

II. Program Participation Requirements

A. Overview

The California Capital Access Program (CalCAP) encourages banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing. The California Capital Access Program (CalCAP) is administered by the California Pollution Control Financing Authority (CPCFA).

CalCAP may provide up to 100% coverage on certain loan defaults. By participating in CalCAP, lenders have available to them a proven credit enhancement to meet the financing needs of California’s small businesses.

| | Small Business/Individual Lending |
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| <p>Business and Loan Requirements</p> <p>☞ Full Text of CalCAP Regulations can be found in Chapter VIII.</p> | <ul style="list-style-type: none"> ▪ Maximum loan amount is \$5,000,000 with \$250,000 enrolled per borrower ▪ Loan proceeds may be used for alterations performed on or after January 1, 2017 of a qualified commercial or residential building or its components located in CA to substantially mitigate seismic damage. <ul style="list-style-type: none"> ✓ <i>‘Qualified Small Business’ means a business referred to in Section 44559.1(i) and (m) of the Health and Safety Code that owns, a Qualified building regardless of owner occupancy for the operation of the business.</i> ✓ <i>‘Qualified Residential Property Owner’ means either an owner of a residential building that is a Qualified building or a Qualified small business that owns one or more residential buildings, including a multiunit housing building, that is a Qualified building.</i> ✓ <i>‘Qualified Commercial Property Owner’ means either an owner of a commercial building that is a Qualified building or a Qualified small business that owns one or more commercial buildings that is a Qualified building.</i> ▪ Borrower has legal control of the facility for a term that is equal to or greater than the length of the enrolled loan, and assumes financial liability of the loan ▪ When the Qualified building is a mobilehome or manufactured home that it is currently registered with the Department of Housing and Community Development and the Borrower’s name on a current registration from the Department of Housing and Community Development for the mobilehome or manufactured home. |

Authorized Loan Types or Uses

☞ Full Text of CalCAP Regulations can be found in Chapter IX.

- Loan proceeds must be used for Eligible Costs of an Eligible Project for a Qualified Building as stated in 44559.14 (b) (1) (A-G) of the Health and Safety Code:
 - ✓ *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:
 - (1) Anchoring the structure to the foundation.
 - (2) Bracing cripple walls.
 - (3) Bracing hot water heaters.
 - (4) Installing automatic gas shutoff valves.
 - (5) Repairing or reinforcing the foundation to improve the integrity of the foundation against seismic damage.
 - (6) Anchoring fuel storage.(7) Installing an earthquake-resistant bracing system for mobilehomes that are registered with the Department of Housing and Community Development.
 - (8) Strengthen a building’s lateral load resisting system
 - ✓ *‘Eligible Project’* means Seismic retrofit construction that is necessary to ensure that the Qualified building is capable of substantially mitigating seismic damage, and the financing necessary to pay Eligible Costs of the project.
 - ✓ *‘Eligible cost’* means and includes all or any part, as defined in subdivision (b)(2) of Section 44559.14 of the Health and Safety Code, the costs paid or incurred on or after January 1, 2017, for an Eligible project, including any engineering or architectural design work necessary to permit or complete the Eligible project less the amount of any grant provided by a public entity for the Eligible project. “Eligible Costs” do not include costs paid or incurred for any of the following:
 - (1) Maintenance, including abatement of deferred or inadequate maintenance, and correction of violations unrelated to the seismic retrofit construction.
 - (2) Repair, including repair of earthquake damage.
 - (3) Seismic retrofit construction required by local building codes as a result of addition, repair, building relocation, or change of use or occupancy.
 - (4) Other work or improvement required by local building or planning codes as a result of the intended seismic retrofit construction.
 - (5) Rent reductions or other associated compensation, compliance actions, or other related coordination involving the qualified residential property owner or qualified small business and any other party, including a tenant, insurer, or lender.

