

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
PRESENTS:
THE SEISMIC SAFETY FINANCING PROGRAM WEBINAR
NOVEMBER 16, 2016**

>>Janae Davis: Good morning. We are having technical difficulties, obviously. We want to run a test to see if we are working. Okay, we are live. We are going to start over for everybody.

I apologize to those here. Please let us know if there are other technical issues. There are housekeeping items we would like to mention. There is a workshop with attendees in the audience and remote online.

We have live captioning available for today's program. The link to the sign on link is on the first page of the presentation.

Attendees are here for the remainder of the presentation, but if you would like to ask a question, type the inquiry into the webinar control panel and staff will address it during the question and answer session at the conclusion of the presentation. At that time if you have a question you would like to pose orally, press the raised hand button on the side of the control panel and staff will selectively un-mute you to address your question. Attendees from the audience have the opportunity to ask questions during the questions-and-answer session.

If for any reason you feel your question would be better addressed on an individual basis, we welcome your inquiries.

For those of you online, if you require technical assistance please utilize the question section of the control panel and staff will address your concerns at the earliest convenience.

We appreciate staff's help with the audio concerns taken care of already. On behalf of the California Capital Access Program (CalCAP), I would like to introduce our newest program, the California Seismic Safety Capital Access Loan Program, or CalCAP Seismic Safety for short. My name is Janae Davis, the CPCFA Manager for Outreach and Strategic Development. With me is Elena Miller, the CPCFA Deputy Director. Other team members in attendance this morning are Program Managers Doreen Smith and Jason Bradley and CalCAP Program Analyst Lauren Ross.

Today we introduce our new credit enhancement program that will assist residential property owners and small businesses in financing seismic retrofits for their buildings that have been certified by their local authority as an in danger of collapse in the event of a catastrophic earthquake.

The focus of our presentation is on the draft regulations, which we plan to take to our board next month in preparation for filing with the Office Administrative Law soon thereafter. If all goes as expected, the program will be up and running January 1st, next year.

We have provided you with contact information and e-mail addresses for the CalCAP Seismic Safety management team. Our team includes Reneé Webster-Hawkins, Elena Miller, Doreen Smith, Bianca Smith and myself. Please don't hesitate to reach out with questions you may have.

In developing the regulations presented today, staff collaborated with a number of state agencies and stakeholders including the California Earthquake Authority, the Department of Insurance, the Seismic Safety Commission, the Department of Housing and Community Development (HCD) and the Division of the State Architect, as well as local government and associations throughout the state.

We have a robust agenda today. We planned the presentation to run for an hour, depending on the questions and comments at the end.

In our presentation, we'll cover the history of CPCFA and how our small business programs works under CalCAP. Elena will talk about what assembly member Nazarian hopes to accomplish through the legislation he authored to support the new CalCAP program. We'll talk about the guiding statute SB 837 and what it authorizes. We'll identify terms contained in the statute and in our draft regulations, what costs can and can't be financed under the program, and how eligible costs will be verified.

We'll also talk about the mechanics of enrolling a loan in the CalCAP Seismic Safety Program.

We'll introduce our proposed loan loss reserve contribution structure as well as provisions for recapturing the CalCAP Seismic Safety contributions in order to make funding available for future loans. Elena will finish the portion of the presentation by discussing the borrower and lender certification requirements for this program and how they differ from other programs.

We'll share the timeline for next step in the regulatory rule making progress, outreach and program implementation efforts. We have provided time for you to ask questions and make comments about the presentation today. We encourage you to share the draft regulations with other interested parties, and we will be available to answer any questions after today's workshop if you e-mail the CalCAP inbox, which I'll remind you about at the end of the presentation.

Now, I will present a little about the history of CPCFA and CalCAP background information about CPCFA and why we are running the program. CPCFA was founded in 1973 to serve as a conduit bond issuer for tax exempt bonds for private companies

engaging in pollution control activities such as recycling, waste water treatment and water furnishing projects that have a public benefit.

In the 1990's, the legislation authorized CPCFA to create and offer grant and loan programs to help clean up and remediate brownfield and underutilized properties depending upon the availability of funding to us. Most importantly in this program, in 1994, our authority was expanded to create and implement the California Capital Access Program to all credit enhancement to incentivize banks and other lenders to lend to small businesses. CalCAP has proven to be a powerful program.

We have offered a small business program since 1994. We also offer special programs targeted to benefit small business owners such as owners of heavy duty diesel trucks to upgrade their trucks to newer cleaner models.

We also offer a program to help support small businesses that want to install electrical vehicle charging stations. Additionally, we have a program that will help businesses with ADA compliance.

At the end of 2015, CPCFA has enrolled 23,000 loans in the various CalCAP programs, incentivizing over \$2.2 billion of investments of private capital in California small businesses.

Now I'll talk about how the CalCAP program works. Our CalCAP model offers small businesses loan incentives as an alternative to SBA loans and other government programs.

