

Business Item

Community Development Committee



Committee Meeting Date: March 4, 2024

For the Metropolitan Council: March 13, 2024

Business Item: 2024-73

Application to the Environmental Protection Agency's Climate Pollution Reduction Grants Program Phase 2 Implementation Grants

District(s), Member(s):	All
Policy/Legal Reference:	Section 60114 of the Inflation Reduction Act (Public Law 117-169, title VI, Aug. 16, 2022, 136 Stat. 2076); Council Policy FM 15-1 (Income/Grants)
Staff Prepared/Presented:	LisaBeth Barajas, Executive Director, Community Development, (651) 602-1895
Division/Department:	Community Development

Proposed Action

That the Metropolitan Council authorize the Executive Director of the Community Development Division to:

1. Develop grant application and related materials as a partner agency with the State of Minnesota as the lead agency for the Equitable Residential Decarbonization project to be submitted for Phase 2 Implementation Grants of the Environmental Protection Agency's Climate Pollution Reduction Grants Program.
2. Develop and submit a Letter of Intent to participate in the proposal as a part of the application process.
3. Negotiate and execute the memorandum of agreement with the State of Minnesota for participation in the coalition grant.
4. Negotiate and execute the any required agreements with the Environmental Protection Agency.

Background

The U.S. Environmental Protection Agency (EPA) made \$1 million available to each of the 67 largest metropolitan statistical areas in the nation to create or update a regional climate action plan for the respective metropolitan area. The Council authorized staff to apply for ([Business Item 2023-87](#)) and received the planning grant to prepare the regional climate action plan for the 11-county metropolitan statistical area.

For the planning grant, there are three required planning grant deliverables:

- A Priority Climate Action Plan, due March 1, 2024
- A Comprehensive Climate Action Plan, due 2 years from the date of the award (summer-fall 2025)
- A Status Report, due at the close of the 4-year grant period (summer-fall of 2027)

Council staff are on track to submit the required PCAP on time. Additional details regarding the PCAP can be found on the Council’s website: [Climate Pollution Reduction Grant - Metropolitan Council \(metrocouncil.org\)](https://www.metrocouncil.org/Climate-Pollution-Reduction-Grant).

Completing the PCAP in this first phase positions eligible entities covered by the plan to compete for the \$4.6 billion dollars that the EPA will award in the Phase 2 Implementation Grants.

Council policy FM 15-1 Income/Grants Policy allows for the Council to enter into agreements with other governments and organizations which provide income or grants to the Council which are consistent with the Council’s missions and priorities. The policy requires Council approval for grants exceeding \$500,000.

Phase 2 Implementation Grants

Building off of the planning activity funded in the Phase 1 Planning Grants, the EPA’s Phase 2 grants have the following objectives:

- Implement ambitious measures that will achieve significant cumulative greenhouse gas reductions by 2030 and beyond
- Achieve substantial community benefits, particularly in low-income and disadvantaged communities (LIDACs)
- Complement other funding sources to maximize these GHG reductions and community benefits
- Pursue innovative policies and programs that are replicable and be “scaled up” across jurisdictions

Grant applications are invited across the following emissions sectors: electric power, transportation, industry, residential and commercial buildings, waste and materials management, agriculture/natural and working lands. The EPA will making funds available across five funding tiers, with applications evaluated and selected on a tier-by-tier basis as shown in Table 1 below.

