Financing Seismic Retrofits
New Program from CalCAP

February 9, 2017 | 11:00 a.m. (PST)

Presented by:
California Seismic Safety Capital Access Loan Program

California Mortgage Bankers Association and California Bankers Association Hosted Webinar

Reneé Webster-Hawkins
February 9, 2017
Sacramento, CA
Today’s Agenda

• History of the California Pollution Control Financing Authority (CPCFA) and the California Capital Access Program (CalCAP)

• What SB 837 Authorizes

• CalCAP Seismic Safety Loan Program

• Ongoing Community Outreach and Lender Engagement

• Program Management Team Contact Information

• CPCFA’s CalCAP Programs
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.

- CPCFA board members include: the State Treasurer, who serves as chair; the State Controller; and the Director of the Department of Finance.

- 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.
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.
CalCAP Seismic Safety Loan Program

- Emergency regulations became effective December 22, 2016.
- Financial institutions enrolled in the Program are eligible to enroll loans. It's easy for financial institutions to sign up to participate.
- Maximum enrolled loan amount is $250,000.
  - The total loan can exceed the cost of items identified in the Cost Estimate; however, the amount enrolled in the Program is limited to Eligible Costs for Seismic retrofit construction and cannot exceed $250,000 per Borrower.
- Qualified Loans are enrolled for no more than ten years. Program further incentivizes loans with coverage terms of 5 years or less.
- Lenders set all of the terms and conditions of the loans pursuant to their usual underwriting policies.
- Loans can be short or long-term, have fixed or variable rates and bear any type of amortization schedule.

(Continued on next slide)
CalCAP Seismic Safety Loan Program - Continued

- Lender, borrower and CPCFA each contribute to Loan Loss Reserve Account.
- When loan matures, CPCFA recaptures its portion.
- If loan defaults, lender follows its usual collection policy and then can make claim for the following losses:
  - Principal
  - Interest
  - Out-of-pocket costs associated with collection
Qualified Buildings

- **Qualified building** is defined as 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.

- **Qualified buildings** include:
  - Commercial buildings
  - Single-family residences
  - Multiunit housing buildings
  - Multiunit housing buildings with commercial space
  - Mobilehomes, manufactured homes or multifamily manufactured homes installed in accordance with Section 18613 of the Health and Safety Code.
Eligible Borrowers

Small businesses
• Employ 500 or less FTE and
• Own and occupy, or intend to occupy, a qualified building for the operation of the business.

Residential property owners
• An owner and occupant of a residential building that has been deemed hazardous and in danger of collapse in the event of a catastrophic earthquake or
• Qualified small businesses that own one or more qualified residential buildings, including a multiunit housing building.

Qualified commercial property owners
• An owner and occupant of a commercial building that is a qualified building or
• Qualified small businesses that own one or more qualified commercial buildings.

California Pollution Control Financing Authority
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.
Ineligible Costs - Cannot be Included in Enrolled CalCAP Loans

- Maintenance and correction of code violations unrelated to the seismic retrofit construction;
- Repairs, 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.
How Does the CalCAP/Seismic Safety Loan Program Work?

Borrower provides lender:
- local certification
- cost estimate
- permits

Lender makes a small business/residential loan

Lender sends enrollment application to CalCAP/Seismic Safety Program

If approved, loan enrolled & CPCFA contributes deposit into lender LLR account

Lender deposits fees from lender and borrower in LLR

Lender account deposits are pooled to be used for loan loss claims

CalCAP/Seismic Safety recaptures CPCFA’s contributions
## CalCAP/Seismic Safety Loan Contribution Rates
*(Enrolled Loan term is 60 months or less)*

<table>
<thead>
<tr>
<th>Contribution Rates</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2%-3.5%</td>
<td>Lender contribution</td>
</tr>
<tr>
<td>2%-3.5%</td>
<td>Borrower contribution – matches Lender contribution</td>
</tr>
<tr>
<td>8%-14%</td>
<td>CalCAP/Seismic Contribution is 4 times Lender contribution</td>
</tr>
<tr>
<td>4%-7%</td>
<td>Severely Affected Community (SAC) Contribution is 2 times Lender’s contribution</td>
</tr>
<tr>
<td>16%-28%</td>
<td>Maximum Total Contribution deposited into LLR</td>
</tr>
<tr>
<td>12%-21%</td>
<td>CalCAP/Seismic Safety recapture at maturity or 60 months whichever is first</td>
</tr>
<tr>
<td>4%-7%</td>
<td>Amount remaining in LLR after recapture</td>
</tr>
</tbody>
</table>
**CalCAP/Seismic Safety Loan Contribution Rates**  
*(Enrolled Loan term is 61-120 months)*

