MINUTES

California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
December 13, 2016

1. CALL TO ORDER & ROLL CALL

Steve Juarez, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 11:37 a.m.

Members Present:	Eraina Ortega for Michael Cohen, Director of Finance Anne Baker for Betty Yee, State Controller Steve Juarez for John Chiang, State Treasurer
Staff Present:	Reneé Webster-Hawkins, Executive Director
Quorum:	The Chairperson declared a quorum

2. MINUTES

Mr. Juarez asked if there were any questions or comments concerning the meeting minutes from the meeting held December 6, 2016. There were none.

Mr. Juarez moved approval of the minutes; upon a second, the minutes were unanimously approved.

The item was passed by the following vote:

Eraina Ortega for the Director of Finance	Aye
Anne Baker for the State Controller	Aye
Steve Juarez for the State Treasurer	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Webster-Hawkins acted on one item under her delegated authority, which was a standard agreement with Zions Bank, Contract No. CPCFA06-16, in the amount of $495,250 to provide Trustee services for the California Capital Access Program for Small Business (CalCAP). This was signed on December 6, 2016 and is pending Department of General Services (DGS) approval. Ms. Webster-Hawkins stated that she expects a smooth transition from U.S. Bank to Zions Bank. Mr. Juarez asked Ms. Webster-Hawkins if this was an item approved at the November 11, 2016 Board Meeting, and Ms. Webster-Hawkins affirmed that it was for her authorization to sign under her delegated authority.

Ms. Webster-Hawkins reflected on the year's activity, and the variety of work performed by CPCFA. Examples include providing access to capital in a broad range of strategies, such as credit enhancements for small businesses, tax-exempt bond issuances, and other financial assistance including grants and loans for brownfield remediation. Ms. Webster-Hawkins stated most of her staff was present and that she was proud of the hard work that CPCFA staff does on behalf of the State of California, and the business community both large and small, and now moving on to supporting residential homeowners with the new Seismic Safety Financing Program. Staff assists other State agencies and decision makers in pursuit of many environmental and economic policy objectives as well.

Ms. Webster-Hawkins briefed the Board Members on the 2016 statistics for the various CPCFA programs:

- The CalCAP small business program is a legacy program running since 1994, and received federal funds in 2011 to significantly enhance outreach. In 2016, a total of 1,758 loans have been enrolled, totaling over $80 million from private lenders. CPCFA's contributions supporting those loans was over $3.5 million. Sixty six claims were received in the CalCAP small business program on enrolled loans.
- The CalCAP Heavy Duty Diesel Vehicle Loan Program run on behalf of the Air Resources Board (ARB) has enrolled 3,808 loans this year for a total loan amount of $232,000,000 private lending with total ARB contributions of over $12 million. One hundred seventy nine claims were received.
- The remaining program allocation for CalCAP small business is $3.3 million dollars, and for the ARB program is $13.6 million. The two new programs, the CalCAP Americans with Disabilities Act and the CalCAP Seismic Safety Financing Programs, each have $10 million.
- By the year end, the Bond Program has a total of 10 closings for an amount of $261,150,000. At the December 6, 2016 Board Meeting, of the two final resolutions that were approved, the one for San Jose Water Company is anticipated to close on December 20, 2016. Additionally, the Final Resolution that is on the current agenda and also expected to close in late December, would bring the total to 12 closings with a total of $341,150,000. This equates to 11 new projects in solid waste disposal and water furnishing allocations. The total volume cap allocated is over $209 million, which is up from $37 million in new money in 2015 and demonstrates a significant expansion in activity and demand.
- There will be one more year of carryforward available for use in 2017 that was awarded to CPCFA by the California Debt Limit Allocation Committee (CDLAC) from the 2014 carryforward allocation. There will be $600,000,000 for Solid Waste Disposal, $119,088,172 for Sewage Facilities, and $500,000,000 for Water Furnishing for a total of 1.2 billion in carryforward allocation for use in 2017.
- There has been demand for tax exempt allocation across all categories statewide which has returned to vibrant and robust levels. Next year CPCFA will be working with CDLAC to submit a new demand survey for new allocation for 2018.
- Since 2008, the $55 million in the CALReUSE Remediation Program funded by Proposition 1C funds were awarded to thirty-four projects assisting in the creation of 2,200 housing units, 1,700 being affordable units so far. In all, we anticipate 3,100 units to be completed with 2,500 being affordable upon completion of all the currently approved

Remediation Program projects. This year alone, $2.9 million was disbursed in project expenses. These projects have resulted in the cleanup of 794 acres of brownfield properties. Over 4,300 temporary jobs and 480 permanent jobs are associated with the projects.