Here's how it works.

Small businesses apply for a loan from their participating lender, banker or community development lender. If the business has a lender it generally works with that's not enrolled in our program, it's easy for the lender to do so by contacting our staff or the business can reach out to the small business lending institution.

Once the business has applied for the loan, the lender will do the underwriting and credit approvals. If they decide to enroll the loan in the CalCAP program the small business and lender will each pay a small fee. The fee is deposited into a loan loss reserve fund that will be maintained for the lender.

On the business's behalf, the lender will fill out an enrollment application and ask the borrower to sign a certification that the loan will be used for eligible small business purposes. The lender will submit the enrollment application to CalCAP.

After CalCAP reviews the loan application, a percentage of the total loan amount will be deposited in the loan loss reserve account for the lender. Under the usual scenario, the borrower pays off the loan and never hears from CalCAP again. The more the

lender enrolls, the larger the loan loss reserve grows. In the rare event that the borrower defaults on a loan, the lender may tap into the reserve fund to reimburse itself for losses such as unpaid principal balances and responsible cost after liquidating collateral in attempting to collect from the borrower and reasonable costs after attempting to collect from the borrower.

And now I'll hand it over to Elena to talk about the CalCAP Seismic Safety Program and the legislation that authorized it.

>>Elena M. Miller: Thank you, Janae. To give you some background on SB 837, this bill originated as legislation written by Adrin Nazarian, California Assembly Member. It became SB 837 and was signed by Governor Brown on June 25, 2016. What the new law does is that it allocates to CPCFA CalCAP program a \$10 million one-time appropriation to fund the Seismic Safety Capital Access Loan Program.

This program incentivizes private loans as does the other CalCAP programs; however, this one is unique. It adds a new component for CalCAP that we have never had before. It offers residential owners the chance to participate in the program through their lender.

Specifically, SB 837 authorizes seismic safety for buildings, buildings that are in need of retrofit because they are in danger of collapse, and the statute identifies these buildings as a priority for this program. They are listed as soft story buildings, unreinforced brick and concrete.

We want everyone to know, if they are not familiar with the term "soft-story" building, we've become familiar with it. It includes most buildings in California, wood frame structures included. This will include a broad spectrum of structures that will be likely eligible for this program.

In addition to these building types, the program shall include mobile homes, another unique lending opportunity for CalCAP and specifically mobile homes that are registered with the California Department of Housing and Community Development. That is how the statute is written. Please take a look at our draft regulations. We have added language to include enforcement agency. That refers to the local enforcement agencies where local government has opted out of the state housing and community development programs to do local enforcement of mobile homes of licensing and registration. But we would like to hear from the stakeholders; they're experts in the field of mobile homes so that they would let us know if that's something they would want or not in the draft regulations.

In addition, this program will be an integral component to the seismic safety retrofit for multi-unit dwellings. These are housing buildings. They are a priority because they are in many cases vulnerable, and in the event of an earthquake.

We expect the program to accommodate the need for multi-unit dwelling seismic safety retrofit.

Giving you additional information here, recognizing we have lenders, we have local government, state government and potentially borrowers on the phone, so bear with me as I dig into specific terms for everyone's awareness to understand the uniqueness of the CalCAP program.

The first term is seismic retrofit construction. It's important that everyone understands this means specifically any alterations performed on or after January 1, 2017, for a qualified building or component to mitigate seismic damage.

This is not meant or intended to be discouraging to anyone that may know they have to make seismic retrofits, they may be in the process--that's not the intent.

We want to be sure that everyone understands that the law requires that any funds enrolled in the program that are eligible costs are cost incurred after January 1, 2017. Another term that's important is seismic retrofit construction defined in statute and repeated in the draft regulations.

It includes but not limited to all of the following, we have taken it directly from the statute: anchoring the structure to the foundation, bracing cripple walls, bracing hot water heaters, installing automatic gas shutoff valves, repairing or reinforcing the foundation, anchoring fuel storage and installing earthquake resistances bracing for mobilehomes. We are adding and proposing draft regulations or the enforcement agency.

Another important term for everybody's awareness in our regulations is the term "eligible project". We have taken from the statute and defined the term to mean seismic retrofit construction that is necessary to ensure that the qualified building is capable of mitigating seismic damage. The qualified building definition we've added for the statute, it means a building in California we have added including mobile homes and another term here, or manufactured homes.

This is what we want to hear from the experts in mobile homes and manufactured homes. We have limited knowledge and have looked at the statute. We understand that the term "mobile home" is distinct from manufactured home determined by year built. We think that it will add value to the programs to make the broadest available access to the program so we are adding the term manufactured home and we also added multiunit housing building.

The next part of this definition is another key point for everyone's awareness, this term requires the statute be certified for the jurisdiction in which the building is located, specifically as hazardous and in danger of collapse in the event of a catastrophic earthquake. Recognizing some local governments namely, Los Angeles and San

Francisco, already have soft story retrofit programs. They've already contacted building owners, have created a list of buildings that need to be retrofitted. That's one end of the spectrum. On the other end, there are small businesses without ordinances in place. We want to accommodate both instances. The word "certified," it will be easier with a letter in hand from the local government.