Table 1. Funding Availability, EPA Phase 2 Implementation Grants

Tier	Grant Ranges (million)	Funds Targeted for Each Tier (billion)	Anticipated Number of Grants to be Awarded
Tier A	\$200 to \$500	\$2.0	4-10
Tier B	\$100 to <\$200	\$1.3	6-13
Tier C	\$50 to <\$100	\$0.6	6-12
Tier D	\$10 to <\$50	\$0.3	6-30
Tier E	\$2 to <\$10	\$0.1	10-50
Totals		\$4.3 billion	30-115

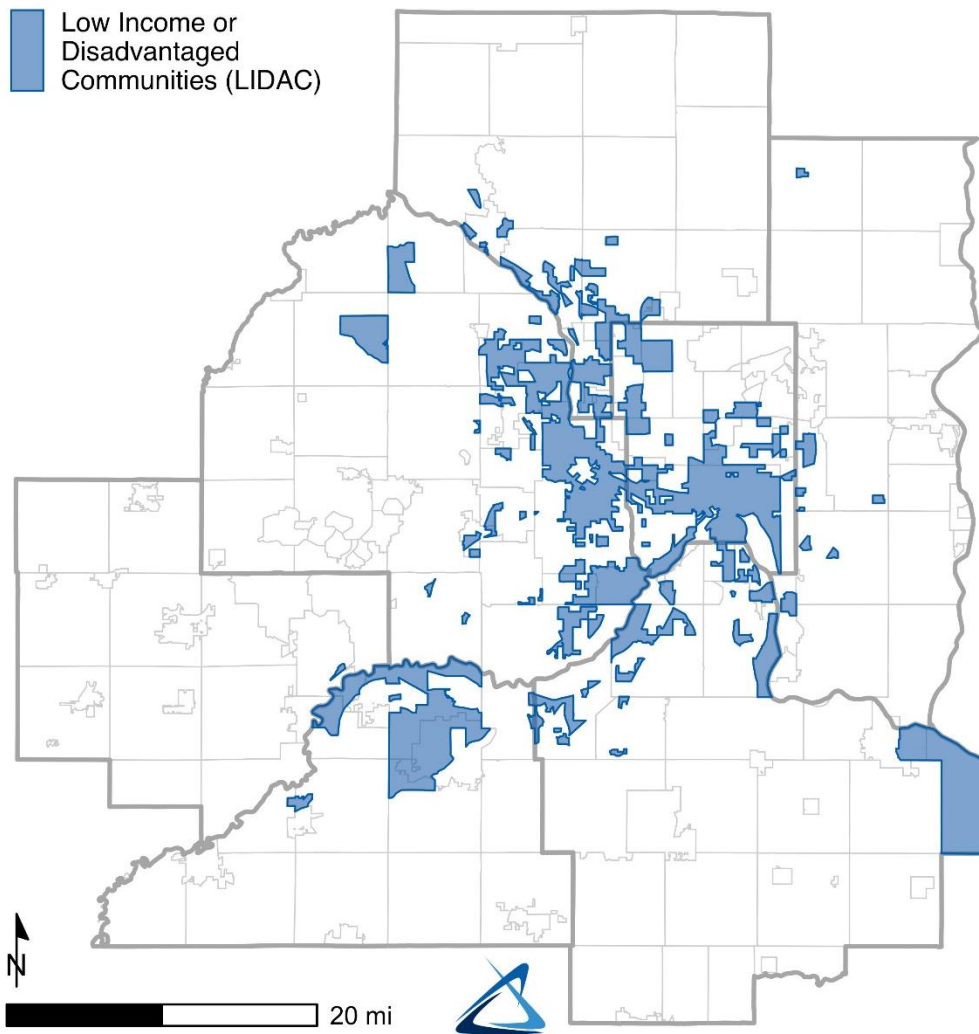
The EPA defines low-income and disadvantaged communities as geographies where household have lower incomes (defined as at or below 200% of the Federal poverty level)), limited access to resources, and disproportionate exposure to environmental or climate burdens. The EPA tools ([Climate and Economic Justice Screening Tool](#) and the [Environmental Justice Screening and Mapping Tool](#)) assess indicators or “indexes” of burden, including: air quality, climate change, energy, environmental hazards, health, housing, legacy pollution, transportation, water and wastewater, and workforce development. For the Twin Cities area, these geographies based on the following criteria and sourced directly from EPA’s Inflation Reduction Act Disadvantaged Communities Map:

- Any census block group at or above the 90th percentile for any of EJScreen’s Supplemental Indexes when compared to the nation or state
- And/or any tribal lands category in EJScreen



As shown in Figure 1, the geographies for low income and disadvantaged communities are primarily located in eastern Hennepin County and southern Ramsey County, and follow the river and transportation corridors into Anoka, Scott, and Dakota Counties.