Ms. Webster-Hawkins concluded her report and asked if there were any questions.

Mr. Juarez asked if the Board had any questions. There were none. Mr. Juarez then commented that new resources would need to be found to recharge and re-fund the CALReUSE program because the Proposition 1C program funds have been depleted. Mr. Juarez stated that CALReUSE along with the small business credit enhancement programs, have helped people in a variety of ways.

4. BUSINESS ITEMS

A. REQUEST TO APPROVE INITIAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS/NOTES

1. Amador Valley Industries, LLC, Pleasanton Garbage Service, Inc., and Recycling and Resource Recovery, LLC and/or their respective Affiliates

Presented by: Dmitri Godamunne, Staff Services Analyst

Staff introduced Mark Holmstedt, Westhoff, Cone & Holmstedt, and Leslie Lava, Law Offices of Leslie M. Lava

Amador Valley Industries, LLC ("AVI"), Pleasanton Garbage Service, Inc. ("PGS") and Recycling and Resource Recovery, LLC ("RRR") and/or their respective Affiliates as co-borrowers requested an approval of an Initial Resolution for an amount not to exceed $10,000,000 of tax-exempt bonds to finance solid waste collection, transfer, and disposal activities.

Additionally, the funds will be use for the acquisition of clean diesel, and compressed natural gas collection vehicles, drop boxes, bins, carts and to acquire road tractors and transfer trailers.

Staff recommended approval of Initial Resolution No. 16-16 for Amador Valley Industries, LLC, Pleasanton Garbage Service, Inc. and Recycling and Resource Recovery, LLC and/or their respective Affiliates for an amount not to exceed $10,000,000.

Mr. Juarez moved approval of the item; there was a second.

Mr. Juarez asked if there were any questions or comments from the Board or public. There were none.

The item was passed by the following vote:

Eraina Ortega for the Director of Finance	Aye

Anne Baker for the State Controller	Aye
Steve Juarez for the State Treasurer	Aye

2. Sonoma Compost Company and/or its Affiliates

Presented by: Kris Luoma, Staff Services Analyst

Staff introduced Mark Holmstedt, Westhoff, Cone & Holmstedt, and Leslie Lava, Law Offices of Leslie M. Lava

Sonoma Compost Company and/or its Affiliates (the "Company") requested approval of an Initial Resolution for an amount not to exceed $4,500,000 to finance site and building improvements and to purchase vehicles and various equipment.

Staff has reviewed the Sonoma Compost Company's positive responses to the questions contained in the Legal Status Questionnaire portion of the CPCFA Application. Sonoma Compost Company was the contract operator for a compost facility located at Sonoma County's Central Disposal Site, which is owned by the County of Sonoma and was operated by the Sonoma County Waste Management Agency (SCWMA). A citizens group called Renewed Efforts of Neighbors Against Landfill Expansion (RENALE) filed a civil suit against the SCWMA and Sonoma Compost Company. RENALE claimed that polluted non storm water and polluted storm water were being discharged from both the Central Disposal Site and the compost facility located on the Central Disposal Site. The polluted storm water and non-storm water discharged from the compost facility was not covered by the Central Disposal Site's general permit. The lawsuit between the Sonoma Compost Company and RENALE was dismissed with prejudice on September 23, 2015 affirming that the compost site would cease operations as of October 15, 2015.

No information was disclosed in the Legal Status portion of the Application that raised questions concerning the financial viability or legal integrity of this applicant.

Staff recommended approval of Initial Resolution No. 16-17 for Sonoma Compost Company and/or its Affiliates for an amount not to exceed $4,500,000.

Mr. Juarez asked if Mr. Holmstedt had any comments. Mr. Holmstedt stated that the Company will be moving to a new location that is being worked on with the town and the County, and that the location being proposed looks to be working out. When the Company comes back for their Final Resolution, they will provide all permits and shouldn't expect any problems.

Mr. Juarez asked if there were any questions from Leslie Lava, the Board or the public. There were none.

Mr. Juarez sought clarification and asked if this action is being brought to the Board due to the Company's lawsuits and Mr. Holmstedt confirmed yes, and Mr. Juarez then asked if the

Company would still be doing business at the same location, had the lawsuit not occurred. Mr. Holmstedt stated yes.

