October 9, 2018

California Pollution Control Financing Authority
The California Capital Access Program
Notice of Emergency Regulations

The California Pollution Control Financing Authority ("CPCFA" or the "Authority"), organized and operating pursuant to Sections 44500 through 44563 of the Health and Safety Code, proposes to adopt emergency regulations after considering all comments, including objections and recommendations, regarding the proposed action.

Government Code section 11346.1(a)(2) requires that, at least five working days prior to submission of the proposed emergency action to the Office of Administrative Law, the adopting agency provide a notice of the proposed emergency action to every person who has filed a request for notice of regulatory action with the agency. After submission of the proposed emergency regulations to the Office of Administrative Law, the Office of Administrative Law shall allow interested persons five (5) calendar days to submit comments on the proposed emergency regulations as set forth in Government Code section 11349.6. Upon filing, the Office of Administrative Law will have ten (10) calendar days to review and make a decision on the proposed emergency regulations. If approved by the Office of Administrative Law, the emergency regulations will become effective immediately upon filing with the Secretary of State for one hundred and eighty (180) days. Within the 180-day effective period, CPCFA will proceed with regular rulemaking action, including a public comment period. The emergency regulations will remain in effect during the regular rulemaking action.

CPCFA proposes to adopt the emergency regulations in accordance with its authority under Health and Safety Code Section 44520(b). The proposed emergency regulations amends Article 7 Section §8078.3, §8078.8 and Section §8078.15 of Title 4 of the California Code of Regulations concerning the California Capital Access Program.Attached to this notice are the Finding of Emergency and proposed text of the emergency regulations. You may also review the Finding of Emergency and proposed text of the emergency regulations on CPCFA’s website at the following address: http://www.treasurer.ca.gov/cpca/index.asp. If you prefer to receive a hard copy of the proposed emergency regulations, please contact Lauren Ross at (916) 653-9249.
The proposed emergency regulations will be heard by the Authority at a public hearing on October 17, 2018 at 10:30 A.M. in Room 587 at 915 Capitol Mall, Sacramento, California 95814.

Sincerely,

[Signature]
Reneé Webster-Hawkins
Executive Director

Enclosures: Finding of Emergency
Proposed Text of Regulations

cc: Ravinder Kapoor, CPCFA Legal Counsel
Patricia Crowson, Treasury Program Manager II
Doreen Smith, CalCAP Program Manager
Bianca Smith, CalCAP Program Manager

RWH: ds/bs
FINDING OF EMERGENCY

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

Title 4, Division 11

Finding of Emergency

Pursuant to Section 44520 of the Health and Safety Code, the California Pollution Control Financing Authority (the “Authority”) proposes to adopt emergency regulations (the “Emergency Regulations”), which are by legislative mandate necessary for the immediate preservation of the public peace, health and safety, and general welfare.

Necessity

These Emergency Regulations are necessary to implement, interpret, and make specific the California Pollution Control Financing Authority Act (the “Act”). The reason for immediate changes to the Authority’s California Capital Access Program (“CalCAP”) regulations are to ensure that changes authorized through Assembly Bill 1547 (Quirk-Silva)(Statutes of 2018, Chapter 645)(“AB 1547”), signed by Governor Brown on September 21, 2018, are implemented in furtherance of the California Americans with Disabilities Small Business Capital Access Loan Program (the “CalCAP/ADA Program” or “CalCAP/ADA”) and the California Seismic Safety Capital Access Loan Program (the “CalCAP/Seismic Safety Program”). AB 1547 expands the definition of small business for the purposes of the CalCAP/ADA Program to include businesses that have 30 or fewer full-time equivalent employees, or have less than five million dollars ($5,000,000) in total gross annual income from all sources. For the purposes of the CalCAP/Seismic Safety Program, AB 1547 modifies the definition of a qualified building, and will no longer require a qualified small business or a qualified residential property owner to occupy a qualified building in order to be eligible under the program, thus authorizing a qualified loan under the program to be used to finance passive real estate ownership. The definition of a seismic retrofit construction was also amended by AB 1547 to include strengthening a building’s lateral load resisting system.

The emergency regulations will also change mistaken references in the CalCAP/EVCS Financing Program regulations. Upon the Board’s approval, staff will file the proposed amended regulations with the Office of Administrative Law (“OAL”) through the emergency and regular rulemaking processes.

All numerical dollar amounts, percentages, time-frames, and similar figures were determined to be necessary in the exercise of judgement of the Authority, balancing the needs of the program, lenders and borrowers.