If you are a homeowner, property owner, business owner and you don't have a letter, you can go to your local building code enforcement and request the letter, and the key terms are highlighted here.

Now we are getting into terms we have added to the draft regulations that were not found in the statute.

The first is "soft story building." We have defined this term in the broadest way we think we could do so and still have it be defined. Specifically the draft regulation defines the term of a multistory building with the lowest story or ground level having large openings of irregular configurations and less structure than the one or more stories above and where the permit to construct with applied for prior to 1991. We have looked at a wide ordinance. We tried to craft a definition to create the circumstances where the term is specifically defined and also not defined. We have been specific in one term that is prior to 1991, that is in reference to title 24 of the California Building Code Standards. The standards were modified in 1988 and in 1991 there were changes made that were enacted specifically to address retrofits. We have put that date in again. These are draft regulations.

We would like to hear from the experts.

I think I have raised this point already, where local governments have their own ordinances. If we missed a point, please let us know. On to the next term that we've defined in our drafted regulations which is registered mobile home.

I've said this already, we have added the term or manufactured home and added or the enforcement agency. Those are the two additions to what was found in statute. For everybody's awareness, people want to know if they are eligible to participate. The lenders want to know how to identify if a borrower is eligible. These are key terms for everyone's awareness. Qualified homeowner means owner or occupant of a qualified building or a residential qualified building.

We want to let everyone know that this term, qualified residential property owner should be looked at in conjunction with the definition for qualified small business as well as one we added for qualified commercial property owner. We want to make sure everybody is eligible. We think we have turned out a wide enough net. The first two terms are from the statute. We have required that the borrower certify in regulation that they are a small business. If you are new to the program, this case, this statute means a business that employees 500 or fewer full-time employees. We believe if you are the

owner, for example, of an apartment building or multiunit building, you will be eligible to be self-certified as a small business. We have added qualified commercial property owner as a defined term. It's not in the original statute. We have done that because we have looked at building codes local and state.

There are distinctions specifically distinguishing commercial and residential properties. We have provided a draft regulation to define the term here. It is duplicative of the statutory definition for qualified residential owner, an owner or occupant of a commercial building of a qualified building or small business with one or more commercial buildings, including a building that's a qualified building.

The next term we go to is "qualified loan." We have adapted this term taking largely from the statute, with you we have modified. This is a term found in our CalCAP program. Because the Seismic Safety Program allows it to be made for qualified property owners, we had to add that to the definition for a qualified loan. Also highlighted for your awareness is that in this program, individual lenders can enroll a loan up to \$250,000. That's a large loan, larger than our other programs, specifically the most recent ADA. That is by borrower.

Also new to the program, the loan loss coverage period of time which I'll explain in further detail shortly, is for a maximum of ten years. The lender has the option of enrolling the individual loan in the loan loss program for ten years.

This is an additional draft regulation term for your awareness, though not in the enabling statute for this program. We have taken from our CalCAP program and added into the draft program definition for cost estimate, meaning specifically a written proposal or estimate of the eligible costs of materials, services and other expenses identified to complete the seismic construction for each project provided by an engineer, architect or licensed contractor. We are hearing from property owners.

We recognize some property owners have engaged engineers or architects. We want to make sure that everyone understands a cost estimate is required, but the expenses incurred for example by hiring an engineer or architect, for them to be enrolled in the loan loss coverage program must be incurred after January 1st, 2017. That brings us to the definition of eligible costs. I have highlighted those points for you. The next slide is a rather long list. We wanted everyone to have this to refer to.

Bear with us. I will not read each one but we wanted you to be able to refer back to this. This list is taken from the statute.

We have not altered it in anyway. These are the ineligible costs, things the lender can't put into a loan and enroll our coverage program. We can't have loans for corrections of any violations, earthquake damage previously been done to the building from prior earthquakes, other work or improvements required by local planning or building code

enforcement. We recognize when inspectors come out to look at the building specifically for retrofits, there may be other things in the local building enforcement. I want to highlight for you a large book of CalCAP lending programs. We think if there are specific instances of a commercial building meeting ADA retrofits. If not enrolled we have an ADA program, other small business lending opportunities.

This is an opportunity to have a conversation one-on-one with the lender and potential borrowers as well. The loan program does not allow loans for rent reduction, nonpermanent building content, the bracing or securing of those and replacement of building components except those needed.

Our program is a CalCAP program which has a long history of positive relationships with our lenders. The lenders realize this is not an onerous or burdensome process on them. That's because we have a verification process that's been in place for years and we are duplicating that for the new program. Specifically to verify eligibility of costs the small business or property owner must provide the lender with certification that the building is in danger of collapse in the event of a catastrophic earthquake, a cost estimate prepared by an engineer, architect, or licensed contractor all applicable licenses or permits needed for the seismic retrofit construction.

