



California Pollution Control Financing Authority

California Seismic Safety Capital Access Loan Program Public Workshop & Webinar *Draft Regulations*

Live caption link:

<https://www.streamtext.net/player?event=CPCFA>

November 16, 2016
Sacramento, CA



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Today's Agenda

- ❖ Welcome
- ❖ History of CPCFA & CalCAP
- ❖ What SB 837 Authorizes (2016, Nazarian)
- ❖ Important Defined Terms in Draft Regulations
- ❖ Verifying Eligible Costs for Qualified Loans
- ❖ How will the CalCAP/Seismic Safety Program work
- ❖ CalCAP/Seismic Safety loan enrollment
- ❖ CalCAP/Seismic Safety contribution rates
- ❖ CalCAP/Seismic Safety certifications
- ❖ Next steps: Important Dates



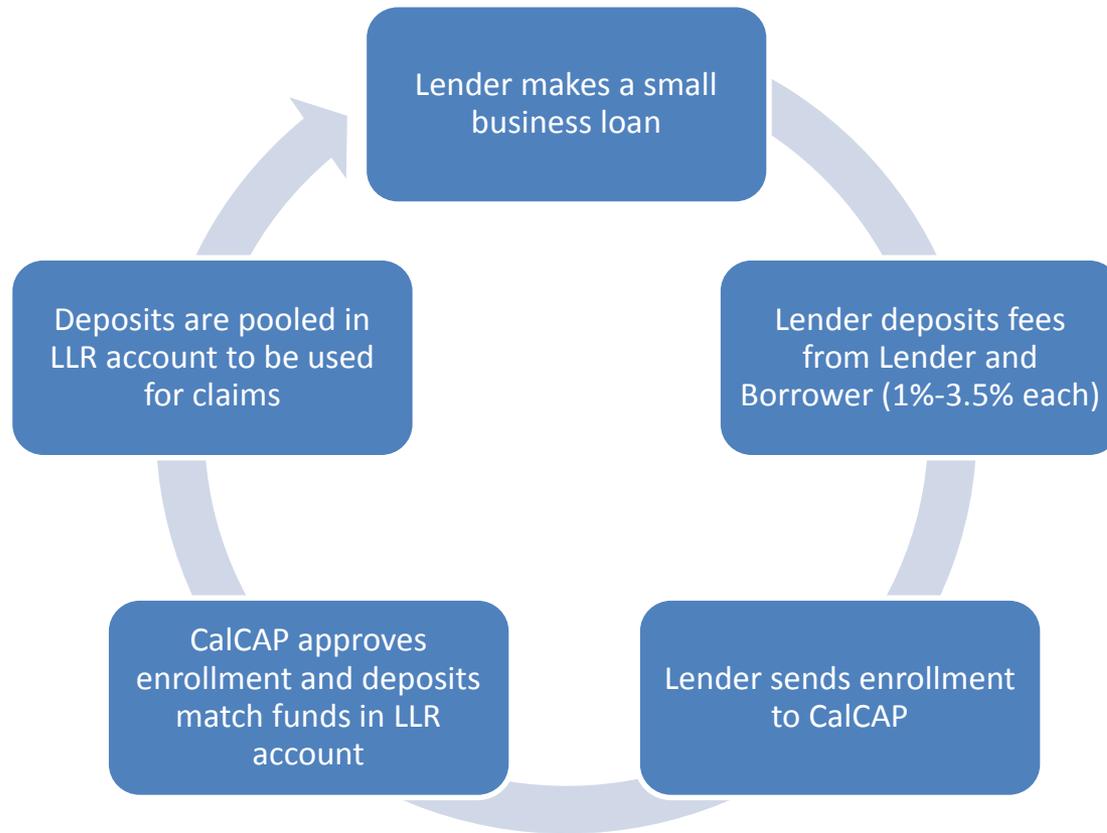
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History of CPCFA & CalCAP