Authority and Reference

1 The Act is codified at Health and Safety Code sections 44500 et seq. and Article 8 is codified at Health and Safety Code section 44559 et seq.
Informative Digest

Existing law establishes the Capital Access Program and authorizes the Authority to contract with specified financial institutions to make loans to eligible small businesses that may have difficulty obtaining capital. (Health and Safety Code, § 44559)

The proposed amendments to the CalCAP/ADA Program regulations allow the Authority to include provisions specific to the California Americans with Disabilities Act Small Business Capital Access Loan Program (“CalCAP/ADA Program”) and the California Seismic Safety Capital Access Loan Program (the “CalCAP/Seismic Safety Program”).

The proposed amendments to the regulations implement the change made in AB 1547 to modify the definition of a “small business” to include a business which has either a maximum number of 30 full-time employees OR which has a gross annual revenue of $5 million or less. This will align the program with federal tax credit requirements. It is anticipated that this modification will expand the number of businesses that qualify for loans under the CalCAP/ADA program, resulting in participating lenders having larger and more diverse loan portfolios.

Assembly Bill 1547 makes important changes to the CalCAP/Seismic Safety Program to assist borrowers and lenders with participation in the program. The proposed amendments to the regulations implement the statutory changes to modify the term “qualified building” to mean a residential or commercial building identified by the local building code official as a building in need of seismic retrofitting and either a building of a type that is potentially vulnerable in the event of a catastrophic earthquake or a building constructed before 1981; and to modify the definition of “Qualified small business”, “Qualified residential property owner”, and “Qualified commercial property owner” to no longer require the owner to occupy a qualified building in order to be eligible under the program. Thus, a qualified loan under the program can be used to finance passive real estate ownership. The proposed amendments to the regulations would also add strengthening a building’s lateral load resisting system to the definition of “Seismic retrofit construction” to conform to standard building industry language. It is anticipated that these modifications will expand the number of businesses that qualify for loans under the CalCAP/Seismic Safety Program, resulting in participating lenders having larger and more diverse loan portfolios.

The remaining non-substantive, technical changes make corrections to the regulations in CPCFA’s existing CalCAP/EVCS program.

The Authority has performed a search of existing regulations and has determined that the proposed regulations are not inconsistent or incompatible with existing state regulations.

The Proposed Amendments and Objectives for Each Section are as Follows:

§ 8078.3 Definitions.
This section defines terms commonly used throughout the regulations to avoid ambiguity or misunderstanding.

§8078.3(h) Corrects the reference to the “Program” definition provided in Section 8070 from 8070(p) to 8070(r).

§8078.3(i) Corrects the reference to the “Qualified Business” definition provided in Section 8070 from 8070(s) to 8070(t).

§8078.3(j) Corrects the reference to the “Qualified Loan” definition provided in Section 8070 from 8070(t) to 8070(u).

Necessity. The proposed amendments are necessary to make corrections to the regulations in CPCFA’s existing CalCAP/EVCS program.

§ 8078.8 Definitions.

This section defines terms commonly used throughout the regulations to avoid ambiguity or misunderstanding.

§8078.8(l) modifies the definition of a “small business” to include a business which has either a maximum number of 30 full-time employees OR which has a gross annual revenue of $5 million or less. This will align the program with federal tax credit requirements.

Necessity. The proposed amendments are necessary to include definitions specific to the CalCAP/ADA program and for consistency with the statutory changes.

§ 8078.15 Definitions.

This section defines terms commonly used throughout the regulations to avoid ambiguity or misunderstanding.

§8078.15(g) Modifies the definition of “Qualified building” to mean a residential or commercial building identified by the local building code official as a building in need of seismic retrofitting and is either a building of a type that is potentially vulnerable in the event of a catastrophic earthquake or a building constructed before 1981.

§8078.15(i) Removal of the occupancy requirement from the definition of a “Qualified small business” of a qualified building to authorize a qualified loan under the program to be used to finance passive real estate ownership.

§8078.15(j) Removal of the occupancy requirement from the definition of a “Qualified residential property owner” of a qualified building to authorize a qualified loan under the program to be used to finance passive real estate ownership.
§8078.15(k) Removal of the occupancy requirement from the definition of a “Qualified commercial property owner.”

§8078.15(n) Add strengthening a building’s lateral load resisting system to the definition of “Seismic retrofit construction” to conform to standard building industry language.

Necessity. The proposed amendments are necessary to include definitions specific to the CalCAP/ADA program and for consistency with the statutory changes.