When you review our draft regulations, we have not specified when the permit must be obtained in relation to the loan disbursement by the lender. We have not done so with respect to the lender but this is an opportunity soliciting comments from the lender and other interested stakeholders to let us know if you think we need to include in our draft particular language to when the licenses and permits must be provided to the lender.

The last point here is, a total loan amount can exceed the cost of the item or work or project identified in the cost estimate. It's just that the amount enrolled in our CalCAP Seismic Safety Program is limited to eligible costs for seismic retrofit reduction and can't exceed \$250,000 per borrower.

The next slide is similar to the one that Janae provided earlier. It's been customized particular to the CalCAP Seismic Safety Program.

I want to highlight that we have already in the CalCAP program an option for lenders to prequalify loans for eligibility. This does not reserve the right to receive the CalCAP contribution, but it gets you in line. I raise this point now because we have \$10 million, it's a one-time allotment as I stated earlier. We believe there is going to be an excessive need across the state for this program.

We want to highlight to existing lenders or also new or potential lenders that we have a process in place. Specifically for this program, the borrower will provide to the lender certifications or cost estimates and the lender and the borrower engage in discussions about the loan. The lender will make a loan for building. Once that is done, the lender

will deposit fees from the borrower into the account maintained by the lender. That is done in tandem with the lender sending an enrollment to us at the CalCAP Seismic Safety Program. If approved, at that time the contribution is deposited into the lender account. Each lender has their own lender account. They are pooled so all amounts go to one account for the individual lender. Once the loan matures, I'll speak more about this in a in a moment, CalCAP will recapture just the contribution made by CPCFA into the loan loss reserve account.

Now I have spoken about this briefly, but it's worth mentioning again to highlight. Loan enrollment is defined in our draft regulation. It's specific to terms and conditions between the borrower and the lender. What we are saying here in this draft regulation is negotiations of interest rate, fees and other conditions are determined by the participating financial institution, the lender and the borrower. We have added new language in this definition. That specifically is the terms and conditions shall be consistent with the lenders usual methods for making determinations on loans not enrolled in the CalCAP Seismic Safety Program and subject to the safety and soundness found in federal banking regulations or state law regulating the lender.

The next four slides are specific examples for everyone's awareness. We realize some participants in this webinar may want further explanations, so please don't hesitate to follow up with us and ask. What we have done in this program is, because the original statute, or the enabling statute allows this program to have loan losses enrollment coverage up to ten years, we wanted to add a component that would improve or increase the amount of loans that we can enroll in the program. With that in mind, what we have done is we have added an incentive.

This slide specifically addresses loans enrolled for 60 months or less. Again, these are loans enrolled in our program. The term of the loan written by the lender for the borrower can be many more years, but this is the lender's choice of how long to enroll the loan in the program.

The lender chooses the time period of how long to enroll the loan in our loan loss reserve program. So if the lender chooses to enroll the loan for five years or less or 60 months, these are the terms defined in the regulation. The lender will contribute 2% to 3%. The borrower matches that, again 2.5% to 3%. The contribution made by CPCFA will be four times the lender's contribution. This is a generous contribution. You see the range of 8%-14%. If the building is located in a Severely Affected Community, we have an additional bonus of adding two times the lender contribution, CPCFA drawing from the \$10 million account will add 4% to 7%. You have the possibility of the CPCFA contribution being between 12% and 21%. And the maximum total contribution deposited being 16% to 28% of the total loan amount. Once the loan matures or at 60 months in this case, CPCFA will recapture the 12% to 21% deposited, and the amount deposited for the lender for the lender and borrower contribution, 4% to 7% will remain in the loan loss reserve account.

As loans continue to be written, that money will grow and that's the pool of loan loss coverage for the individual lender. We were required to do this in the statute. This enables us to have an evergreen program. We realize there are thousands and thousands of buildings throughout the state just in Los Angeles, there are 8500 buildings identified. We want to be sure there are funds for the program to be around for a while. This is our best effort to do that.

The next slide is specifically to those loans that the lender chooses to enroll in our program for 61 months up to the maximum ten years allowed or 120 months allowed in the statute.

The lender and borrower contributions are the same, 2% to 3.5%, but in this program, for the longer enrollment period we are offering three times the lender contribution. So that gets us to 6% to 10.5% for CPCFA's contribution and if the building is located in a Severely Affected Community, we are offering an equal or one time the lender's contribution. In other words, the CPCFA contribution would be between 8% to 14%, and the maximum contribution is 12% to 21%, distinguishing maximum, if the loan is enrolled for five years or less, it's up to 28% of the total loan amount. If it's between five years or more, up to ten, the maximum is 21%. As stated before, once the loan matures, or at ten years, CPCFA will recapture the contribution range of 8% to 14%. The lenders' and borrowers' contribution will remain 7% to 14%, in the account.