Figure 1 Low Income and Disadvantaged Communities



Project Concept

In collaboration with partners, Council staff are proposing to participate in the State of Minnesota's coalition application for the Equitable Residential Decarbonization project.

The State is leading the development of a broader application that includes a several connected projects that will support localizing, scaling, and sustaining equitable residential decarbonization across the State. The project proposal will weave together several approaches across the state over the 5-year performance period including:

- Expanding the Department of Commerce Energy Navigator program to serve communities statewide.
- Creating a coalition of local governments as part of the first cohort of governments to hit the ground running by expanding their existing decarbonization programs.
- Organizing a coalition of Tribal governments to advance residential decarbonization for tribal members in Indian Country.
- Launching a second local and tribal government cohort starting in year two of the grant



proposal through an open, competitive process (for local governments) and open invitation for Tribal governments.

- Providing a grant program for private property residential decarbonization program for communities in the 7-county metro area.
- Targeted workforce development to support the decarbonization efforts and to hit the project goals for greatest emissions impact.

Issue to Address

The Twin Cities MSA generated 17.58 MMtCO_{2e} of emissions from electricity use in 2021 and was the largest single contributor to emissions across all sectors despite recent improvements in clean energy generation. One of the largest areas of opportunity for reducing greenhouse gas emissions in the state and in the metro is in residential energy use. In the metro area, retrofitting existing homes can considerably reduce energy consumption through efforts such as weatherizing and insulation, installing energy-efficient windows, upgrading HVAC systems, incorporating smart technologies, and promoting electrification and air source heat pumps. On average, a retrofitted single-family home will use 32% less energy compared to homes that have not received any retrofits¹. Localized analysis completed for the City of Minneapolis on retrofitting their 1-4 unit housing stock is shown to have emissions reduction potential of 25% for weatherization efforts and between 49-55% emissions reduction potential for space heating electrification (partial or full).² Combined efforts could yield up to 75% emissions reduction per unit.

In hearing from local government partners, one of the primary barriers identified for low-income and disadvantaged households in decarbonizing homes is the up-front costs. While a number of state and federal rebate programs exist to support off-setting costs, households with lower incomes struggle with financing the initial purchase and installation. Weatherization efforts can range from about \$1,000-\$12,000, and the costs for partial to full space heating electrification can range from \$7,000 to more than \$15,000. This program proposal would defray those upfront costs with grants that could range from \$5,000 to \$10,000 depending on the proposed eligible activities in each unit.

Proposed Project for Council to Lead

The Council would be the partner in leading the funding coordination for the 7-county metro area in launching the second local government cohort in year two of the program. The first year of project work would be used to develop program materials, the application process, hiring staff, developing a technical assistance program, and communicating about the upcoming opportunity for eligible participants. Once launched, the program would be made available through a competitive process to local governments that were not already participating in the first cohort in this program. Local governments would apply to receive grant money and distribute those funds to private property owners or contractors to complete eligible decarbonization activities. This approach is similar to the Council's [Private Property Inflow and Infiltration Grant Program](#).

Funds would be awarded to local governments to support private property residential decarbonization efforts and would be prioritized as follows:

¹ Less, B., & Walker, I. (2014). A Meta-Analysis of Single-Family Deep Energy Retrofit Performance in the U.S. (LBNL-6601E). Lawrence Berkeley National Lab. (LBNL), Berkeley, CA (United States). <https://doi.org/10.2172/1129577>

² Jones, K., Olson, R., Otolara-Fadner, A., Quinnell, J. (2023). [Minneapolis 1-4 Unit Residential Weatherization and Electrification Roadmap](#).



