

Financing Seismic Retrofits

New Program from CalCAP

February 9, 2017 | 11:00 a.m. (PST)



Presented by:



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California Pollution Control Financing Authority

California Seismic Safety Capital Access Loan Program

***California Mortgage Bankers Association
and California Bankers Association Hosted Webinar***

Reneé Webster-Hawkins
February 9, 2017
Sacramento, CA



Today's Agenda

- History of the California Pollution Control Financing Authority (CPCFA) and the California Capital Access Program (CalCAP)
- What SB 837 Authorizes
- CalCAP Seismic Safety Loan Program
- Ongoing Community Outreach and Lender Engagement
- Program Management Team Contact Information
- CPCFA's CalCAP Programs



California Pollution Control Financing Authority



History of CPCFA & CalCAP

- California Pollution Control Financing Authority (CPCFA) is a financing authority which stimulates environmental cleanup, economic development and job growth throughout the State via bonds, credit enhancements and grants.
- CPCFA board members include: the State Treasurer, who serves as chair; the State Controller; and the Director of the Department of Finance.
- Founded in 1973, CPCFA originated as a conduit issuer of tax-exempt bond financing for private pollution control facilities serving a public benefit.
- Fees assessed on bond issuances to large businesses established the Small Business Assistance Fund (SBAF) enabling CPCFA to create additional innovative financing programs, including:
 - The California Capital Access Program (CalCAP), established in 1994 to establish loan loss reserve accounts for participating lenders; and
 - Grants and loans for assessment and remediation of brownfield and infill development sites.

What SB 837 Authorizes

- **Assemblyman Nazarian** drafted legislation that eventually became SB 837, signed by the Governor on June 25, 2016 (Health & Safety Code, Ch. 32, Section 44559.14).
- **\$10 million one-time appropriation** to CPCFA to fund the California Seismic Safety Capital Access Loan Program (CalCAP/Seismic Safety).
- CalCAP/Seismic Safety **incentivizes private loans** to residential property owners and small businesses to support seismic safety retrofits through loan loss coverage available to CalCAP/Seismic Safety participating lenders for loans enrolled in the Program.



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CalCAP Seismic Safety Loan Program

- Emergency regulations became effective December 22, 2016.
- Financial institutions enrolled in the Program are eligible to enroll loans. Its easy for financial institutions to sign up to participate.
- Maximum enrolled loan amount is **\$250,000**.
 - The total loan **can exceed** the cost of items identified in the Cost Estimate; however, the amount enrolled in the Program is **limited** to Eligible Costs for Seismic retrofit construction and **cannot exceed \$250,000 per Borrower**.
- Qualified Loans are enrolled for no more than **ten years**. Program further incentivizes loans with coverage terms of 5 years or less.
- Lenders set all of the terms and conditions of the loans pursuant to their usual underwriting policies.
- Loans can be short or long-term, have fixed or variable rates and bear any type of amortization schedule.

(Continued on next slide)



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CalCAP Seismic Safety Loan Program - Continued

- Lender, borrower and CPCFA each contribute to Loan Loss Reserve Account.
- When loan matures, CPCFA recaptures its portion.
- If loan defaults, lender follows its usual collection policy and then can make claim for the following losses :
 - Principal
 - Interest
 - Out-of-pocket costs associated with collection



Qualified Buildings

- **Qualified building** is defined a building in California that is certified by the appropriate local building code enforcement authority for the jurisdiction in which the building is located as **hazardous and in danger of collapse in the event of a catastrophic earthquake.**
- **Qualified buildings** include:
 - Commercial buildings
 - Single-family residences
 - Multiunit housing buildings
 - Multiunit housing buildings with commercial space
 - Mobilehomes, manufactured homes or multifamily manufactured homes installed in accordance with Section 18613 of the Health and Safety Code.



Eligible Borrowers

Small businesses

- Employ 500 or less FTE **and**
- Own and occupy, or intend to occupy, a qualified building for the operation of the business.

Residential property owners

- An owner and occupant of a residential building that has been deemed hazardous and in danger of collapse in the event of a catastrophic earthquake **or**
- Qualified small businesses that own one or more qualified residential buildings, including a multiunit housing building.

Qualified commercial property owners

- An owner and occupant of a commercial building that is a qualified building **or**
- Qualified small businesses that own one or more qualified commercial buildings.



Seismic Retrofit Construction

- **Seismic retrofit construction** means alteration performed **on or after January 1, 2017**, of a Qualified building or its components to substantially mitigate seismic damage.
- **Seismic retrofit construction** includes, but is not limited to, all of the following:
 - Anchoring the structure to the foundation
 - Bracing cripple walls
 - Bracing hot water heaters
 - Installing automatic gas shutoff valves
 - Repairing or reinforcing the foundation to improve the integrity of the foundation against seismic damage
 - Anchoring fuel storage
 - Installing an Earthquake-Resistant Bracing System for mobilehomes registered with HCD *or the enforcement agency*.