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<td>Borrower contribution – matches Lender contribution</td>
</tr>
<tr>
<td>6%-10.5%</td>
<td>CalCAP/Seismic Contribution is <strong>3 times</strong> Lender contribution</td>
</tr>
<tr>
<td>2%-3.5%</td>
<td>Severely Affected Community (SAC) Contribution is equal to the Lender’s contribution</td>
</tr>
<tr>
<td>12%-21%</td>
<td>Maximum Total Contribution deposited into LLR</td>
</tr>
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<td>CalCAP/Seismic Safety recapture at maturity or 120 months whichever is first</td>
</tr>
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<td>4%-7%</td>
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Other Borrower Resources

California Earthquake Authority’s

- Brace and Bolt Program
  - [https://www.earthquakebracebolt.com/](https://www.earthquakebracebolt.com/)
  - Registration is open through **February 27, 2017**.

City of Oakland’s *FEMA Grant Funding*

- Earthquake-Safe Homes Program for owner-occupied 1-4 unit homes.
  - [http://www2.oaklandnet.com/government/o/hcd/s/HousingRepairRehabPrograms/OAK059369](http://www2.oaklandnet.com/government/o/hcd/s/HousingRepairRehabPrograms/OAK059369)
  - Applications are due by **February 17, 2017**.

- Safer Housing for Oakland Program for apartment buildings of 5 or more units with 2 or more stories built before 1991 that have a “soft story”.
  - [http://www2.oaklandnet.com/government/o/hcd/s/HousingRepairRehabPrograms/OAK059370](http://www2.oaklandnet.com/government/o/hcd/s/HousingRepairRehabPrograms/OAK059370)
  - Applications are due by **February 24, 2017**.
## Ongoing Community Outreach and Lender Engagement

### Banking
- CA Mortgage Bankers Association
- CA Bankers Association
- CA Community Banking Network
- Existing CalCAP lenders

### Real Estate/Property Owners
- CA Association of Realtors
- Western Manufactured Housing Communities Association
- CA Apartment Association

### Local Government/Business
- League of California Cities
- City of Los Angeles
- City of San Francisco
- City of Oakland
- Association of Bay Area Governments
- Chambers of Commerce
- CA Association of Counties

### State Agencies
- CA Seismic Safety Commission
- CA Earthquake Authority
- CA Housing Finance Agency
- CA Department of Insurance
- CA Housing and Community Development
- Division of State Architect
Program Management Team

- **Reneé Webster-Hawkins**, Executive Director, California Pollution Control Financing Authority, Renee.Webster-Hawkins@treasurer.ca.gov
- **Elena M. Miller**, Deputy Executive Director, California Pollution Control Financing Authority, Elena.Miller@treasurer.ca.gov
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- **Janae Davis**, Program Manager, California Pollution Control Financing Authority, Janae.Davis@treasurer.ca.gov
Additional Information or Questions?

Visit CalCAP/Seismic Safety webpage at:
http://www.treasurer.ca.gov/cpcfa/calcap/seismic/summary.asp

Visit CalCAP webpage at:
http://www.treasurer.ca.gov/cpcfa/calcap/index.asp

Visit CPCFA webpage at:
http://www.treasurer.ca.gov/cpcfa/

Please send all questions to CalCAP Inbox at:
CalCAP@treasurer.ca.gov
CPCFA’s CalCAP Programs

- **CalCAP Seismic Safety Loan Program**: For small businesses and building owners to upgrade the seismic safety of their residential and commercial real estate.

- **CalCAP for Small Business**: Perfect for working capital, start-up costs, and other typical credit needs.

- **CalCAP Americans with Disabilities Act Financing Program**: For mom-and-pop businesses to make accessibility retrofits.

- **CalCAP Electric Vehicle Charging Station Financing Program**: For businesses wanting to install EV chargers for their employees or customers. Borrowers may be eligible for a rebate after 48 months.

- **Collateral Support Program**: Provides a different kind of credit enhancement for borrowers with strong business plans who lack sufficient collateral.

- **CalCAP Air Resources Board (ARB) On-Road Heavy-Duty Vehicle Air Quality Loan Program**: For owners of small fleets to finance the purchase or retrofit of heavy-duty diesel trucks driven primarily in California to comply with the State's engine emission standards.
We will now take questions for the presenter. Please type your question in the Q & A dialogue box in the lower right hand of the screen.