

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
CalCAP Program Staff Summary
Meeting Date: December 12, 2017

Request for Approval to Allocate and Transfer \$100,000 from the Small Business Access Fund Account to the California Americans with Disabilities Small Business Capital Access Loan Program Reimbursement Account, to facilitate reimbursements of Certified Access Specialist Report costs for the CalCAP/ADA Program

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Summary. Staff requests approval to transfer \$100,000 from its Small Business Assistance Fund (“SBAF”) Account to the California Americans with Disabilities Act (“ADA”) Small Business Capital Access Loan Program (“CalCAP/ADA Program” or “CalCAP/ADA”) Reimbursement Account, to facilitate reimbursements for the Certified Access Specialist (“CAsp”) Report costs for the CalCAP/ADA Program. The transfer is necessary to allow CPCFA to incentivize participation in the CalCAP/ADA program.

Background. The California Pollution Control Financing Authority’s (“CPCFA” or “Authority”) mission is to promote access to capital through the delivery of diverse financing options to California. In 1994, the Legislature authorized CPCFA to develop and implement the California Capital Access Program (“CalCAP”), a credit enhancement program to provide loss reserve funding to participating lenders making qualifying loans to California small businesses. Assembly Bill 1230 (“AB 1230”), passed by the legislature and signed by Governor Brown in October 2015, provided CPCFA a one-time \$10 million appropriation to create the CalCAP/ADA Program. Permanent regulations implementing the new credit enhancement program based on the CalCAP model, specifically for private lending supporting physical alterations, retrofits, signage and other improvements to small business facilities to increase access and comply with the ADA, were approved by the Office of Administrative Law (“OAL”) and filed with the Secretary of State on May 8, 2017.

Assembly Bill 1553, passed by the legislature and signed by Governor Brown in October 2017, expanded the definition of small business for the purposes of the ADA program to include businesses with less than \$5 million in total gross annual income, and authorized CPCFA to use SBAF monies to incentivize participation in the CalCAP/ADA loan loss reserve program. Regulations to implement the current statutory changes will be filed with OAL by December 31, 2017.

The SBAF fund maintained by CPCFA is used primarily for offsetting the cost of bond issuances incurred by qualifying small businesses. Prior to receiving federal funding, CPCFA also used the SBAF monies to support the contributions for loans enrolled in its CalCAP for Small Business Lending Program. The revenue into the fund is established by fees paid by large businesses requesting allocation for tax-exempt bonds through CPCFA.

Current CalCAP/ADA regulations require that small businesses obtain a Certified Access Specialist (“CAsp”) Report in order to qualify for a CalCAP/ADA loan to ensure that the loan proceeds are being used for tenant improvements necessary for compliance under the ADA. Depending on the

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type of facility, accessibility experts report that the cost of a quality CASp Report can range from \$1,000 to \$3,000.

With the intent to offset the costs for small businesses that are trying to become ADA compliant while also trying to prevent an overcharge of the CASp report cost, CPCFA proposes to limit the reimbursement amount of the CASp report to a maximum of 5% of the enrolled loan amount. The maximum loan amount eligible for enrollment in the CalCAP/ADA Program is \$50,000.00 and as such the maximum CPCFA reimbursement amount for a CASp report cannot exceed \$2,500.00

The current balance in the SBAF fund is approximately \$ \$13.7 million as of November 1, 2017. Based on current bond program project flow for small businesses, and corresponding revenues from large business issuances, CPCFA staff estimates that the transfer amount associated with reimbursements for CASp reports would not represent a disproportionate draw on the SBAF funds and would not impact the availability of SBAF funds for small businesses seeking reimbursement for the costs of bond issuances.

The amount of SBAF funds proposed to be allocated for the reimbursement of CASp report is \$100,000.00. If all loans to be enrolled the CalCAP/ADA Program would be for the maximum eligible amount of \$50,000.00, the proposed allocated SBAF funds could be used to reimburse 40 loans. In the event all the SBAF funds allocated for CASp report reimbursement would be used, CPCFA would request an additional amount of SBAF funds based on accurate data that is currently not available. If the funds are not fully expended by the termination of the CalCAP/ADA Program, they will be returned to the SBAF fund.

Recommendation. Staff recommends approval of Resolution No. 17-02-003 to authorize staff to transfer \$100,000 from the Authority's Small Business Assistance Fund to the CalCAP/ADA Reimbursement Account, to facilitate reimbursements for the CASp Report cost for the CalCAP/ADA Program.

RESOLUTION NO. 17-02-003 OF THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY APPROVING THE TRANSFER OF \$100,000 FROM THE SMALL BUSINESS ACCESS FUND ACCOUNT TO THE CALCAP/ADA REIMBURSEMENT ACCOUNT TO FACILITATE REIMBURSEMENTS OF CERTIFIED ACCESS SPECIALIST REPORT COSTS FOR THE CALCAP/ADA PROGRAM

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WHEREAS, the California Pollution Control Financing Authority (“Authority”) is authorized under Health and Safety Code section 44548 to establish one or more small business assistance funds to fund a capital access program for small businesses;

WHEREAS, the Authority is authorized under Assembly Bill 1553 (effective January 1, 2018) to make nonreimbursable payments from other moneys to participating borrowers to offset all or a portion of the reasonable costs of architectural inspections obtained from a person who is certified as an access specialist pursuant to Section 4459.5 of the Government Code; and

WHEREAS, the Authority would like to incentivize participation in the California Americans with Disabilities Small Business Capital Access Loan Program (“CalCAP/ADA”) by facilitating reimbursements for the Certified Access Specialist Report costs for CalCAP/ADA;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The Authority hereby authorizes the transfer of \$100,000 from the Authority’s Small Business Assistance Fund to the CalCAP/ADA Reimbursement Account, to make reimbursements under the CalCAP/ADA Program.

Section 2. The Chair, Executive Director, and Deputy Executive Director are each hereby authorized and directed, jointly and severally, to take such actions, including executing and delivering any documents, which he or she deems necessary or advisable to effectuate the purposes of this Resolution and the transactions contemplated herein.

Section 3. This resolution shall take effect immediately upon its approval.