



# CAEATFA: Investing in Communities and the Green Economy



## Long Beach Small Business Forum

October 17, 2019

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# About CAEATFA (“kate-fuh”)

Housed in State Treasurers Office

**Mission:** Assist CA’s economic development and energy goals through reduction in greenhouse gas emissions...

**Vision:** Strategically target public funds to leverage private capital investment and spur market transformation

Renewable energy

Energy efficiency and innovative technology

Create high-quality employment opportunities

Incentivize growth of recycling, green and advanced manufacturing

Spur market transformation and growth of smart energy for California consumers and businesses


# How do we Support Small Businesses and Private Market Investment?

## Sales Tax Exclusion Program

Certain Manufacturers and Recyclers

## CA Hub for Energy Efficiency Financing

# Sales Tax Exclusion Program: \$100 MM Awards Annually



Long Beach  
Tax Rate is  
10.25%

## What

- Exclude Sales and Use Tax on eligible manufacturing equipment and machinery
- Average tax benefits of 8.36% (state and local) at point of purchase

## Why

- Assist in the race to the top: provide a deeper incentive to specific manufacturers that meet broader community investment goals for a greener and smarter economy
- Promote the creation of California-based manufacturing and recycling, California-based jobs and the reduction of greenhouse gases, air and water pollution or energy consumption.

## How

- Applications submitted on a rolling basis (approx. 60 day review).
- Reviewed to ensure a net benefit to the State (fiscal and environmental);
- Companies purchase equipment within 3 years of award, report annually (application and administrative fees).

# Sales Tax Exclusion Program: Impact

Assisted over **220 projects**, investing **\$9.7 billion in manufacturing equipment and machinery** with over **\$825 million** in assistance.

- Designed to help nascent and **new technologies and companies**
- Projects are located across **33 counties**
- Investing in **urban and rural regional economies**
- Anticipated to create or retain over **54,000 jobs**
- **Over 50% of awards are micro** (under \$1 MM), and **84% are small** (under \$5 MM)



# Flexible to help multiple types of businesses and regional economies

## What Types of Project Qualify?

**Recycling:** Materials recovery facilities, plastics, green waste and bio-waste

**Advanced Manufacturing:** Aerospace, medical devices, biopharmaceutical, food production

**Alternative Source (green energy):** Solar PV manufacturers, dairy digesters, biofuels

**Advanced Transportation:** Electric vehicle manufacturers

## EXAMPLE

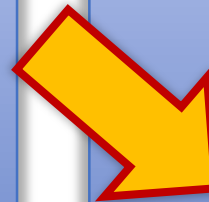
**\$15 Million** Investment on facility, equipment and machinery upgrades

✓ **\$1,254,000** Estimated Sales & Use Tax Excluded

✓ **\$7,500** Application Fee

✓ **\$ 60,000** administrative Fee (as purchases are reported)

✓ **\$1,186,500 Net Savings to business**



# Simple and Straight forward Applicant Process

## Application Submittal

- Application submitted 60 days prior to Board Consideration
- Two-part application process: Narrative and Excel Spreadsheet (business projections)
- Application fee of 0.05% of QP

## Staff Review

- Iterative application review process – staff works with applicants
- Project evaluated based on fiscal and environmental benefits to State
- If eligibility and minimum point threshold met, project is recommended to the Board for approval

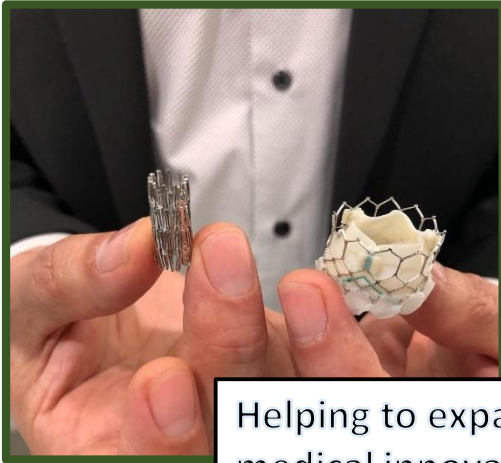
## Board Consideration

- Board considers each project at its monthly meetings
- Board resolution authorizes Executive Director to enter into contract with approved applicant

## Project Implementation

- Administrative fee of 0.4% of equipment
- 15% of equipment must be purchased within 1 year
- Semi-annual reporting of purchases
- 3 years to purchase equipment (standard)

# What people are saying....



Helping to expand  
medical innovation  
in California...