- California Pollution Control Financing Authority (CPCFA) is a financing authority which stimulates environmental cleanup, economic development and job growth throughout the State via bonds, credit enhancements and grants.
- Founded in 1973, CPCFA originated as a conduit issuer of tax-exempt bond financing for private pollution control facilities serving a public benefit.
- Fees assessed on bond issuances to large businesses established the Small Business Assistance Fund (SBAF) enabling CPCFA to create additional innovative financing programs, including:
 - The California Capital Access Program (CalCAP), established in 1994 to establish loan loss reserve accounts for participating lenders, and;
 - Grants and loans for assessment and remediation of brownfield and infill development sites.

How Does CalCAP Work?



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What SB 837 Authorizes

- **Assemblyman Nazarian** drafted legislation that eventually became SB 837, signed by the Governor on June 25, 2016 (Health & Safety Code, Ch. 32, Section 44559.14).
- **\$10 million one-time appropriation** to CPCFA to fund the California Seismic Safety Capital Access Loan Program (CalCAP/Seismic Safety).
- CalCAP/Seismic Safety **incentivizes private loans** to residential property owners and small businesses to support seismic safety retrofits through loan loss coverage available to CalCAP/Seismic Safety participating lenders for loans enrolled in the Program.



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SB 837 Authorizes: Seismic Safety Building Priorities

➤ Pursuant to the statute, the CalCAP/Seismic Safety Program prioritizes the following building types:

- ✓ **Soft-story**
- ✓ **Unreinforced brick**
- ✓ **Concrete**

In addition to these building types, the Program shall include:

- **Mobilehomes** that are registered with the California Department of Housing & Community Development (HCD) *or the enforcement agency*
- **Multiunit Housing Buildings**



SB 837 Authorizes: Seismic Retrofit Construction

- **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:
 - Anchoring the structure to the foundation
 - Bracing cripple walls
 - Bracing hot water heaters
 - Installing automatic gas shutoff valves
 - Repairing or reinforcing the foundation to improve the integrity of the foundation against seismic damage
 - Anchoring fuel storage
 - Installing an Earthquake-Resistant Bracing System for mobilehomes registered with HCD *or the enforcement agency*.



Important Defined Terms in Draft Regulations

- **Eligible project:** Taking from the statute, “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.
- **Qualified building:** Means a building in California, including a mobilehome *or manufactured home and multiunit housing building*, 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.**



Draft Regulations: Soft Story Building & Registered Mobilehome

- **Soft Story Building:** A multi-story 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 was applied for prior to 1991.
 - We recognize that some local governments have their own ordinances defining this term. The draft language is intended to be broad enough to accommodate all circumstances, including where the local government has no such ordinances.
- **Registered mobilehome:** A mobilehome or manufactured home with a permit to locate, install, or reinstall obtained from the Department of Housing and Community Development or the enforcement agency.



In Statute and Draft Regulations: Qualified Residential Property Owner & Qualified Small Business

- **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.
- **Qualified small business:** Existing statute defines a Qualified small business to be one which owns and occupies, or intends to occupy, a Qualified building for the operation of the business.
 - The Borrower certification section of the regulations requires the Borrower to certify that the small business employs 500 or fewer full-time employees.



Draft Regulation: Qualified Commercial Property Owner

- **Qualified commercial property owner:** This term is not found in the Statute but is included in the draft regulations to accommodate local and State building designation standards. This draft regulation duplicates the statute definition for Qualified residential property owner by defining a Qualified commercial property owner to be 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, including a multiunit housing building that is a Qualified building.



Draft Regulation: Qualified Loan

- **Qualified Loan:** Adapting from the statute, the draft regulation defines “Qualified Loan” to mean a loan or portion of a loan as defined in subdivision (j) [of the Health & Safety Code] Section 44559.1 [pertaining to Qualified businesses] or a loan made to a **Qualified residential property** owner, where the proceeds of the loan or portion of the loan are limited to Eligible Costs for an Eligible project under this Program, and where the loan or portion of the loan does not exceed **\$250,000**, and where the term of loss coverage for each qualified loan is no more than **ten years**.



