CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
CALIFORNIA CAPITAL ACCESS PROGRAM (CalCAP)
Meeting Date: March 20, 2012
Small Business Assistance Using Federal State Small Business Credit Initiative Fund

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Summary. On February 17, 2011, CPCFA was awarded approximately $84M in State Small Business Credit Initiative (SSBCI) funds by the U.S. Department of the Treasury. SSBCI approved programs that help small businesses attain capital. CalCAP is able to utilize the Federal SSBCI funds as an approved participating State program. CPCFA intends to submit a request to Treasury to approve a shift of the awarded funds to include a Collateral Support Program and a Loan Participation Program. Emphasis in these programs will be placed on promoting energy efficiency projects and assisting businesses in “severely affected communities” (as defined in CPCFA statute and CalCAP regulation).

Background. The SSBCI funds awarded to California totaled approximately $168M and are split between CPCFA and Business, Transportation, and Housing (BT&H). The funds have been approved to facilitate CPCFA’s Capital Access Program (CalCAP) and BT&H’s Loan Guarantee Program. CPCFA has received the first third of its share of the award. Per SSBCI guidelines, 80% of the first disbursement must be utilized prior to the receipt of additional funds. Since CPCFA and BT&H share the total Federal award, this 80% requirement must be met by both before either can receive additional funds. As of December 31, 2011, BT&H has reported using $5,152,994 of its allotted funds and, as of February 29, 2012, CalCAP has used $1,825,299 of its allotted funds. Per the SSBCI guidelines, the allocated funds must be used by May of 2017. CalCAP continues to build on the Program’s success through the enrollment of new lenders and expanded Program use by existing lenders. However, some of the large regional and national banks that have indicated an interest have not yet become active in the Program. Without broader participation in the Program, it is uncertain whether CalCAP will be able to use the full allocation.

Proposal. Staff proposes the development of two new programs, consistent with SSBCI standards and CPCFA statute, in an effort to utilize these Federal funds prior to the deadline.

A Collateral Support program would provide up to 50% coverage on: construction loans for energy efficiency/environmental improvement projects; interim support for “Commercial Property Assessed Clean Energy (PACE)” loans; support for CPCFA qualified bonds; and qualified small business loans. The collateral support would be pledged to cover the collateral shortfall of a loan in order to enable financing that might otherwise be unavailable.
A PACE Loan Participation Program would help combat the challenges Commercial PACE programs face when raising capital that would ultimately be paid back from the sale of a bond. By creating support for a loan/assessment pool, the perceived risk to lenders will be reduced and it will be easier to create the needed capital at an affordable rate for borrowers.

**Next Steps.** Staff is developing a proposal to submit to the Treasury for the addition of these two programs to the SSBCI approved participating State programs. Upon approval of the amended application, Treasury expects implementation of the programs within 90 days. Staff will also continue to develop and refine the parameters of the proposed programs so they will be ready to launch within the 90 day timeline. CalCAP will continue to report on progress with the proposals and will bring action or approval items to the Board as needed.