1. Residences located in low-income and disadvantaged communities
2. Residences outside of low-income and disadvantaged communities for households falling below the low-income threshold

Should this proposal be awarded, Council staff would further define program design and eligible activities in consultation with local governments and State partners, consistent with EPA requirements for fund distribution and oversight.

A second component of the Council award is creating a technical assistance staff team of up to three new staff to provide assistance to local units of governments in their application development process and in implementation of their grants with private property owners. The staff team would provide both overall program assistance to local governments, support local governments in connecting with eligible households through programs, events, or other means, and support awardees in identifying eligible decarbonization projects, connecting with contractors to perform the work, and reporting and tracking progress and impacts from the funds.

The Council grants administration staff would also be augmented with one additional staff to support grant administration over the entirety of the performance period, reporting to the State and EPA, and subrecipient reporting and monitoring. A second temporary staff person would also be supported by this grant for the first year of the grant to support program development.

The Council-led portion of this project would be \$30 million, with about \$28 million of those funds dedicated toward grants to private property owners through local governments. The remainder of the project funds would be used for additional staff and program materials.

Upcoming key dates

By March 20, 2024, submit a Letter of Intent to the State of Minnesota, for inclusion in the overall grant application, confirming the Council's participation in the coalition proposal for the CPRG program. By April 1, 2024, the lead agency (the State in this case) must then submit a complete application package, which includes a project narrative and work plan and a project budget in addition to related forms for federal grants. The grant notification indicates that the EPA expects to award and administer the planning grants in the summer of 2024 with the project period estimated to commence in October 2024. By July 1, 2024, a memorandum of agreement (MOA) signed by all members of the coalition must be provided to the EPA. The MOA documents that the partner organizations in the project have consulted with one another and are committed to fulfilling their respective roles and responsibilities to successfully implement the GHG reduction measures described in the application.

Rationale

The proposed projects for this grant opportunity align with the climate policy work underway in Imagine 2050. In Imagine 2050, the Council has identified as a draft Regional Goal: We Lead on Climate Change. Further, the Council has endorsed a draft Equity definition: Equity means that historically excluded communities – especially Black communities, Indigenous communities, and communities of color – have measurably improved outcomes through an intentional and consistent practice of adapting policies, systems, services, and spending so that they contribute to the repair of both historic and ongoing injustice. The Council also has defined Environmental Justice as the right for all residents to live in a clean, safe environment that contributes to a health quality of life. The Council's role in this grant opportunity directly advances the Regional Climate Goal and the Council's frameworks for equity and environmental justice by ensuring that programs to reduce the impacts of climate change are directed to and benefit those communities that bear the greatest burdens of climate change.

The grant opportunity is also consistent with Council Policy FM 15-1, which permits the Council to seek grants provided that the grant is consistent with the Council's mission and priorities. As discussed above, this grant opportunity aligns with the 2050 regional planning efforts as well as with the Council's Sustainability outcome in *Thrive MSP 2040* described below.



Thrive Lens Analysis

The Climate Pollution Reduction Grants Program and the required deliverables advance the *Thrive MSP 2040* outcome of Sustainability, which indicates that the Council will provide leadership to support climate change mitigation, adaptation, and resilience. This grant opportunity provides support for the Council to continue to advance regional climate work in partnership with local governments and other partners to lead on climate change.

Funding

The \$30 million in funding that the Council would receive is part of the State's overall coalition grant application to the Environmental Protection Agency's Climate Pollution Reduction Grants Phase 2 Implementation competitive process. The EPA anticipates awarding implementation grants in summer of 2024. The grant does not require matching funds from the recipient. If awarded, the grant funds will be brought into the Council's budget through a future budget amendment later in 2024.