Draft Regulations: Cost Estimate & Eligible Costs

- **Cost Estimate:** This definition exists in current CalCAP program regulations and is duplicated in this draft regulation definition as, “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.
- **Eligible Costs:** From the statute, “Eligible Costs” means 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.



Ineligible Costs - Cannot be Included in Enrolled CalCAP Loans

- Maintenance and correction of violations unrelated to the seismic retrofit construction;
- Repair, including repair of earthquake damage;
- Seismic retrofit construction required by local building codes as a result of addition, repair, building relocation, or change of use or occupancy;
- Other work or improvement required by local building or planning codes as a result of the intended seismic retrofit construction;
- Rent reductions or other associated compensation, compliance actions, or other related coordination involving the property owner or small business and any other party, including a tenant, insurer, or lender;
- Replacement of existing building components except as needed to complete the seismic retrofit construction;
- Bracing or securing nonpermanent building contents; and
- The offset of costs, reimbursements, or other costs transferred from the Qualified residential property owner or Qualified small business to others.

Verifying Eligible Costs

- ❑ In order to verify eligibility of costs, the small business or property owner must provide their Lender with the following:
 - ✓ **Certification** from the local building code enforcement authority that the building is hazardous and in danger of collapse in the event of a catastrophic earthquake.
 - ✓ A Cost Estimate prepared by an engineer, architect or a licensed contractor, and that the Cost Estimate for Seismic retrofit construction to be financed is limited to Eligible Costs.
 - ✓ All **applicable licenses or permits** needed for Seismic retrofit construction.