We wanted to provide specifics, with hypotheticals so you can see the dollar amounts. What we have done on this slide, we are envisioning a loan enrolled on the program for 60 months or less. The loan enrolled is for the maximum amount of \$250,000. Assuming that the lender contributes the maximum of 3.5%, you will see that, that dollar amount is \$8,750 from the lender. The borrower matches at 3.5%. That adds another \$8,750. The CalCAP Seismic Safety contribution is four times or (3.5%) three and a half percent for a total of 14% and a dollar amount of \$35,000. If the building is in a Severely Affected Community, you get two times the lender's contribution or 7%, and an additional \$17,500 which brings the total contribution to \$52,500 or 21%. The recapture contribution occurs at 60 months or less. The total deposit amount will be \$70,000. Taking the \$52,500 from CPCFA and adding the \$17,500. The \$17,500 is what will remain in the account for the lender.

The next slide, sticking with our same terms but changing this to address the circumstances if a loan is enrolled for a term of 61 months to 120 months, you see the same amount for the lender and borrower contribution. Here the CalCAP Seismic Safety contribution is three times the amount of the lender contribution, 10.5% or \$26,250. Again, assuming the building is in a Severely Affected Community, there's additional 3.5% or one time lenders contribution which adds another \$8750 to the count and the total dollar amount by CPCFA is \$35,000. That would be recaptured at the 120 month term, and remaining in the account would be the 7% contributed from the lender for the lender and borrower contribution, and that would be the \$17,500.

Drawing the comparison, the previous example, the total amount deposited into the loan loss reserve account is \$70,000 for loans five years or less. For loans five years to ten years, the amount deposited would be \$52,500.

My last two slides are hopefully important take-aways for borrowers and lenders for everyone's awareness. CalCAP operates efficiently. We are a lean team here within CPCFA. We continue with existing staffing with the new program. The way we are going to continue to operate efficiently is because we will, like in our other programs, rely on certifications made by both the borrowers and the lenders. This allows us to expedite the approvals the loan applications that come in from the lenders and we have a limited amount of paper work. That's a good thing in government. This is a soft-touch approach that we have done for years, since the inception of the CalCAP program in 1994, so we will be continuing that with our new program in Seismic Safety.

This slide gives you an idea of what the borrower must self-certify to the lender. This is what the lender requires the borrower to provide them, the address and the type of building. The lender will need to certify to CPCFA if it's in a Severely Affected Community. The borrower will report the number of employees to verify they have less than 500 employees. They'll verify the business receiving the loan is a qualified small business or property owner. The last certification that we have highlighted for you, the proceeds of the qualified loan, the borrower must certify that they'll be used for eligible costs of a project for retrofit construction on a qualified building. Those are all terms I have gone through.

The lender will take the self-certification from the borrower and provide it to CPCFA. The lender specifically will certify to CPCFA on their applications that the borrower provided a cost estimate, the borrower has provided all of the applicable licenses and permits for construction, and we have added two additional components to the program in the draft regulation.

The lender's methods of securing collateral have been applied including, if applicable, a lien on the building for the amount of the qualified loan, and we have added that the qualified loan is not a restructured or refinanced loan and has not previously been enrolled in the program.

Now I turn it back to Janae.

>>Janae Davis: I'll talk about the dates we have ahead of us.

Our plan following the webinar workshop is to hold a webinar or lender call for the lenders where we talk about the Seismic Safety Program and work on the agenda to cover housekeeping and end of the year informational items that we would like to talk about. We are planning for lender webinar to take place on November 29th and today we are working on the time for that. We hope to have a notice out by the end of the week.

We would like all informal comments on the draft regulations we have presented today by noon on November 30th so we can make any changes that are recommended and we consider before posting our emergency rule making December 6th, so the enrollment period ends November 30th.

We are planning to post an updated portion, if there are changes that need to be made to rule making, on December 6th. Then we plan to seek approval of emergency rule making package at our Board meeting on December 13th.

Following the meeting, we plan to file the rulemaking package in the Office of Administrative Law. At this point, the five day formal comment period will open through the Office of Administrative Law. The comment period will close December 19th on those regulations we have filed with the Office of Administrative Law.

If all goes as planned, the Office of Administrative Law would file emergency regulations with the Secretary of State on December 27, 2016, allowing us to begin enrolling lenders and train participating financial institutions on January 1, 2017.

We anticipate a full winter and spring public outreach based on the enthusiastic response we received during our initial stakeholder outreach. We have had offers of webinars and press opportunities to spread the word about our new program.

We realize that we have provided a lot of detailed information today. We encourage you to read through the CalCAP Seismic Safety draft regulations if you haven't already done so. A PDF version can be accessed at the link provided on this page, and the statute and informational updates are also available on our web page. We'll post the slides of this presentation this afternoon or as soon as we can get them on to the web page which we hope to do today.