Mr. Juarez moved approval of the item; there was a second.

Mr. Juarez asked if there were any questions or comments from the Board or public. There were none.

The item was passed by the following vote:

Eraina Ortega for the Director of Finance	Aye
Anne Baker for the State Controller	Aye
Steve Juarez for the State Treasurer	Aye

3. Viridis Fuels, LLC and/or its Affiliates

Presented by: Lyudmila Farbitnikova, Staff Services Analyst

Staff introduced Mark Holmstedt, Westhoff, Cone & Holmstedt, and Robert Feyer, Orrick, Herrington & Sutcliffe LLP

Viridis Fuels, LLC and/or its Affiliates requested approval of an Initial Resolution for an amount not to exceed $24,165,000 to finance the construction of a biodiesel plant, the acquisition and installation of equipment related to operation of the facility, the land lease, and the funding of the capitalized interest, the reserve fund, and the cost of issuance.

Viridis Fuels, LLC is in the business of biodiesel fuel production and was organized in 2012 in Delaware. It is a small business and expects to have approximately 28 employees when in stabilized production upon project completion. The Company anticipates applying to the Authority for volume cap allocation in the First Quarter of 2017 or upon completion of the California Environmental Quality Act (CEQA) process.

Staff recommended approval of Initial Resolution No. 16-18 for Viridis Fuels, LLC and/or its Affiliates for an amount not to exceed $24,165,000.

Mr. Juarez asked if there were any comments from Mr. Holmstedt and Mr. Feyer. There were none.

Mr. Juarez moved approval of the item; there was a second.

Mr. Juarez asked if there were any questions or comments from the Board or public. There were none.

The item was passed by the following vote:

Eraina Ortega for the Director of Finance	Aye
Anne Baker for the State Controller	Aye
Steve Juarez for the State Treasurer	Aye

B. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE NOTES AND TAX-EXEMPT VOLUME CAP ALLOCATION

Zanker Road Resource Management, Ltd. and/or its Affiliates
Presented by: Kris Luoma, Staff Services Analyst

Staff introduced Dave Tilton, Zanker Resource Management, LTD. and Leslie Lava, Law Offices of Leslie M. Lava

Zanker Road Resource Management, Ltd and/or its affiliates requested approval of a Final Resolution and Volume Cap Allocation for an amount not to exceed $10,000,000 to finance building and site improvements and to purchase collection vehicles, carts, bins and containers.

Staff recommended approval of Final Resolution No. 561 and Volume Cap Allocation Resolution No. 13-111-11 for an amount not to exceed $10,000,000 for Zanker Road Resource Management, Ltd. and/or its Affiliates.

Mr. Juarez asked if there was anything else to add. Mr. Tilton stated his appreciation of staff and Board support and that the turnaround was quick, and the Company was happy to support the communities they serve and their employees.

Mr. Juarez asked when the anticipated close date will be. Mr. Tilton stated December 28, 2016.

Mr. Juarez moved approval of the item; there was a second.

Mr. Juarez asked if there were any questions or comments from the Board or public. There were none.

The item was passed by the following vote:

Eraina Ortega for the Director of Finance	Aye
Anne Baker for the State Controller	Aye
Steve Juarez for the State Treasurer	Aye

C. REQUEST TO AMEND INFILL GRANT DOCUMENTS UNDER THE CALIFORNIA RECYCLE UNDERUTILIZED SITES (CALREUSE) REMEDIATION PROGRAM

MacArthur Transit Community Partners, LLC

Presented by: Ethan Wieser, Staff Services Analyst

MacArthur Transit Community Partners, LLC (the "Grantee") requested an amendment clarifying the August 16, 2016 California Pollution Control Financing Authority ("CPCFA") Resolution. Specifically, the Grantee requests a new Resolution that makes clear CPCFA's consent to transfer parcels A and C1 to an affiliate of Hines Interests, LP and consent to the transfer of parcel B to an affiliate of Boston Properties, LP.

Mr. Wieser stated it is customary that both developers will ultimately create affiliate single purpose entities that will take title to the property. Therefore, the Grantee has requested an amended resolution that clarifies CPCFA's prior consent to transfer parcels to the yet-to-be-formed affiliates.