The Program was  
“critical for the  
project to pencil”



It was a “game changer” and helped  
Trademark Brewing to invest in more  
efficient equipment – they can save  
operating costs and time, and have  
space to grow





# CA Hub for Energy Efficiency

## Financing: \$75 MM supporting funds



**go**green  
FINANCING™

### What

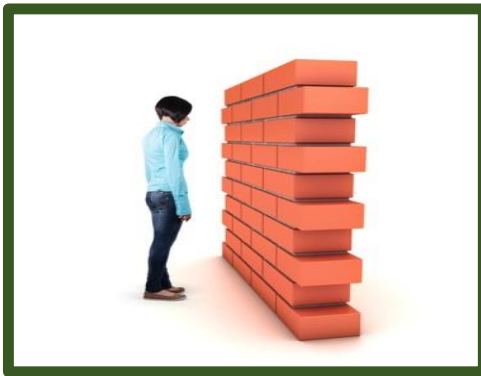
- A public/private partnership that leverages private to capital to provide broader access and lower cost financing for energy efficiency retrofits across the State (IOU territory)
- CAEATFA serves as the administrator, established program design, recruits and enrolls lenders and building retrofit contractors
- Available to single family, affordable multifamily and small businesses

### Why

- Lack of access to affordable capital is a key hurdle to investment in energy efficiency improvements across all sectors of the economy
- To meet California's energy efficiency targets, will require mobilizing an estimated \$50 billion over the next 10-15 years
- California cannot meet its environmental goals by relying on traditional approaches (utility rebates) or ratepayer/taxpayer dollars alone; market transformation will require private capital and private industry growth and engagement.

### How

- Funded by IOU ratepayers – PG&E, SCE, SoCalGas, SDG&E
- CAEATFA establishes program design and structures; provides lenders with “risk insurance” to help broaden financing terms to reach more Californians
- **GoGreenFinancing** provides education and interaction platform for borrowers to connect with lenders and contractors
- State supported, designed to be flexible with private industry approach



## How does the Hub Address Barriers?

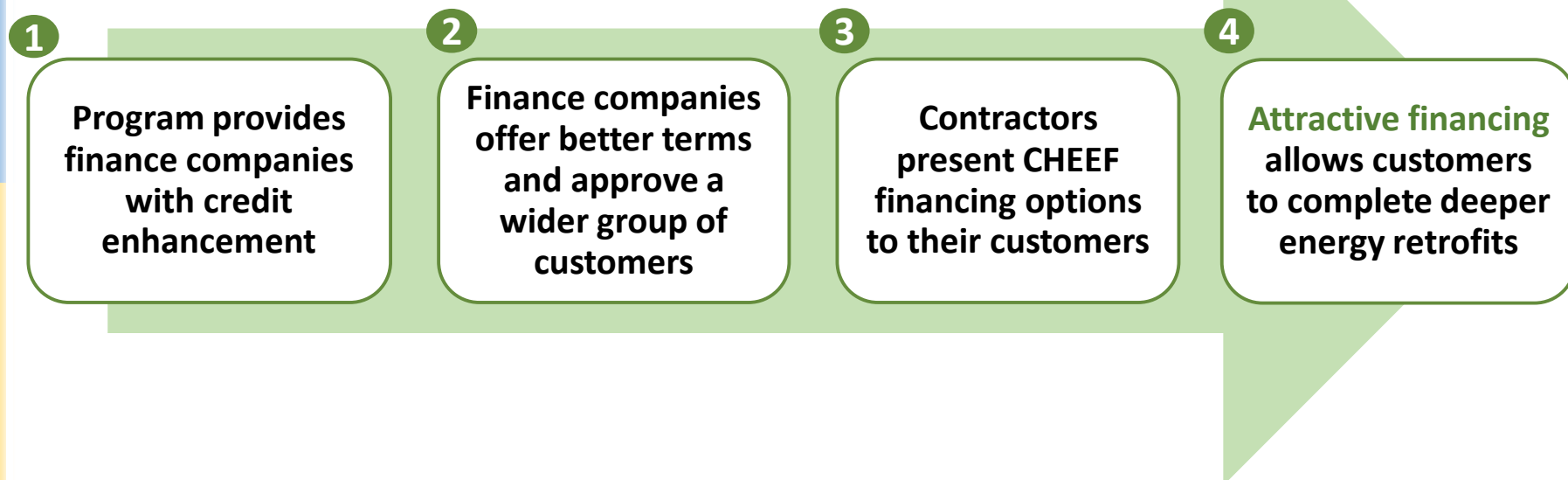
Market Barrier/ Challenge	Solution
<b>Upfront Cost Barrier</b>	100% financing, broader access and improved financing terms
<b>Owner/Tenant Split Incentives</b>	Renters and tenants allowed; financing not secured by the property
<b>Complex and Sometimes Slow Rebate and Incentive Process</b>	<ul style="list-style-type: none"><li>• Multiple pathways to project approval</li><li>• Quick private lender approval</li><li>• Contractor prefunding and progress payments available</li><li>• Flexibility: 30% of financing can be non-efficiency measures</li></ul>
<b>Borrowers have complex debt structure</b>	Multiple financing structures available; including off-balance sheet