Following today's webinar you are welcome to post questions and comments about the regulations at our CalCAP inbox also listed here. And now I would like to open the question portion of the presentation up for questions. Lauren, are there any questions you received?

>>Lauren Ross: The first question is how many mobile homes are registered with HCD?

>>Elena M. Miller: The answer to that is I do not know. We met with them only once and the challenge that they have is some local governments out of state opted out of HCD enforcement. They simply don't know how many would qualify and they did not provide us with that number. The question asked is: how many mobile homes are registered with the housing settlement?

>>Lauren Ross: Is it possible that a project with a different building plan would be

excluded by CalCAP or by a lender?

>>Elena M. Miller: Since the statute distinguishes different building types, is it possible a different building type would be excluded by the lender or CalCAP?

I suppose it's possible. The sense I was given is that the term "soft-story building" is broadly defined and can include so many type of structures in addition to single family dwellings and multiunit dwellings that are wood structure or cement. It is possible, but I encourage any building owner to call us and ask.

Then we can become an expert in that particular instance.

>>Janae Davis: I would add in reading the regulations, if you see something that might be excluded, to bring it to our attention at this point so we can consider it as part of drafting the regulations.

>>Elena M. Miller: As I stated, the definition we drafted for soft story building was intended to be broad and include single-family dwellings with portions on the side of a hill that extends out.

That would qualify as a soft-story building, but also a residence in San Francisco that has parking on the ground level, so we have written it broadly. We did not do what other cities did in their ordinances. We did not limit to the number of units. We did not limit to the number of stories.

We didn't put a minimum or maximum on either, hoping the definition is broad enough.

Please let us know if we have it wrong or should change it.

>>Lauren Ross: Does CalCAP require reimbursements to banks regarding benefits they are to provide to lenders?

>>Elena M. Miller: I'm not sure I understand the question. Can you repeat it?

Does CalCAP make requirements or recommendations to banks regarding the discount or benefit they are to provide to lenders?

Elena M. Miller: So, CalCAP has been around for a long time. The draft regulations that are put out are the particulars of what we require from borrowers and lenders in the program. There is an existing statute and regulations to the CalCAP program.

I'm not sure what the question is getting at, but I think I want to reiterate the point I made earlier which is, this is a soft-touch program, the CalCAP program. The CalCAP Seismic Safety regulations follow in that model. We don't place a lot of requirements on the lenders other than those provided in the regulations.

>>Janae Davis: I also would like to add we leave our underwriting opportunities and criteria up to the lender. That's between the lender and borrower, and we hope the lenders look at the individual credit of the borrowers before making a decision on underwriting the loan.

Elena M. Miller: Let me just dispel a misconception that we have heard from both local government as well as property owners that have been calling us and who have heard of us through their local government. There is a misunderstanding among those that contacted us that this program will mandate interest rates provided by the lenders. There is no authority in this statute that requires us to mandate interest rates. That's not what the CalCAP model has ever done. I have received phone calls from people that were surprised that the interest rates weren't fixed low or below market. I explained that point to them. I hope that answers the question.

If I have not answered the question, I encourage the person asking that question to contact me.

>>Janae Davis: We do have one program with an interest rate cap, which would be the ARB program. That's something required by the Air Resources Board and not something we require. It's part of our agreement with the Air Resources Board. That's the only program with interest rate caps. If that helps any.

>>Lauren Ross: Next question, if I own a house or apartment building but do not occupy it, am I eligible?

>>Elena M. Miller: So that goes to the definition of qualified commercial property and qualified small business and qualified residential. I would defer to the draft regulations and definitions provided first and foremost, but it sounds like if it is the property owner of an apartment building, that apartment building should fall into one of those definitions, whether it's a small business being run by the individual property owner, or a qualified commercial property, and that is something that only that individual would know based on the property tax. We didn't want to interfere or get snarled in local or state distinctions of particular buildings. What we have attempted to do is make sure anybody would be eligible. We encourage you again to call us, let us know your specific circumstances and test us. That's the purpose of this informal rule making conversation we are having right now.

Before we put the draft regulations out, we want to hear from everybody.

>>Lauren Ross: Next question, would a single story residential home with continuous perimeter foundation for example, stem walls crippl walls be allowed in this program?

>>Elena M. Miller: It's possible. It's important to note that the single story building can be a soft-story building. In that case the example given are the facts provided, it sounds

like it may not be. Maybe I don't know enough. Did they say if it's a wood frame, Lauren?

>>Lauren Ross: No.

>>Elena M. Miller: Single story residences, concrete or reinforced masonry, but if they are wood structure, they have to have a soft story component to them. Let me add that this program by statute does not allow any grant funds that would be received by a property owner to then be financed in the loan. Let me be more specific and say, residential property owners in certain identified zip codes throughout the state might be eligible for the California Earthquake Authority's Brace and Bolt Program. That Brace and Bolt Program offers a small grant to individual resident owners of a few thousand dollars. It is possible that a resident would be eligible for the Brace and Bolt Program and soft story program.