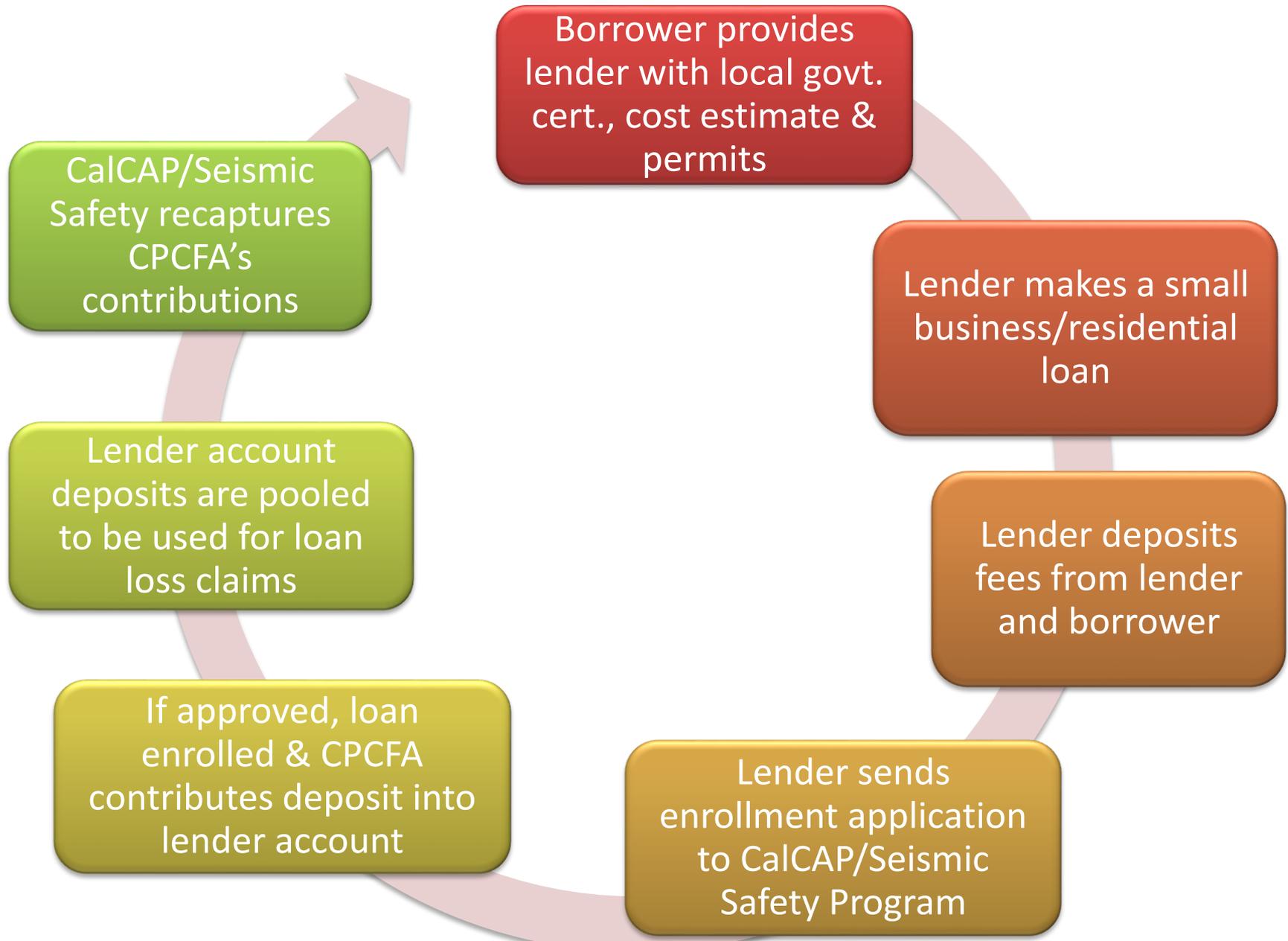
- ❑ Total loan **can exceed** the cost of items identified in the Cost Estimate; however, the amount enrolled in CalCAP/Seismic Safety Program is **limited** to Eligible Costs for Seismic retrofit construction and **cannot exceed \$250,000 per Borrower**.



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How Will the CalCAP/Seismic Safety Loan Program Work?



Draft Regulation Section 8078.17 *et seq.*: Loan Enrollment

- **Loan Enrollment** terms and conditions of Qualified Loans, including interest rates, fees and other conditions, shall be determined solely by agreement of the Participating Financial Institution (Lender) and the Borrower. The terms and conditions shall be consistent with the Lender's usual methods for making determinations on loans that are not enrolled in the CalCAP/Seismic Safety Program and subject to the safety and soundness standards found in federal banking regulations or State law regulating the Lender.



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Draft Regulation: CalCAP/Seismic Safety Loan Contribution Rates

(Enrolled Loan term is 60 months or less)

Contribution Rates	
2%-3.5%	Lender contribution
2%-3.5%	Borrower contribution – matches Lender contribution
8%-14%	CalCAP/Seismic Contribution is 4 times Lender contribution
4%-7%	Severely Affected Community (SAC) Contribution is 2 times Lender's contribution
16%-28%	Maximum Total Contribution deposited into LLR
12%-21%	CalCAP/Seismic Safety recapture at maturity or 60 months whichever is first
4%-7%	Amount remaining in LLR after recapture



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Draft Regulation: CalCAP/Seismic Safety Loan Contribution Rates

(Enrolled Loan term is 61-120 months)

Contribution Rates	
2%-3.5%	Lender contribution
2%-3.5%	Borrower contribution – matches Lender contribution
6%-10.5%	CalCAP/Seismic Contribution is 3 times Lender contribution
2%-3.5%	Severely Affected Community (SAC) Contribution is equal to the Lender's contribution
12%-21%	Maximum Total Contribution deposited into LLR
8%-14%	CalCAP/Seismic Safety recapture at maturity or 120 months whichever is first
4%-7%	Amount remaining in LLR after recapture



