country's first and largest solar incentive program specifically for low-income families. The SASH program was created to address the fact that low- and moderate-income individuals, sometimes in the most distressed parts of the state, had no access to the general solar financing models available for largely wealthier individuals, including third party financing and leases. Under SASH, at the end of Q2 2014, 3,955 GRID had installed and interconnected PV-systems on low-income homes. GRID is now working with the CPUC to extend the SASH program (and its multifamily housing counterpart, MASH) through 2021.

GRID is also partnering with the State of California on a new initiative that will use funds from the State's cap-and-trade greenhouse gas emissions programs to incentivize solar projects for low-income individuals. GRID has also developed municipal low-income solar programs with cities like Richmond, San Diego, and San Francisco. In addition, GRID is working with several other states to develop low-income solar programs and policies that ensure that low-income residents aren't left out of their renewable energy programs. At the federal level, GRID is

working with the US Department of Housing and Urban Development to advise the Obama Administration on how to achieve its goal of 100 MW of renewables on federally assisted housing by 2020.

Additionally, GRID is currently working with many affordable housing owners to help install solar on multifamily housing developments. GRID has been helping to identify logistical and financing hurdles and solutions for multifamily solar deployment. In GRID's experience working with affordable housing owners, GRID recognizes that there is a need for scalable financing mechanisms to be developed that target low- and moderate-income affordable housing owners. With its background in promoting economic and community development through workforce development in the renewable energy field and assisting low- and moderate-income individuals gain access to solar power, GRID believes it can provide a unique perspective on the proposed Q&As.

III. Comments on Q&A § ____.12(h)-1

GRID heartily supports the Agencies' proposed revision to Q&A § ____.12(h)-1 as it creates an incentive for regulated banks to lend to affordable housing developers or community facilities for renewable energy projects and energy efficiency. However, GRID believes that the new example in the Q&A is too narrow in scope, and should be expanded to clarify that financing renewable energy or energy efficiency development for low- and moderate-income single-family homes is also included within the meaning of "community development loan."

a. Support for Q&A § ____.12(h)-1

GRID strongly supports the addition of loans to "borrowers to finance renewable energy or energy-efficient equipment or projects that support the development, rehabilitation, improvement, or maintenance of affordable housing or community facilities" as one example of community development loans specified in the Q&A. With the added clarification in the Q&A, the CRA regulations to incentivize the regulated banks to finance renewable energy on affordable housing and community facilities may provide a critical impetus for financiers to provide loans to non-profit organizations, affordable housing developers, or and public housing authorities for desired and valuable renewable energy installations and improvements.

GRID further applauds the Agencies' recognition in Q&A § ____.12(h)-1 that the benefit to the low- and moderate-income individuals from renewable energy or energy efficiency loans may be "indirect," as this recognizes the subtle but important values that energy installations and improvements can provide on the community as a whole. Although lowering the cost of tenant paid electricity should be the goal, in an affordable housing development a tenant can benefit from the lowered electric costs in common areas if the affordable housing owner reinvests the energy savings into the property or community. For example, an affordable housing developer could use the energy cost savings from the installation of solar on its community building to hire security guards, provide community computers for tenants in the common area, or build

health and recreation facilities. GRID hopes that with the Agencies' new example in the Q&A will further investment in renewable energy on multifamily affordable housing buildings, and create new and innovative indirect tenant benefits for the surrounding communities.

b. Request for Expansion to Single-Family Homes

The final example in the revised Q&A § ____.12(h)-1 should be expanded to include loans intended to “finance renewable energy or energy-efficient equipment or projects that support the development, rehabilitation, improvement, or maintenance of affordable housing[,] community facilities, **or homes owned by low- or moderate-income individuals.**” Although GRID believes that renewable energy or energy efficiency improvements to single-family homes owned by low-and moderate-income individuals already fits within the regulatory definition of “community development” specified in 12 CFR ____.12(g), expanding the Q&A example to expressly identify energy loans for single-family homes will help catalyze large-scale investments for low-and moderate-income communities by clearly providing a safe harbor for financiers to make such investments. Further, such an expansion would be consistent with the Agencies' guidance in housing which covers both multifamily and single-family investments.

The policy rationales supporting renewable energy and energy efficiency development in multi-unit affordable housing and community facilities applies equally -- if not more -- to the context of single-family homes owned by individuals of low or moderate means. Indeed, there is vital need for financial incentives for regulated banks to provide financing to low and moderate-income homeowners for the purposes of installing renewable energy. Even in areas of the country, such as California, where there are successful public-funded programs to support solar for low- and moderate-income homeowners, there is an acute need for private-sector financing. Public incentives must be leveraged with private funding to ensure that these renewable programs are brought to scale.

As the nation's largest non-profit solar installer and the state-wide administrator of the SASH program in California, GRID can attest to the unequivocal cost savings benefit of solar installations for low-and moderate-income homeowners. According to GRID's analysis of the American Housing Survey's 2012 data, there are approximately 22 million low- and moderate-income homeowners in the United States.² These households often lack both the capital to purchase solar outright and the financial profile to access the solar financing options currently available in the marketplace, but have tremendous need for the long-term savings that solar power can provide. GRID believes that the Agencies, under the CRA community development loan framework, have the potential to help catalyze the market for financing to low- and moderate-income homeowners.

² See <http://www.census.gov/programs-surveys/ahs/data/2013/national-summary-report-and-tables---ahs-2013.html>.

IV. Conclusion

GRID Alternatives appreciates the opportunity to submit these comments on the Agencies' Community Reinvestment Act Interagency Questions and Answers Regarding Community Reinvestment.

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