I want everyone to know, if you are a residential property owner, they are two distinct programs, and our statute doesn't allow you to enroll in the loan any grant dollars you received from the other state agency I stated or there might be other government grant programs out there. We are not aware of any currently. There have been some historically. That's a long answer to a specific question. We would like to know more. Don't hesitate to call us. Look at the regulations, consider what they say, look at the facts and let us know.

>>Lauren Ross: We have one last question. Is foundation replacement eligible if it's in such poor condition that repair alone would not substantially mitigate the earthquake hazard?

>>Elena M. Miller: Well, possibly. The question is, is it foundation replacement eligible if the foundation is so badly damaged it needs to be replaced.

I'm giving the weak answer of, it's possible because of the way the statute regulations are drafted, and we are referring to the building enforcement to certify that the building is in danger of collapse. That property owner of that building, if they haven't talked to the local building code enforcement office-that should be their first point of contact because they will need the certification from their local building code enforcement official detailing that the building is in danger of a building collapse, in this case the foundation is severely damaged. If damaged occurred from a prior earthquake, the facts will be more complicated. In that instance, we would want to hear more. This program by statute is not intended to be available to repair old earthquake damage. It's about the prevention of the loss of property and loss of life in the event of future catastrophic events. That's the purpose of the statute.

Any other questions? No. Any questions from the attendants in the room? Do you mind coming up here?

>>Sheila Dey: My name is Sheila Dey. I work for the Western Manufactured Housing Communities Association. I have a few comments about the way the regulations are drafted dealing with who would be the person that would certify if the mobile home needs to be eligible for the program. I think there is a misunderstanding. HCD is the organization or governmental body that registers all of the homes. Then they have enforcement authority over a vast majority of the parks and the homes, and they now are 66 local enforcement agencies in the entire state. Those local enforcement agencies do not register the homes but HCD does. What they do is inspect the homes. We need to fix that in the regulations. I'll be happy to help you with that.

>>Elena M. Miller: You are the first person to help us with that. We'll work with you.

>>Sheila Dey: I have a meeting this afternoon, so I'll talk to them about this.

>>Elena M. Miller: You are my new best friend. Thank you so much for being here.

>>Sheila Dey: Happy to.

>>Elena M. Miller: Anybody else? Feel free to talk and sit, we can turn that one microphone on.

>>Fred Turner: I'm Fred Turner with the Seismic Safety Commission. I just got the regs this morning. Do you have a place you are defining unreinforced brick?

>>Elena M. Miller: No, but if you think we ought to, please tell us. We have not done so because we are not engineering experts. We thought that the term -- unreinforced brick is taken from the statute.

>>Fred Turner: It's not in the regs.

>>Elena M. Miller: It's in the slide identifying the priorities of SB 837.

>>Fred Turner: How are you communicating the priorities to participants?

>>Elena M. Miller: In the regulation where we identify the program.

>>Fred Turner: So where in the regulations is unreinforced brick used?

>>Elena M. Miller: Unreinforced masonry is in the general definition. Actually, it's not in regulation because we have not defined the term. We have defined "qualified building" and we left it with the certification being done by the local building code enforcement.

>>Fred Turner: So how would someone know that it's priority?

>>Elena M. Miller: The priority is not for the borrower. It's for the program to know when the lender submits the loan application what type of building it is, so the lender will certify to the type of building. We would love to know if we need to be specific, but we tried --

>>Fred Turner: If it's a priority, it probably ought to be discussed in some way. Where are you including soft story other than in the definitions?

>>Elena M. Miller: In the definition.

>>Fred Turner: How is that being communicated as a priority?

>>Elena M. Miller: In the certification section in the back when you talk about lenders and borrowing certifying for the loan to be enrolled in the program. That's when the type of building will be identified.

>>Fred Turner: Can you point that to me, please? I'm not trying to accuse. I'm trying to help you shoe a horn sinking in.

>>Elena M. Miller: I understand. I'm reading the rest now.

>>Fred Turner: There are complications with both concrete and unreinforced brick. I can get into those briefly if you want.

>>Elena M. Miller: We could talk offline. What you are seeing here in our certifications from borrowers and lenders is duplicative with adding in safety, CalCAP program and other additional terms. Because we at CPCFA do not have additional staff, we do not have staff with building knowledge and we are not collecting data and we are not required to report to the legislature, we are asking for the building to be certified. It's required to be certified by local government, and local government is driving priorities, and it's reported to us in that certification of what the building type is.

>>ted Turner: Alright. There may be some ways you could facilitate that perhaps. Maybe we could work offline.

>>Elena M. Miller: Certainly.

>>Fred Turner: There are roughly 10,000 unreinforced masonry buildings previously retrofitted. One of the concerns is whether previously retrofitted buildings can be reinforced again.

>>Elena M. Miller: Let's have a more focused conversation but there is guidance in the statute. There is a long history of local ordinances and state ordinances trying to tap into certain sectors of certain types of buildings, and we can't become experts on what has been done in the past.