**Other Matters Prescribed by Statutes Applicable to the Specific State Agency or to any Specific Regulation or Class of Regulations**

No other matters prescribed by statute are applicable to the Authority or to any specific regulation or class of regulations.

**Mandate on Local Agencies or School Districts**

The Authority has determined that the Emergency Regulations do not impose a mandate on local agencies or school districts.

**Fiscal Impact**

The Authority has determined that the Emergency Regulations do not impose any additional cost or savings to any state agency, any cost to any local agency or school district that is required to be reimbursed under Government Code section 17500 et seq., any other non-discretionary cost or savings to any local agency, or any cost or savings in federal funding to the State.
TEXT OF REGULATIONS

Title 4. Business Regulations
Division 11. California Pollution Control Financing Authority
Article 7. Capital Access Program for Small Businesses

§ 8078.3. Definitions.

In addition to the definitions in Section 8070, the following definitions shall apply only to the Electric Vehicle Charging Station Financing Program.

(a) “Borrower Rebate” means a payment made to a Borrower from the Participating Financial Institution's Loan Loss Reserve Account upon a valid claim made pursuant to Section 8078.7.

(b) “CEC” and “Energy Commission” means the California Energy Commission.

(c) “Disadvantaged Communities” means the top twenty five (25) percent of communities that are disproportionately affected by environmental pollution and socioeconomic characteristics as described by CalEnviroScreen 2.0 Tool.

(d) “Electric Vehicle Charging Station” or “EVCS” means an element in an infrastructure that supplies electric energy for the recharging of plug-in electric vehicles.

(e) “EVCS supply equipment” means equipment which meets the minimum technical requirements set by the Energy Commission as follows:

(1) Direct current fast chargers shall utilize:

(A) Either the CHAdeMO standard, or SAE combination standard, or a combination of both; and

(B) An open standard protocol for purposes of network interoperability.

(2) Level 2 charging equipment shall utilize:

(A) The SAE J1772 standard; and

(B) An open standard protocol for purposes of network interoperability.

(3) Open standard protocol is waived for medium- and heavy-duty EVCS supply equipment.

(f) “Eligible Project Costs” means the amount to pay for acquisitions and services necessary and allocable to the installation and operation of one or more EVCSs in the State of California as allowed by the Energy Commission, specifically:

(1) The design and development of EVCS in locations accessible to either the Borrower's employees, the Borrower's tenants if in an Multi-Unit Dwelling (MUD), or the public generally;
(2) The acquisition of EVCS supply equipment, electric panel or grid improvements, materials and supplies (including conduit and construction materials), signage, and hardware and software necessary and allocable for fully operational charging station(s);

(3) Labor necessary and allocable to install fully operational charging station(s); and

(4) The costs for operating, servicing and maintaining the EVCS during the term of the loan, if the Borrower's primary business is not EVCS installation, operation or manufacturing.

(g) “Multi-Unit Dwelling” or “MUD” means a classification of housing where multiple housing units are contained within one building or multiple buildings within a complex or community. Common types of MUDs include duplexes, townhomes, and apartments, mobile homes and manufactured-home parks.

(h) “Program” means the Electric Vehicle Charging Station Financing Program established pursuant to the Interagency Agreement between the Authority and the Energy Commission. Where the term “Program” is used in Sections 8078.3 to 8078.7, inclusive, the definition provided in this subdivision shall be used instead of the definition provided in Section 8070(pr).

(i) “Qualified Business” means any entity eligible under section Health and Safety Code section 44559.1(i) and (m) that together with its affiliates has 1,000 or fewer employees, and that is not dominant in its field of operation. Where the term “Qualified Business” is used in Sections 8078.3 to 8078.7, inclusive, the definition provided in this subdivision shall be used instead of the definition provided in Section 8070(st).

(j) “Qualified Loan” means a loan or a portion of a loan made by a Participating Financial Institution to a Qualified Business where the loan proceeds are for Eligible Project Costs for the installation and operation of one or more EVCS. “Qualified Loan” does not include any of the following:

(1) A loan for the construction or purchase of residential housing;

(2) A loan to finance Passive Real Estate Ownership;

(3) A loan for the refinancing of debt already held by the Participating Financial Institution other than a prior Qualified Loan enrolled under the Program, except to the extent of any increase in the outstanding balance;

(4) Any loan, the proceeds of which will be used to install EVCS at any of the facilities described in Section 8070(tu)(4)(A);

(5) Any loan or portion thereof to the extent the same loan or portion thereof has been, is being, or will be enrolled in any other government program substantially similar to the Program; and
(6) Any loan where the total amount or value of loans enrolled in the Program by the Borrower exceeds $500,000.