Staff recommended approval of the attached Resolution adding the phrase "Or its Affiliates" from the prior Board Meeting and provided CPCFA's consent to the transfer of parcel A and C1 to Hines Interests, LP or its affiliates, and consent to the transfer of parcel B to Boston Properties, LP or its affiliates.

Mr. Juarez stated that this item appears to be purely a technical change to allow for an action item already approved in the August 16, 2016 Board Meeting. Mr. Wieser, stated that was correct and, in hindsight, CPCFA should have included the requested Item Language during the August 16, 2016 Board Meeting.

Mr. Juarez moved approval of the item; there was a second.

Mr. Juarez asked if there were any questions or comments from the Board or public. There were none.

The item was passed by the following vote:

Eraina Ortega for the Director of Finance	Aye
Anne Baker for the State Controller	Aye
Steve Juarez for the State Treasurer	Aye

D. REQUEST FOR CONSIDERATION AND APPROVAL OF AMENDMENTS OF THE REGULATIONS FOR THE CALIFORNIA CAPITAL ACCESS PROGRAM TO IMPLEMENT THE CALIFORNIA SEISMIC SAFETY CAPITAL ACCESS LOAN PROGRAM (CALCAP/SEISMIC SAFETY)

Presented by: Elena Miller, CPCFA Deputy Executive Director

Staff requested Board approval of the emergency rulemaking process pertaining to the launch of the California Seismic Safety Capital Access Loan Program ("CalCAP/Seismic Safety Program" or "Program"). Pursuant to the authority granted by the enabling statute, staff proposed to file emergency regulations to amend the California Pollution Control Financing Authority ("CPCFA" or the "Authority") regulations by including §§ 8078.15 – 8078.21 to implement the new CalCAP/Seismic Safety Program under the model of the existing CalCAP Loan Loss Reserve Program. Upon the Board's approval, staff will file the regulations with the Office of Administrative Law (OAL).

Ms. Miller stated that this Program will incentivize private lending to residential property owners and small businesses under the model of the existing CalCAP Loan Loss Reserve. It is estimated that borrowers will need these loans for seismic safety retrofits costing in the ranges of $30,000 to $160,000 per building.

Ms. Miller stated SB 837 was signed by Governor Brown on June 27, 2016. The legislation was initiated by Assemblyman Nazarian who represents the 46th District, which includes areas of the San Fernando Valley damaged by the 1994 Northridge earthquake. With the focus on public health and safety, this new law is also intended to alleviate the rising costs of residential and commercial earthquake insurance policies.

Ms. Miller provided a three part slide show to the Board and Public and is detailed below: (First Slide)

- Seismic safety retrofitting can save lives and preserve housing stock. Ms. Miller noted the current housing crisis in California.
- The United States Geological Survey (USGS) forecasts a major 6.7 magnitude or larger earthquake will occur in the SF Bay Area in the next thirty years.
- The Association of Bay Area Governments estimates that a major earthquake on the Hayward Fault Zones (listed as the first in the nation most likely to have the next seismic event) will render 26,000 housing units in the City of Oakland alone, uninhabitable. The City of Oakland Mayor Libby Schaaf commented in her letter to CPCFA Executive Director Reneé Webster-Hawkins on December 12, 2016 that this Program is needed as a "…financial tool to incentivize and support property owners to complete seismic retrofits…" and that the need to do so is "urgent and acute."

Ms. Miller stated the CalCAP Seismic Safety Program was created with a one-time appropriation of $10 Million, and is distinguished from CalCAP's existing programs in a couple of significant ways:

- Per the statute, this is the first program for CalCAP that will offer enrollment into a Loan Loss Reserve account for loans given to residential property owners, and is available for loans for seismic retrofits to single-family residences, as well as multi-unit dwellings and mobilehomes and manufactured homes registered with the California Department of Housing and Community Development (HCD).
- Per the statute, loans to individual borrowers can be enrolled for up to $250,000 of the Loan Loss Reserve coverage.
- Per the statute, loans can be enrolled for up to 10 years of the Loan Loss Reserve coverage.

Ms. Miller noted that the second slide provides insight about what the cities of San Francisco and Los Angeles have done in the past year and one half: (Second Slide)

- The City and County of San Francisco's Mandatory Soft Story Program has identified 5,000 multiunit buildings in need of seismic retrofit. This represents thousands of individual residents and small businesses.
- The City of Los Angeles's Mandatory Soft Story Retrofit Program released a list of 13,500 buildings in April, and began mailing "orders to comply" that month, with seven years to complete seismic retrofit construction from the date of the order to comply. Ms. Miller then stated, in the city of San Francisco, if the process of seeking permits hasn't been started and the property owner has already received the letter,

there is risk that the building could be designated as unsafe. A warning plaque has been developed by the City of San Francisco.