>>Fred Turner: There might be building officials that can find that.

>>Elena M. Miller: I have been telling local government in our outreach and content we have received, if you have had a previous program, whether it was a requirement that the building be retrofitted or in the case of one central coast city I will not name for not wanting to embarrass them, but they did send out letters to their central, historical downtown corridor. The letters told the building owners that those buildings were in danger of collapse because they were unreinforced masonry and most of the buildings collapsed.

That was an important launching point in my awareness in having that conversation with the official to say, when the statute tell us that the local building code enforcement has to certify and the borrower has to have the certification to get the loan enrolled in the CalCAP program, that is wholly at the control of local government what that certification is. We have done as soft of a touch as possible. We have included having conversations of whether we even ought to have a definition of soft story in regulation because we need to 100% rely on certification at the local level.

>>Fred Turner: There may be ways to identify priorities and not tie your hands or the lender's hands. In a similar vein on page -- it's the hard copy page five, I don't know if it's important to determine qualifications. I think you can delete the term local linked to enforcement because it's a building code enforcement authority. If you have local in there and tied the HCD hands, that's a minor thing.

>>Elena M. Miller: I agree with you. That word is in the statute.

>>Fred Turner: It's the local authority and they are comfortable with that, then?

>>Elena M. Miller: We are waiting to get comment.

>>Fred Turner: Or you can say or HCD to be absolutely clear. It may not be clear to a building official or -- a building official may have difficulty certifying that the mobile home not within their jurisdiction is in fact collapsed.

>>Elena M. Miller: They can't. There is a number saying the local can't do that.

>>Fred Turner: You can do clarification to clean that up.

>>Elena M. Miller: That would take care of that problem. Perfect.

>>Fred Turner: Do you have a certification form that you are generating.

>>Elena M. Miller: No. We are not. We want to make it easy as possible. We'll need to know it's from local building enforcement so we want letter head.

>>Fred Turner: You may want to ask the California Building Officials to generate one for you as a model.

>>Elena M. Miller: A model document.

>>Fred Turner: So each building department doesn't have to contact their city attorney or county attorney and reinvent the wheel. I think we could help with a model form. They can modify it, but it's a recommendation from the organization.

>>Elena M. Miller: As long as it's not in rulemaking. We can include it.

>>Fred Turner: One more definition down soft story building, how are you defining "large?" Is it large relative to the stories above?

>>Elena M. Miller: I have not defined large. I have scoured engineering publications on this topic and took that term from one of the publications.

>>Fred Turner: It's not regulatory.

>>Elena M. Miller: You suggest we take the term large out?

>>Fred Turner: One point is you may have difficulty with someone getting tied up in this definition.

>>Elena M. Miller: Okay.

>>Fred Turner: We can talk offline about that. I would like to hear what other insights you have. There are two standards in the California Building Code that define soft story and extreme soft story. There are two definitions that preexist the statute. I don't see why you can't use predefined definitions. Perhaps you have gone down that --

>>Elena M. Miller: I have gone down that rabbit hole and I have done so with a chart of all the local ordinances and I was stunned that we created the chart at how wide of a variety. They have not copied each other. They have gone out on their own and done their own definition for soft story.

>>Fred Turner: They were trying to narrow the scope of their own program. What you want is the broadest definition and the broadest legal definition is in the building code. There may still be some merit -- you want an upper limit. Some local governments have a much narrower definition because they want to tackle certain soft story buildings in their jurisdiction. From your standpoint, what you want is a different motivation.

You don't want to finance a loan or guarantee a loan by reserves for a building that arguably would never be considered soft story by anyone. I think there is an upper

definition. I can work with you offline and send you those. I think I may need to think about the dynamics you are up against that are different than preexisting ordinances.

>>Elena M. Miller: Right. Thank you. I appreciate all of your comments. Let me add, what we are trying to do with the appropriation is leverage it into hundreds of millions of dollars of improvement to buildings so we don't have health and safety issues after major earthquakes, and also so we don't have losses of housing. We already have a housing crisis in the state.

The reality of our program, we are a loan program. The situation requires a borrower taking out on the low end range, \$30,000 upwards of a couple of hundred thousand dollars to retrofit the building, but they have to commit to the debt which is different from local government --

>>Fred Turner: Trying to consider the interest of the building official and write the certification.

He or she could quickly understand what your limits are without getting into a lot of fine points as well and would save them a great deal of time. I think we can probably figure out ways to deal with unreinforced masonry or brick.

I think that's the big issue and a couple of minor things I mentioned.

>>Elena M. Miller: Thank you. Please be in touch. Janae talked about how we'll be doing outreach in the New Year. Once we get through the rulemaking, I see there will be a need to go to some events where we have the type of building sector officials to give them a presentation specifically about the program. Thank you so much.

Anything else? Seeing no hands in the room, we are adjourned. Thank you, everybody.