Where the term “Qualified Loan” is used in Sections 8078.3 to 8078.7, inclusive, the definition provided in this subdivision shall be used instead of the definition provided in Section 8070(tu).

(k) “Trustee” means a bank or trust company, or the State Treasurer, chosen by CPCFA from time to time to hold or administer some or all of the Program Accounts.

§ 8078.8. Definitions.

In addition to the definitions in Section 8070, the following definitions shall apply only to the California Americans with Disabilities Act Small Business Capital Access Loan Program, Sections 8078.8 to 8078.14 inclusive. To the extent the definitions contained herein conflict with definitions contained in Section 8070, the definitions in this section shall control for purposes of the California Americans with Disabilities Act Small Business Capital Access Loan Program.

(a) “Americans with Disabilities Act” or “ADA” means the federal Americans with Disabilities Act (42 U.S.C. Sec. 12101 et seq.) and amendments thereto.

(b) “Certified Access Specialist” or “CASp” means any person who has been certified pursuant to Section 4459.5 of the Government Code.

(c) “CalCAP/ADA Contribution” means the Contribution(s) made by the Authority from the California Americans with Disabilities Act Small Business Capital Access Financing Program Fund established pursuant to Section 44559.13(b)(2) of the Health and Safety Code.

(d) “CASp Report” and “CASp Inspection Report” means a written inspection report pursuant to Section 55.53 of the California Civil Code.

(e) “Cost Estimate” means a written proposal or estimate of the costs of materials, services and other expenses to complete some or all of the physical alterations or retrofits identified in the CASp Report, as provided by the CASp or by a licensed contractor.

(f) “Eligible Costs” means and includes all or any part, as defined in subdivision (b)(3) of Section 44559.13 of the Health and Safety Code, of the price of construction, purchase price of real or personal property, the price of demolishing or removing any buildings or structures, the price of all machinery and equipment, the amount of financing charges and interest prior to, during, and for a period not to exceed the later of one year or one year following completion of construction, as determined by the authority, the price of insurance during construction, the amount of funding or financing noncapital expenses, the amount of reserves for principal and interest and for extensions, enlargements, additions, replacements, renovations, and improvements, the price of engineering, financial, and legal services and other service contracts, the price of plans, specifications, studies, surveys, estimates, administrative expenses, and any other expenses of funding or financing, that are necessary and allocable to the eligible project, and shall not include
costs not directly related to physical alterations necessary for compliance with the Americans with Disabilities Act.

(g) “Eligible Project” means the physical alterations or retrofits to an existing small business facility as defined in subsection (l) necessary to ensure that the facility is in compliance with the Americans with Disabilities Act as identified in a CASp report on the facility, and the financing necessary to pay eligible costs of the project.

(h) “Program”, and “CalCAP/ADA Financing Program” and “CalCAP/ADA Program” and “CalCAP/ADA” mean the California Americans with Disabilities Act Small Business Capital Access Loan Program, established pursuant to the Section 44559.13 of the Health and Safety Code. Where the term “Program” is used in Sections 8078.8 to 8078.14 inclusive, the definition provided in this subdivision shall be used instead of the definition provided in Section 8070(p) of the California Code of Regulations Title 4, Division 11, Article 7.

(i) “Qualified Loan” means a loan or portion of a loan as defined in Section 44559.1 subdivision (j)(1) of the Health and Safety Code, where the proceeds of the loan or portion of the loan are limited to the Eligible Costs for an Eligible Project under this Program, where the loan or portion of the loan does not exceed fifty thousand dollars ($50,000), and where the term of loss coverage for each qualified loan is no more than sixty (60) months. “Qualified Loan” does not include any of the following:

1. Any portion of a loan to the extent the same portion thereof has been, is being, or will be enrolled in any other government program substantially similar to the Program; and

2. Any loan where the total amount or value of loans enrolled in the Program by the Borrower exceeds $50,000.

(j) “Recapture” means the withdrawal of CalCAP/ADA Contribution amounts on an annual basis when enrolled loans mature or after sixty (60) months from the date of enrollment, whichever occurs first. Recapture is not applicable for Contributions on charged off loans for which a claim has been approved.

(k) “Reimbursement” and “Reimbursement for CASp Report” mean the amount of all or part of the CASp Report cost reimbursed upon loan enrollment by the Authority to the Qualified Business. The Reimbursement shall not exceed 5% of the loan amount enrolled in the Program and is issued pursuant to Section 8078.10(h).