# How does the Hub Address Barriers, cont.?



Market Barrier/ Challenge	Solution
<b>Customers are too busy to undertake retrofits</b>	<ul style="list-style-type: none"><li>• Program trains <b>contractors</b> to help remove complexity</li><li>• Established role for <b>project developers</b> to help coordinate</li><li>• Collaboration with <b>IOUs, RENS</b> and <b>local governments</b> to strengthen market impact and fill gaps</li><li>• Statewide marketing to help build awareness</li></ul>
<b>Consumer Protection</b>	<ul style="list-style-type: none"><li>• Program establishes minimum criteria for lenders and trains enrolled contractors on the program requirements</li><li>• Bill Impact Estimate required</li><li>• Project desk-top reviews and post-project site inspections</li><li>• Lenders expand terms, and still maintain underwriting standards</li></ul>
<b>Financially Underserved Borrower</b>	<ul style="list-style-type: none"><li>• Meet the Borrowers where they are, e.g., single measures and to-code measures, as well as comprehensive projects</li><li>• Program design has flexibility to address traditionally underserved: renters, tenants, mobile homes, new businesses, LMI</li></ul>

# How Does It Work?



## Benefits that the finance companies offer in exchange for the credit enhancement

### ✓ Better terms

- Lower rates
- Longer tenure/repayment period (lower monthly payments)
- Larger financing amounts available

### ✓ Approvals of more customers

- Expanded access to LMI borrowers; credit challenged, newer businesses
- Renters, tenants, mobile homes
- Multiple sites for broader portfolio savings

# What Types of Projects are Eligible?

## 70% Energy Efficiency Measures

1. Simple Comprehensive Measure List *OR*
2. Any measures under IOU/REN Rebate or Incentive Programs *OR*
3. For small business only, more complex projects certified by qualifying engineer

## 30% Other Non-efficiency Measures

- Meeting consumer needs to better integrate into the private market
- Room for interesting partnerships: e.g., drought tolerance measures, replacing high-ozone refrigerants

### Other Innovative Pilot Opportunities:

- To-Code Measures
- Allow Fuel Switching to support Decarbonization  
(if electricity is provided by an IOU)



# Hub Pilot Programs Overview

	REEL (Residential)	Affordable Multifamily	Small Business	Non-Residential
<b>Designed for</b>	Homeowners or renters upgrading 1-4 units	Owners of properties with at least 50% income-restricted units	SBA size small businesses and non-profits	Any size business or non-profit; government and public entities
<b>Financing Products</b>	Loans, RICs Up to \$50,000	Loans, leases & ESAs any size	Loans, leases & ESAs Up to \$5MM	Loans, leases, ESAs Up to \$5MM
<b>Repayment</b>	Direct to lender	Direct to lender; On-Bill Repayment functionality available in 2020	Direct to lender; On-Bill Repayment functionality available in 2020	Through utility bill
<b>Credit Enhancement Available</b> (flexible to transfer)	Up to \$25MM	Up to \$2.9MM	Up to \$14MM	None
<b>Status</b>	Launched 2016  Pilot Evaluation and CPUC Consideration of longer-term program viability expected Q4 2020	Launched 2019	Launched 2019	Will <b><u>not</u></b> launch in 2019; Future development to be considered by CPUC