Ms. Miller noted that the smaller communities are also struggling with the same issue of older buildings that are in need of seismic retrofits. These smaller communities do not have ordinances or may be in the development stage of such ordinances. CPCFA wants to make sure that all communities and residents in the State have access to this Program.

Ms. Miller stated with seismic safety initiatives and ordinances being developed throughout the State, there is an understanding why it is that Section 44559.14(e) of the statute directs the Authority to implement the Program by pursuing the emergency regulations in accordance with Section 44520(b) of the existing statute relating to CalCAP programs funded by sources other than CPCFA's own small business assistance funds. The statute also requires that eligible costs for seismic safety retrofits performed on or after January 1, 2017 are eligible for loan enrollment by lenders. An emergency rulemaking is necessary for this Program to be effective on January 1, 2017 and it is CPCFA's objective to have the Program live on this date.

Ms. Miller then stated that the proposed regulations necessary to administer the CalCAP Seismic Safety Program are Sections 8078.15 through 8078.21 and are organized in three subject areas: (1) Definition; (2) Loan Enrollment; and, (3) are Loan Loss Reserve Accounts.

The definitions contained in the first section of the regulations are largely based on the statute but also include terms which were necessary for the unique characteristics of the CalCAP Seismic Safety Program. Ms. Miller stated the goal in this rulemaking has been to maintain CalCAP's "soft touch" approach to the Loan Loss Reserve that CalCAP has become known for since 1994, while also adhering to the statute's intent to maintain discretion for local governments to enforce local and State building codes regarding seismic retrofitting, and still leave the underwriting of the individual loans to the lenders.

Ms. Miller stated that the terms in the definitions section that originate in the statute are: Qualified building, Qualified Loan, Qualified small business, Qualified residential property owner, Seismic retrofit construction, Eligible Costs and Eligible project.

Ms. Miller stated that the term "Qualified building" means a building that is certified by the 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. This definition was further expanded in the proposed regulations to also say that a Qualified building may be a single-family residence, multiunit housing building, multiunit housing building with commercial space, mobilehome, manufactured home, or a multifamily manufactured home.

Ms. Miller stated the terms Cost Estimate, Program and Recapture are also found in the current CalCAP regulations, and are repeated in this proposed rulemaking.
Ms. Miller added that in addition to the definition for CalCAP Seismic Safety contribution there are only three other terms that have been added to the proposed regulations, which were

not original to the statute. These three terms are Earthquake-Resistant Bracing System, Qualified commercial property owner, and Registered mobilehome. The definitions for Earthquake-Resistant Bracing System and Registered mobilehome are consistent with the statute and regulations of the Department of Housing and Community Development.

Ms. Miller stated the terms and certifications in the Loan Enrollment section of the regulations are largely standard to the CalCAP program and that most sections were duplicated from the CalCAP ADA program regulations approved earlier this year. A few important distinctions exist from the previously approved rulemaking, particularly the contribution rates for enrolled loans.

Ms. Miller presented the third slide, which explained the contribution rates proposed at regulation 8078.17, subparts (d), (e), and (f).

The statute allows loans to be enrolled for up to 10 years; with incentives added in the regulations for loan enrollments of 5 years or less. The incentive proposed in the regulations is for the lender and borrower to each contribute between 2 to 3 ½ percent of the total loan amount, and from the $10 million allocation given to CPCFA, the CalCAP Seismic Safety Program will contribute 4 times the lender contribution for loans enrolled 5 years or less. For loans enrolled between 61 months up to the maximum of 10 years, the CPCFA contribution will be 3 times the lender contribution. For loans to buildings located in severely affected communities, enrollment for 5 years or less, CPCFA will contribute 2 times the lender contribution amount. Enrolled for 61 months up to 120 months will be equal to the amount of the lender contribution. Ms. Miller stated that the maximum deposit into the lender's Loan Loss Reserve Account for loans enrolled for 5 years or less, is 16 to 28 percent of the total loan amount. Where loans are enrolled for 61 months up to 10 years, the total contribution will be between 12 to 21 percent.