(l) “Small Business” or “Qualified Business” means a business referred to in Section 44599.1 (i) and (m) of the Health and Safety Code, that meets the following additional criteria:

1. FifteenThirty or fewer full-time equivalent employees; or

2. Less than five million dollars ($5,000,000) in total gross annual income from all sources; and

3. Does not provide overnight accommodations.
(m) “Small Business Facility” or “Facility” means an existing small business facility of less than 10,000 square feet plus common areas and publicly or privately owned access points such as sidewalks and parking lots, if responsibility for those areas has been shifted to the small business owner pursuant to local ordinance or an enforceable lease agreement.


§ 8078.15 Definitions.

In addition to the definitions in Section 8070, the following definitions shall apply only to the California Seismic Safety Capital Access Loan Program, Sections 8078.15 to 8078.21 inclusive. To the extent the definitions contained herein conflict with definitions contained in Section 8070, the definitions in this section shall control for purposes of the Program.

(a) “CalCAP/Seismic Safety Contribution” means the Contribution(s) made by the Authority from the California Seismic Safety Capital Access Loan Program Fund established pursuant to Section 44559.14(c)(1) of the Health and Safety Code.

(b) “Cost Estimate” means a written proposal or estimate of the Eligible Costs of materials, services, and other expenses identified to complete the Seismic retrofit construction for each Eligible project as provided by an engineer, architect or a licensed contractor.

(c) “Earthquake-Resistant Bracing System” means a bracing system, certified by the Department of Housing and Community Development, designed and constructed for the purpose of protecting the health and safety of the occupants and reducing damage in the event of an earthquake.

(d) “Eligible Costs” means and includes all or any part, as defined in Section 44559.14(b)(2) 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.

(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.

(e) “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.

(f) “Program”, “CalCAP/Seismic Safety Financing Program” and “CalCAP/Seismic Safety Program” means the California Seismic Safety Capital Access Loan Program established pursuant to the Section 44559.14 of the Health and Safety Code. Where the term “Program” is used in Sections 8078.15 to 8078.21 inclusive, the definition provided in this subdivision shall be used instead of the definition provided in Section 8070(p).

(g) “Qualified building” means 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 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 of a type that is potentially vulnerable in the event of a catastrophic earthquake or a building constructed before 1981. A “Qualified building” may be a single-family residence, multifamily housing building, multifamily housing building with commercial space, or mobilehome, manufactured home, and multifamily manufactured home installed in accordance with Section 18613 of the Health and Safety Code.

(h) “Qualified Loan” means a loan or portion of a loan as defined in Section 44559.1(j) of the Health and Safety Code or a loan made to a Qualified residential property owner, where the proceeds of the loan or portion of the loan are limited to the Eligible Costs for an Eligible project under this Program, and where the loan or portion of the loan does not exceed two hundred fifty thousand dollars ($250,000), and where the term of loss coverage for each qualified loan is no more than ten years. “Qualified Loan” does not include any of the following:

(1) Any loan or portion thereof to the extent the same loan or portion thereof has been,
is being, or will be enrolled in any other government program substantially similar to the Program; and

(2) Any loan where the total amount or value of loans enrolled in the Program by the Borrower exceeds $250,000.

(i) “Qualified small business” means a business referred to in subdivisions (i) and (m) of Section 44559.1 that owns and occupies, or intends to occupy, a Qualified building regardless of owner occupancy, notwithstanding the restriction on passive real estate ownership in subparagraph (B) of paragraph (2) of subdivision (j) of Section 44559.1, for the operation of the business, and that together with affiliates, having 500 or fewer employees.

(j) “Qualified residential property owner” means either an owner and occupant 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, notwithstanding the restriction on passive real estate ownership in subparagraph (B) of paragraph (2) of subdivision (j) of Section 44559.1.

(k) “Qualified commercial property owner” means either an owner and occupant 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.

(l) “Recapture” means the withdrawal of CalCAP/Seismic Safety Contribution amounts on an annual basis when enrolled loans mature or after one-hundred twenty (120) months from the date of enrollment, whichever occurs first. Recapture is not applicable for Contributions on charged off loans for which a claim has been approved.

(m) “Registered mobilehome” means a mobilehome or manufactured home that is currently registered with the Department of Housing and Community Development and the Borrower’s name is on the Department of Housing and Community Development registration for that mobilehome or manufactured home.

(n) “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 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 or manufactured
homes that are registered with the Department of Housing and Community Development.

(8) Strengthening a building’s lateral load resisting system.