# Introducing the Small Business Program – Designed to Be Flexible



## Who Do We Reach?

- Small Businesses and Non-Profits meeting one of the following requirements:
  - 100 or fewer employees *OR*
  - Annual revenues less than \$15 million *OR*
  - Meets the SBA size standard requirement for the customer's industry
- No industry or energy load restrictions

## What does the Hub provide through **GoGreenFinancing**?

- Expanded underwriting terms for participating lenders
  - Lower financing costs
  - Terms up to 10 years, lowering monthly payments to helping projects pencil out
  - Available to tenants and young businesses
  - Increased approval rate from as low as 50% up to 95%
- Flexible project eligibility
- Contractor and Project Developer network, project desk top reviews and QA/QC

# Who can benefit from SBF?





# Benefits to SBF Stakeholders



- Lower operating costs
- Better financing terms and lower monthly payments
- Flexibility for both large measures with longer payback and those that may not be bill-neutral
- 100% financing; secured by equipment, not property
- Financing options, including off-balance sheet mechanisms



- Role for Contractors *and* Project Developers
- Fast financing and project approval
- Deeper retrofits and larger scopes of work
- Multiple pathways to project approval
- Easy user-interface to upload data and streamline the process
- Prefunding and progress payments offered to select contractors
- Statewide marketing campaign



- Mitigate risk through a loss reserve
- Enter new markets and explore new asset class
- Approve wider range of borrowers
- Grow market penetration
- Statewide marketing campaign
- Potential to expand with other investment incentives, e.g., opportunity zones



- State-supported program for your community, including vetted lenders and project/contractor QA/QC
- Leverage and fill gaps with local programs
- More energy saved in local communities and across the state
- Benefits of energy savings extended to underserved borrowers
- Community investment, collaboration with main street investments and workforce partnerships

# SBF Finance Companies

- Three finance companies currently enrolled
- Financing for \$10,000 up to \$5 million (first \$1M eligible for credit enhancement)
- Terms up to 10 years
- Traditional loans and leases, as well as energy service agreements
- Financing/project approval within 48 hours
- Prefunding and progress payments available on a contractor-by-contractor basis
- Two of three companies currently enrolled will finance solar (not credit-enhanced)
- **The Hub is still expanding its lender partners:**
  - Currently seeking a microlender to finance projects of \$10,000 or less
  - Community CDFIs and other partnerships



Financing that Powers Energy Efficiency



# Small business example projects

Space Type	Square Feet	Annual Energy Costs	ESMs Installed	Annual \$ Savings	% Savings
Office	10,000	\$31,500	- LED troffer fixtures	\$7,700	24%
			- Networked lighting controls		
			- New HVAC rooftop unit with economizer, supply fan VFD, and demand-controlled ventilation		
Convenience Store	2,500	\$21,000	- ECM evaporator fans	\$5,800	28%
			- Evaporator fan motor controls		
			- Anti-sweat door heater controls		
			- LED case lighting		
			- LED linear replacement lamps		
Restaurant	5,000	\$38,000	- Energy star gas fryer	\$7,900	21%
			- Energy star dishwasher		
			- Pre-rinse spray valve		
			- Ventilation hood controls		
			- VFD on condenser fan motor		

# Get involved! We have a lot to accomplish!



- ✓ Are you a **policy leader or civil servant working** to meet state and local climate goals – while sharing benefits with all Californians?

We are eager to collaborate with state, regional and local agencies. Please give us a call or email – we can explore leveraging programs and share marketing materials to help educate your constituents.

- ✓ Are you a **contractor or project developer** seeking to increase business?

Join the program, and the Hub can be a tool and channel to help grow your pipeline of projects.

- ✓ Are you a **lender or finance company** looking to enter the energy efficiency market in California?

We are currently enrolling lenders and finance companies for SBF, AMF and REEL and seeking a microlender (up to \$10,000) for the SBF program.

- ✓ Are you a **small business owner, nonprofit executive or affordable multifamily property owner** looking to save energy and expenses?

Visit [www.GoGreenFinancing.com](http://www.GoGreenFinancing.com) to learn about our programs, or contact us.

# Contact Us!

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CHEEF Programs: [www.gogreenfinancing.com](http://www.gogreenfinancing.com)

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