Ms. Miller then stated that the statute requires recapture. This means the amount deposited of the State funds will be withdrawn at loan maturity or at the maximum point of 10 years. For loans enrolled at 5 years or less, the amount withdrawn will be the 12 to 21 percent, and those enrolled up to 10 years will be 8 to 14 percent. This will allow up to 4 to 7 percent left in the Loan Loss Reserve Account.

Ms. Miller stated that the language in the proposed regulation in Section 8078.18 addressing recapture is taken from statute. This is the area of primary concern to the lenders that provided public comments. Specifically, paragraphs (b) and (c) are authorized by the statute. Paragraph (b) states that all monies in a Loan Loss Reserve Account are property of the Authority, held in trust to be used only for the valid and lawful purpose of the Program. Paragraph (c) states that the Executive Director shall recapture the CalCAP Seismic Safety Contribution when the loan matures or at ten years from the date of enrollment, whichever comes first. Ms. Miller stated this requirement is evidence of the Legislature's intent for this Program to be evergreen. This evergreen mandate established by the statute which created the CalCAP Seismic Safety Program ensures that loans will continue to be enrolled for Loan Loss Reserve Coverage beyond the original $10 million dollar allocation such that once funds are recaptured more loans can be enrolled in the Program.

Ms. Miller stated that in light of tens of thousands of buildings in the State in need of seismic safety retrofit, the statute's mandate for recapture is particularly appropriate and important for this CalCAP Program.

Ms. Miller spoke about CPCFA's CalCAP lender outreach, which started with a mandatory webinar with CalCAP lenders on August 3, 2016 where Ms. Miller presented information about SB 837, explained the statute, and provided lenders with a projected timeline for the emergency rulemaking for the Program to begin on January 1, 2017. In late August, outreach for the CalCAP Seismic Safety Program began with an SB 837 emergency rulemaking kick-off meeting with Assemblyman Nazarian's office. Representatives for the cities of Los Angeles, Oakland and San Francisco attended. On August 29, 2016 CPCFA staff met with the Los Angeles Mayor's Office and staff from the city's Soft Story Retrofit Unit. In September, CPCFA staff met with the cities of San Francisco and Oakland, prior to drafting the regulations. While drafting the regulations, staff collaborated with the California Earthquake Authority, Department of Housing and Community Development, Department of Insurance, Division of State Architect, and the Seismic Safety Commission. Staff also met with the Association of Bay Area Governments (ABAG) and attended a workshop hosted by ABAG in Oakland for cities in the Alameda Corridor along the Hayward Fault Zone.

Ms. Miller reported that for the period of November 7, 2016 through November 30, 2016 a Notice of a Public Workshop was posted to CPCFA's webpage, and distributed to ListServe, the CalCAP lenders list, and to an interested persons list developed by staff. On November 14, 2016, draft regulations were posted and distributed to the same lists, inviting written comment through November 30, 2016. On November 16, 2016 CPCFA conducted an informal public workshop and webinar on the draft regulations, which was publicly noticed and took placed in Sacramento with closed captioning. On November 29, 2016, as was previously done on August 3, 2016 CPCFA conducted standard outreach to CalCAP lenders through a mandatory Lender's Roundtable webinar. During the webinar Ms. Miller provided specific information about the draft regulations, highlighting the contribution rates and recapture provisions, lender and borrower certification requirements. Staff also requested lender comments and input by November 30, 2016.

CPCFA staff also met with and received support for this rulemaking from the League of California Cities, with the Program highlighted in the League's member newsletter. Many helpful comments were received both orally and in writing between November 16, 2016 through November 30, 2016 from members of the public, experts in structural engineering, and property owners. These comments resulted in significant edits and improvements to the regulations as currently proposed before the Board.

Ms. Miller informed the Board that the formal 5 day Emergency Rulemaking Comment period took place between December 6, 2016 through December 13, 2016 after the revised regulations were posted. CPCFA received written communication of support from the California Association of Realtors, the Seismic Safety Commission, and the Mayor of Oakland. Ms. Miller mentioned on average one call per week is received from multiunit property owners in the City of Los Angeles seeking information about the Program that Ms.

Miller personally answers. The City of Los Angeles has placed information on their webpage about the Program. Ms. Miller stated the CalCAP staff have worked diligently to establish the necessary process and procedures for this Program to be ready to begin in January 1, 2017, which includes working with the IT team and preparing the necessary Loan Enrollment Application and related documents.