Ineligible Costs - Cannot be Included in Enrolled CalCAP Loans

- Maintenance and correction of code violations **unrelated to the seismic retrofit construction;**
- Repairs, including **repair of earthquake damage;**
- Seismic retrofit construction required by local building codes as a result of addition, repair, building relocation, or **change of use or occupancy;**
- **Other work or improvement required** by local building or planning codes **as a result of the intended seismic retrofit construction;**
- **Rent reductions** or other associated compensation, **compliance actions**, or other related coordination involving the property owner or small business and any other party, including a tenant, insurer, or lender;
- **Replacement of existing building components** except as needed to complete the seismic retrofit construction;
- **Bracing or securing nonpermanent building contents;** and
- The offset of **costs, reimbursements, or other costs** transferred from the qualified residential property owner or qualified small business to others.

How Does the CalCAP/Seismic Safety Loan Program Work?

Borrower provides lender:

- local certification
- cost estimate
- permits

Lender makes a small business/residential loan

Lender deposits fees from lender and borrower in LLR

Lender sends enrollment application to CalCAP/Seismic Safety Program

If approved, loan enrolled & CPCFA contributes deposit into lender LLR account

Lender account deposits are pooled to be used for loan loss claims

CalCAP/Seismic Safety recaptures CPCFA's contributions

CalCAP/Seismic Safety Loan Contribution Rates

(Enrolled Loan term is 60 months or less)

Contribution Rates	
2%-3.5%	Lender contribution
2%-3.5%	Borrower contribution – matches Lender contribution
8%-14%	CalCAP/Seismic Contribution is 4 times Lender contribution
4%-7%	Severely Affected Community (SAC) Contribution is 2 times Lender's contribution
16%-28%	Maximum Total Contribution deposited into LLR
12%-21%	CalCAP/Seismic Safety recapture at maturity or 60 months whichever is first
4%-7%	Amount remaining in LLR after recapture



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CalCAP/Seismic Safety Loan Contribution Rates

(Enrolled Loan term is 61-120 months)

Contribution Rates	
2%-3.5%	Lender contribution
2%-3.5%	Borrower contribution – matches Lender contribution
6%-10.5%	CalCAP/Seismic Contribution is 3 times Lender contribution
2%-3.5%	Severely Affected Community (SAC) Contribution is equal to the Lender's contribution
12%-21%	Maximum Total Contribution deposited into LLR
8%-14%	CalCAP/Seismic Safety recapture at maturity or 120 months whichever is first
4%-7%	Amount remaining in LLR after recapture



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Other Borrower Resources



California Earthquake Authority's

○ Brace and Bolt Program

- <https://www.earthquakebracebolt.com/>
- Registration is open through **February 27, 2017**.



City of Oakland's *FEMA Grant Funding*

- **Earthquake-Safe Homes Program** for owner-occupied 1-4 unit homes.
 - <http://www2.oaklandnet.com/government/o/hcd/s/HousingRepairRehabPrograms/OAK059369>
 - Applications are due by **February 17, 2017**.
- **Safer Housing for Oakland Program** for apartment buildings of 5 or more units with 2 or more stories built before 1991 that have a "soft story".
 - <http://www2.oaklandnet.com/government/o/hcd/s/HousingRepairRehabPrograms/OAK059370>
 - Applications are due by **February 24, 2017**.

Ongoing Community Outreach and Lender Engagement

Banking

- CA Mortgage Bankers Association
- CA Bankers Association
- CA Community Banking Network
- Existing CalCAP lenders

Local Government/Business

- League of California Cities
- City of Los Angeles
- City of San Francisco
- City of Oakland
- Association of Bay Area Governments
- Chambers of Commerce
- CA Association of Counties

Real Estate/Property Owners

- CA Association of Realtors
- Western Manufactured Housing Communities Association
- CA Apartment Association

State Agencies

- CA Seismic Safety Commission
- CA Earthquake Authority
- CA Housing Finance Agency
- CA Department of Insurance
- CA Housing and Community Development
- Division of State Architect

Program Management Team

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Additional Information or Questions?

Visit CalCAP/Seismic Safety webpage at:

<http://www.treasurer.ca.gov/cpcfa/calcap/seismic/summary.asp>

Visit CalCAP webpage at:

<http://www.treasurer.ca.gov/cpcfa/calcap/index.asp>

Visit CPCFA webpage at:

<http://www.treasurer.ca.gov/cpcfa/>

Please send all questions to CalCAP Inbox at:

CalCAP@treasurer.ca.gov



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CPCFA's CalCAP Programs

- ❖ **CalCAP Seismic Safety Loan Program:** For small businesses and building owners to upgrade the seismic safety of their residential and commercial real estate.
- ❖ **CalCAP for Small Business:** Perfect for working capital, start-up costs, and other typical credit needs.
- ❖ **CalCAP Americans with Disabilities Act Financing Program:** For mom-and-pop businesses to make accessibility retrofits.
- ❖ **CalCAP Electric Vehicle Charging Station Financing Program:** For businesses wanting to install EV chargers for their employees or customers. Borrowers may be eligible for a rebate after 48 months.
- ❖ **Collateral Support Program:** Provides a different kind of credit enhancement for borrowers with strong business plans who lack sufficient collateral.
- ❖ **CalCAP Air Resources Board (ARB) On-Road Heavy-Duty Vehicle Air Quality Loan Program:** For owners of small fleets to finance the purchase or retrofit of heavy-duty diesel trucks driven primarily in California to comply with the State's engine emission standards.



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We will now take questions for the presenter.

**Please type your question in the Q & A
dialogue box in the lower right hand of the
screen.**