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| | <ul style="list-style-type: none"> ○ (6) Replacement of existing building components, including equipment, except as needed to complete the seismic retrofit construction. ○ (7) Bracing or securing nonpermanent building contents. ○ (8) The offset of costs, reimbursements, or other costs transferred from the qualified residential property owner or qualified small business to others. <p>✓ ‘Qualified building’ means a residential or commercial building that is identified by the local building code official for the jurisdiction in which the building is located as a building in need of seismic retrofitting and is either a building type that is a potentially vulnerable in the event of a catastrophic earthquake or a building constructed before 1891.. A “Qualified building” may be a single-family residence, multiunit housing building, multiunit housing building with commercial space, or mobilehome, manufactured home, and multifamily manufactured home installed in accordance with Health and Safety Code 18613.</p> |
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B. Small Business Lending

The CalCAP Seismic Safety Financing Program (CalCAP/Seismic Safety) offers lenders a mechanism to provide loans to small businesses or individuals that may not otherwise qualify for a loan under conventional underwriting. With CalCAP, lenders are able to cover portions of loans that exceed the risk threshold normally set for business loans.



Loans may be used for Seismic retrofit construction that is necessary to ensure that the Qualified building is capable of substantially mitigating seismic damage, and the financing necessary to pay Eligible Costs of the project. Most Qualified residential and commercial property owners within California are eligible borrowers under the CalCAP/ Seismic Safety Program, with few exceptions noted below. Residential property owners qualify for this program.



The enrolled portion of the loan is limited to Eligible Costs necessary and allocable to the Eligible Project, as defined in 4 CCR §8078.15 (d) and (e). The Qualified Loan is not a restructured or refinanced loan and has not previously been enrolled in the Program.



Refer to the CalCAP Regulations §8070 and §8078.15 through §8078.21 as appended in Chapter VIII for full disclosure of eligibility and uses of loan proceeds. Contact CalCAP directly if you are unsure about the eligibility of a specific business type.

| Flexibility | Restrictions |
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| <ul style="list-style-type: none"> ▪ Lenders set all the terms and conditions of the loans and decide which loans to enroll into CalCAP. ▪ Lenders determine the fee levels to be paid by the borrower and lender (within the parameters of the Program). Fees are placed in the lender's loss reserve account as each CalCAP loan is enrolled. ▪ Loans can be short- or long-term, have fixed or variable rates, be secured or unsecured, and bear any type of amortization schedule. ▪ Lenders can enroll all or a portion of a loan. | <ul style="list-style-type: none"> ▪ Maximum loan amount is \$5,000,000, and the maximum enrollment amount per borrower is \$250,000. ▪ The borrower/ lender fees contributions must be between 2 and 3.5% of the enrolled amount, and they must be equal. ▪ CalCAP contributes a maximum of 14% of the enrolled amount (four times the lender contribution) (+ up to an additional two times the lender contribution if located in a Severely Affected Community) for loans enrolled with a loan term of 60 months or less. ▪ Loans may be insured by CalCAP for a maximum of 10 years (120 months) from the date of loan. ▪ The borrower must have legal control of the facility for a term that is equal to or greater than the length of the enrolled loan, and assumes financial liability of the loan. ▪ The borrower's building location must be in California as those terms are defined in 4 CCR §8070 (o) of the California Code of Regulations (CCR). ▪ The borrower's business must be in one of the industries listed in the North American Industry Classification System (NAICS) codes list. ☞ NAICS: http://www.census.gov/eos/www/naics ▪ The small business must be classified as a small business under U.S. Small Business Administration guidelines (Title 13 of the Code of Federal Regulations ☞ U.S. Small Business Administration Guidelines: https://www.sba.gov/ ▪ The Participating Financial Institution has not, and will not, enroll the same loan or portion thereof in any other government program substantially similar to the Program. ▪ Per California Health and Safety Code §44559.14 (d) (4), Qualified Loans may not be enrolled in any other Capital Access Loan Program for small business offered by CPCFA as long as funds are available for the CalCAP/ Seismic Safety Program. |