Ms. Miller concluded by stating, upon the Board's adoption of the amendments to the existing regulations as proposed, the emergency regulations will be filed with the Office of Administrative Law (OAL). The public will have an additional opportunity to comment on the proposed emergency regulations within the five calendar days after the Authority files the regulations with OAL for review. OAL has up to ten calendar days to review or deny the emergency regulations. Ms. Miller asked if there were any questions. There were none.

Mr. Steve Juarez requested to bring up anyone who wished to have public comment.

Mr. Mark Wheatley introduced himself as a Seismic Safety Commissioner from the City of Arcata in his fourth term and stated he is also a former Board Member of the League of California Cities. Mr. Wheatley stated he was present to speak in support of the Program and the proposed regulations, and felt the program was responsive to the needs of local government and in particular the recognition and support of the local control aspect of the Program was critical. He mentioned he woke up last Thursday to a 6.8 earthquake in Arcata and is routinely aware of seismic risk within the region. Mr. Wheatley touched on Ms. Miller's statement about access of this Program for small communities. He felt in smaller communities historic structures are their "crown jewels" and without a Program like the one being proposed, the smaller communities would be devastated. Mr. Wheatley stated he will move the Program through the League's Housing Community and Economic Development Policy Committee so many other cities will have awareness and outreach to the Program. In addition the Seismic Safety Commission is in the process of finalizing a guide to identify and manage collapse prone risk buildings for local government. Mr. Wheatley stated the timing for this Program could not be better, as the guide will assist local governments and the Seismic Safety Program would be a go to place.

Mr. Jonathon Young spoke on behalf of the California Association of Realtors spoke and relayed his thanks to the CPCFA staff for taking time to speak about the Program, and thanked the Legislature for implementing a great program. Mr. Young stated that he believed that this Program is necessary for single and multi-family property owners to have access to loans at an affordable rate that will allow them to keep their buildings safe. He stated that in California there is an extreme housing crisis and that he is in favor of preserving. Mr. Young thanked staff for clarifying on what a Qualified Building is, the scope of the Program and the role of the borrowers and the lenders in the regulations. Mr. Young restated his support for the proposed regulations.

Mr. Juarez asked if there was anyone in the audience or on the phone who wished to speak. There were none.

Mr. Juarez spoke to the concern of the Authority's ability to recapture funds in the existing Loan Loss Reserve, either at the loan's term or after the ten year point. He stated this was an issue for the currently proposed Program and for other programs that will have proposed regulations. Mr. Juarez noted the letters of concern regarding the recapture included in the currently proposed regulations and their effect on the other CalCAP Programs. Mr. Juarez requested CPCFA staff to put on the record and explain the value of what happens with the funds that are recaptured so that it is clear that the Legislature had a purpose in mind when they put such provisions into law.

Ms. Webster-Hawkins, stated she would provide comment and first thanked Deputy Director Ms. Miller for her leadership and for generating the support and outreach to date. Ms. Webster-Hawkins stated the Program is based on the CalCAP Program model which has been successful and introduces the ability to provide credit enhancement in the area of residential area mortgage support which is a new area of testing the credit enhancement model. Ms. Webster-Hawkins engaged with new Lenders who may not have had the opportunity previously to participate due to CalCAP's exclusivity to small businesses. Ms. Webster-Hawkins stated active public and stakeholder outreach will continue through 2017 to get the Program off the ground. Ms. Webster-Hawkins restated the gratitude to the Mayor of Oakland for taking time out during the city's grief to provide support for the Program. Ms. Webster-Hawkins stated there are several CalCAP programs which have their own individual Loan Loss Reserve Funds driven by the funding sources and the need to not co-mingle funds between certain credit enhancement programs. There are lenders that participate in only one program, and some that participate in more than one which have corresponding Loan Loss Reserve Funds for each. Due to the mandated recapture for CalCAP ADA and the CalCAP Seismic Safety Program, Ms. Webster-Hawkins noted that those recapture provisions do not affect the existing Loan Loss Reserve Funds that current lenders have in the legacy programs.

