

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

Meeting Date: October 21, 2025

Request to Approve a Loan Participation Program in accordance with the Capital Access Loan Program for Small Businesses and Setting Initial Financing Terms

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Summary. The California Pollution Control Financing Authority (CPCFA) requests approval of a loan participation program (LPP) within the California Capital Access Loan Program for Small Businesses, including establishing initial terms and conditions that describe LPP funding and eligibility for the types of credit solutions offered through the program.

Background. The California Pollution Control Financing Authority administers programs which incentivize capital investment in specific economic activities reflecting state and federal policy goals.

CPCFA received approval to implement a loan participation program under the State Small Business Credit Initiative Act (SSBCI) in July 2024. CPCFA contracted with a third-part administrator, Community Capital Alliance, LLC (CCA), to help support the operational capabilities necessary for the development, implementation, administration, and marketing of the LPP.

Program Description. CCA and CPCFA have been actively collaborating with community banks to identify the most effective loan solutions available through the LPP. A primary benefit of the LPP is the expansion of affordable credit to small businesses, particularly those owned by socially and economically disadvantaged individuals (SEDI) and very small businesses (VSB). As a result of consultations with CCA and stakeholders, staff has identified the following credit solutions most immediately appropriate for implementation of the LPP:

- (i) **SBA 504 Bridge Loans:** An interim loan used before permanent funding from the U.S. Small Business Administration (SBA), allowing for expanded access to capital at a lower rate. This interim loan is typically less than a year

Agenda Item 4.A
Resolution No. 25-02-04

which makes it an attractive mechanism for increasing access to capital for small business borrowers while reducing borrowing costs.

- (ii) **Short Term Lines of Credit:** A financing mechanism that allows for quick access to a set of funds to cover day-to-day expenses, payroll, and unexpected shortfall, allowing flexibility for small business borrowers to draw funds as needed and only pay interest on the amount used.

- (iii) **Term Loans:** Allows for businesses to borrow larger amounts for a longer period. This extended repayment schedule helps businesses with limited capital manage their expenses and cash flow, enhancing their financial and long-term sustainability.

The terms and conditions for each of the foregoing credit solutions, as more particularly described in Attachment A (Term Sheet) hereto, represents staff's collective belief in what will be most advantageous for small business borrowers, while allowing community banks the opportunity to offer more competitive interest rates, complementary services like treasury management, merchant processing, and advisory support that help them thrive long after loan origination.

For convenience, these terms and conditions are summarized in Table 1 below:

TABLE 1

Loan Solutions	SBA 504 Bridge Loan	Short Term Line of Credit	Term Loans
Note Term	<i>2 - 18 months</i>	<i>6 - 24 months</i>	<i>1-10 years</i>
Maximum Loan Amount	<i>\$20,000,000</i>	<i>\$20,000,000</i>	<i>\$20,000,000</i>
Maximum Participation Percentage	<i>40% (maximum \$5mm)</i>	<i>40% - 50% (maximum \$5mm)</i>	<i>25% - 35% (up to \$5mm)</i>
Maximum SSBCI Participation Dollar Amount	<i>\$5 million</i>	<i>\$5 million</i>	<i>\$5 million</i>

Agenda Item 4.A
Resolution No. 25-02-04

Notably, LPP will be structured as a loan purchase program in which CPCFA purchases a portion of a loan originated by an eligible participating financial institution, typically 25%–50% of the loan principal, and carrying a fixed or below-market interest rate that reduces borrower costs while maintaining program sustainability. A participating financial institution will service the loan in accordance with CalCAP regulations, remit the program's share of payments to CPCFA, and provide consistent performance and compliance reports as mandated by the U.S. Treasury SSBCI reporting requirements.

Through the LPP, CPCFA, with the assistance of the California State Treasurer's Office, is directly investing in the small businesses that power California's economy: driving innovation, job creation, and community vitality. This approach strengthens the State's economic core and builds resilience from the ground up.

Staff Recommendation. Staff recommends the adoption of Resolution No. 25-02-04 to approve a Loan Participation Program and setting the initial financing terms and conditions are more particularly described therein.

**REQUEST TO APPROVE A LOAN PARTICIPATION PROGRAM IN
ACCORDANCE WITH THE CAPITAL ACCESS LOAN PROGRAM FOR SMALL
BUSINESSES AND SETTING INITIAL FINANCING TERMS**

WHEREAS, the California Pollution Control Financing Authority (“Authority”) was created under the provisions of the California Pollution Control Financing Authority Act (Division 27 (commencing with Section 44500) of the Health and Safety Code);

WHEREAS, the Authority administers the California Capital Access Loan Program for Small Businesses (“CalCAP”) pursuant to Article 8 (commencing with Section 44559) of Chapter 1 of Division 27 of the Health and Safety Code in order to provide access to capital for small businesses to more easily comply with environmental mandates, remediate contamination of properties with a reasonable potential of economically beneficial reuse, and to succeed economically, generating additional revenue to state and local governments, all to the benefit of all the residents of the State of California;