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Contribution Based on 3.5% Lender and Borrower Premiums

(Enrolled Loan term is 60 months or less)

Lender makes an \$250,000 CalCAP Seismic Safety loan to borrower

\$8,750

- Lender Premium = 3.5%

\$8,750

- Borrower Premium = 3.5%

\$35,000

- CalCAP Seismic Safety Contribution = 14%

\$17,500

- *CalCAP Seismic Safety SAC Contribution = 7%*

\$52,500

- Total CalCAP Seismic Safety Contribution = 21%

\$52,500

- *Recaptured Contribution at 60 mo. or less = 21%*

\$17,500

- Remains in Lender's LLR Account = 7%



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Contribution Based on 3.5% Lender and Borrower Premiums

(Enrolled Loan term is 61-120 months)

Lender makes an \$250,000 CalCAP Seismic Safety loan to borrower

\$8,750

- Lender Premium = 3.5%

\$8,750

- Borrower Premium = 3.5%

\$26,250

- CalCAP Seismic Safety Contribution = 10.5%

\$8,750

- *CalCAP Seismic Safety SAC Contribution = 3.5%*

\$35,000

- Total CalCAP Seismic Safety Contribution = 14%

\$35,000

- *Recaptured Contribution at 120 mo. or less = 14%*

\$17,500

- Remains in Lender's LLR Account = 7%



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CalCAP/Seismic Safety Certifications

Criteria	Borrower certifies to Lender/CPCFA	Lender certifies to CPCFA
Location of the Qualified building, including physical address	X	
Type of Qualified building, residential or commercial property, and number of dwelling units	X	
Whether the loan is for a building in a Severely Affected Community		X
If Borrower is a Qualified small business, number of full-time employees (FTEs) employed	X	
The business receiving the loan is a Qualified small business or Qualified residential property owner or Qualified commercial property owner	X	X

(Continued on next slide)

CalCAP/Seismic Safety Certifications - *Continued*

Criteria	Borrower certifies to Lender/CPCFA	Lender certifies to CPCFA
Proceeds of the Qualified Loan will be used for the Eligible Costs of an Eligible Project for Seismic retrofit construction on a Qualified Building	X	X
Borrower has provided Cost Estimate		X
Borrower has provided all applicable licenses or permits for construction related to retrofits		X
Lender's usual methods of securing collateral have been applied, including if applicable a lien placed on the Borrower's Qualified building for the amount of the Qualified Loan		X
The Qualified Loan is not a restructured or refinanced loan and has not previously been enrolled in the Program		X

Next Steps: Important Dates

- ❑ Webinar for Lenders – *November 29, 2016*
- ❑ Informal comment period on draft regulations ends – *November 30, 2016 at noon*
- ❑ Public Notice of emergency rulemaking is posted and comment period opens – *December 6, 2016*
- ❑ Staff Recommends Approval of emergency rulemaking package at CPCFA Board Meeting – *December 13, 2016*
- ❑ Staff files emergency rulemaking package with Office of Administrative Law and 5-day comment period commences – *December 13, 2016*
- ❑ Comment period closes – *December 19, 2016*
- ❑ *Office of Administrative Law files emergency regulations with Secretary of State – December 27, 2016*
- ❑ Enroll Participating Financial Institutions – *January 2017*
- ❑ Program Outreach – *Winter/Spring 2017*

Questions and Comments?

CalCAP/Seismic Safety Financing Program Draft Regulations:

<http://www.treasurer.ca.gov/cpcfca/calcap/seismic/regulations.pdf>

For Program updates visit CalCAP/Seismic Safety webpage at:

<http://www.treasurer.ca.gov/cpcfca/calcap/seismic/summary.asp>

Please send all comments and questions to CalCAP Inbox at:

CalCAP@treasurer.ca.gov



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