Ms. Webster-Hawkins stated the Air Resources Board partner which has funded the Heavy Duty Vehicle Loan Loss Reserve Program in the amount of $160 million dollars over the last five years, mandated a year and a half ago for CPCFA to start researching the implementation of recapture provisions, and over this past summer, directed CPCFA to implement one. Ms. Webster-Hawkins explained that the directed implementation of the recapture provision came from CPCFA's need for higher contributions with an overview of the last five years, with $10 million for the first year and now $22 million for the current year which is all driven by ARB's policy objective of ensuring that there are clean diesel trucks on the road, as well as the need for the Program to support the smallest owner operator's access to capital to make needed conversions. Additionally ARB staff has informed CPCFA that they will not be able to request the same robust fund levels for the Program in the future. This is not due to lack of support or value of the Program but because there are other competing demands on their sources of revenues given ARB's many policy objectives. The recapture mechanism that ARB favors is included in the Interagency Agreement (IA) with ARB; however, Ms. Webster-Hawkins discussed with ARB the concerns of the existing lenders and ARB remains open to consider revision of the recapture provision to address the concerns of the lenders if needed, not an elimination, but a revision.

Ms. Webster-Hawkins stated staff is similarly looking at State Small Business Credit Initiative (SSBCI) funding. CalCAP's historic funding revenue started in 1994 with a modest amount funded by the Small Business Assistance Fund (SBAF), which the legislature gave authority to CPCFA to use some of the SBAF funding to establish the CalCAP Program. The CalCAP Program received a single contribution from the General Fund at the beginning of the recession, and thereafter received the major injection from the federal government, the U.S. Treasury for the SSBCI monies. Those monies are close to running out based on the program volume that was reported earlier by Ms. Webster-Hawkins and over the last five years. The projected remaining CalCAP small business allocation will last through December of 2017. The directive of the U.S. Treasury as it sunsets its oversight of the programs is to require all of the states to create a report explaining how to administer sustainable programs.

Ms. Webster-Hawkins stated the Collateral Support Program that CPCFA established as a result of federal funding had a recapture mechanism built in and CalCAP does not. As a result, CPCFA has informed lenders that CPCFA is exploring ways to establish a recapture from the Loan Loss Reserve Funds, so that funds that were deposited long ago may be recaptured and put into current use in support of current loans. Ms. Webster-Hawkins provided an example of a lender whose enrollment has fallen off in recent years and has $2.6 million outstanding of the total loans enrolled in CalCAP and has not recently enrolled any loans, and yet it has $2.9 million in their Loan Loss Reserve account, which shows the need to recapture the funds to support the other lenders' efforts to support small business today.

Mr. Juarez asked Ms. Webster-Hawkins if there is confidence that there is enough demand to justify the recapture of the funds and making them available to new users. Ms. Webster-Hawkins stated based on the program statistics over the last five years, each year has been record setting.

Mr. Juarez asked if there were any questions from the Board.

Ms. Ortega stated her support in pursuing how recapture might work in the other programs to have more money available for lending. Ms. Ortega also mentioned the letters of concern from lenders and she would also support exploring how loans made under certain circumstances can have confidence that they won't be put in any jeopardy based on the risks they took based on the assumptions at that time. Ms. Ortega stated she is assuming that CPCFA will take this approach of looking at the decisions that have already been made and also making more loans going forward.

Ms. Webster-Hawkins stated after the beginning of 2017, CPCFA will start the type of informal outreach that CPCFA has historically done with the other programs, which will address the different funding sources and different borrower profiles and risks and assumptions built into those programs. CPCFA will be actively soliciting specific proposals, concepts and that kind of information that Ms. Ortega just referenced so that there is a better understanding what those assumptions are and how they fit with CalCAP and its framework and what CPCFA can do. Ms. Webster-Hawkins stated that with every letter received, the lenders have provided implicit support as well for recapture because they want the funds to be there too. Ms. Webster-Hawkins stated her confidence to be able to work together toward a mutual understanding of each other's imperatives and pressures as well as the objectives to reach a place where we can keep these programs evergreen after the end of 2017.

Ms. Baker stated that she seconds Ms. Webster-Hawkins's remarks and really hopes this can be accomplished based on substance and facts and not on lobbyists and ginning up hysteria, but on how we can make the CalCAP Programs safe to go forward and not putting anyone in jeopardy.

Mr. Juarez moved approval of the item; there was a second.

Mr. Juarez asked if there were any questions or comments from the Board or public. There were none.

The item was passed by the following vote:

Eraina Ortega for the Director of Finance	Aye
Anne Baker for the State Controller	Aye
Steve Juarez for the State Treasurer	Aye

5. PUBLIC COMMENT

Mr. Juarez asked if there were any comments from the public. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 12:31 p.m.

Respectfully submitted,

(Originally signed by)

Reneé Webster-Hawkins
Executive Director