WHEREAS, the Authority, in coordination with the California Infrastructure and Economic Development Bank, established pursuant to the Beregson-Peace Infrastructure and Economic Development Bank Act (California Government Code section 63000 et seq.), applied for and were awarded federal funds from the U.S. Treasury under the State Small Business Credit Initiative 2.0 (“SSBCI 2.0”) (codified at 12. U.S.C. Section 5701 et seq.) to provide, among other things, capital to small businesses in one or more programs as a response to the economic effects of the COVID-19 pandemic;

WHEREAS, the Authority’s Board of Directors (“Board”) desires pursuant to California Health and Safety Code section 44559.11 to establish that certain Loan Participation Program within CalCAP as more particularly described in the staff report at

the meeting to deploy \$150 million in SSBCI 2.0 funds to make maximum, efficient use of capital access programs enacted by all federal and state agencies; and

WHEREAS, the Board further desires by this resolution (“Resolution”) pursuant to section 8078.36 of Article 7, Division 11, of Title 4 of the California Code of Regulations to adopt terms and conditions of certain small business financing vehicles to be administered by the Authority as part of the Loan Participation Program as more particularly described in Attachment A hereto.

NOW, THEREFORE, BE IT RESOLVED, by the Board of the California Pollution Control Financing Authority, as follows:

Section 1. The above recitals are accurate and have served together with the presentation by staff and additional information provided at the meeting as the basis for the approvals and directives set forth in this Resolution.

Section 2. Pursuant to this Resolution, the Board hereby authorizes and approves the establishment of the Loan Participation Program within the California Capital Access Loan Program for Small Businesses.

Section 3. All actions heretofore taken by the officers and employees of the Authority with respect to the subject matter of this Resolution are hereby approved, confirmed and ratified.

Section 4. The Board hereby approves the adoption of the terms and conditions of the Loan Participation Program as more particularly described in Attachment A hereto.

Section 5. The Executive Director or her designee is hereby authorized and directed to take all actions necessary or desirable to implement the program and to further the purposes of this Resolution.

Section 6. This Resolution shall take effect immediately upon its adoption.

ATTACHMENT A
Loan Participation Program
Terms and Conditions
October 21, 2025

(1) Total Amount of Funding Available: \$150,000,000 (*one hundred fifty million dollars*)

(2) Target Interest Rate: *The interest rate for each individual loan, at the time of obligation and throughout the term of the loan, may not exceed the National Credit Union Administration's (NCUA) interest rate ceiling for loans made by federal credit unions as described in 12 U.S.C. § 1757(5)(A)(vi)(I) and set by the NCUA board.*

(3) Maximum amount of participation per Eligible Loan:

- a. 50% participation not to exceed \$5,000,000 (five million dollars)

(4) Eligibility Criteria

a. Borrower Eligibility:

- i. Together with affiliates, has 750 or fewer employees and must be classified a small business by the U.S. Small Business Administration
- ii. Must have primary business economic effect in California, where either of the following conditions exists:
 1. 51% of the total jobs of the business are created or retained in California; or
 2. 51% of the total revenues of the business activity are generated in California.

b. Loan Eligibility

- i. \$20,000,000 maximum loan size
- ii. Loan must be made by a Participating Financial Institution as defined by CalCAP regulation 8070(m) to an eligible borrower for any business activity that has its primary economic effect in California; as stated in **4.a.**
- iii. Participating Financial Institutions may originate loans in one or more of the following forms:
 1. **Line of Credit:**
 - note term from 6 – 24 months,

**Agenda Item 4.A
Resolution No. 25-02-04**

- maximum loan amount of \$20,000,000 (twenty-million),
- maximum participation percentage of 40% - 50%,
- maximum SSBCI participation dollar amount of \$5,000,000 (five-million).

2. SBA 504 Bridge Loan:

- Loan program Administered by the U.S. Small Business Administration (SBA), that provides long-term, fixed rate financing for major fixed assets that promote business growth and job creation.
- note term from 2 – 18 months,
- maximum loan amount of \$20,000,000 (twenty-million),
- maximum participation percentage of 40%,
- maximum SSBCI participation dollar amount of \$5,000,000 (five-million)

3. Term Loan:

- note term from 1 – 10 years,
- maximum loan amount of \$20,000,000 (twenty-million),
- maximum participation percentage of 25% - 35%,
- maximum SSBCI participation dollar amount of \$5,000,000 (five-million).

Note: The Participating Financial Institution shall specify the form of financial assistance and amount of the assistance under the Program.

- iv. Permissible loan purposes must abide by U.S. Department of the Treasury SSBCI Capital Program Policy Guidelines *12 U.S.C. § 5705(f)* ([SSBCI-Capital-Program-Policy-Guidelines.pdf](#)).

(5) Terms for the process by which eligible financial lending institutions may apply to participate in the alternative funding source program, and how the funding shall be calculated and disbursed.

Eligible financial lending institutions may apply to participate in the LPP by executing a Master Loan Participation Agreement (MLPA) in a form approved by CPCFA and signing required exhibits. Once approved, participating financial institutions may submit eligible loans for program participation, accompanied by borrower certifications and SSBCI compliance documentation.