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Notice of Funding Opportunity

Title: California Pollution Control Financing Authority (CPCFA) Exempt Facility Bond Financing Program
Website: <https://www.treasurer.ca.gov/cpcfa/bondfinancing.asp>
Funding: Total: \$550,000,000. Maximum awards: \$1.5M-\$550M.
Dates: Applications accepted on a rolling basis.

Summary:

The Pollution Control Tax-Exempt Bond Financing Program provides private activity tax-exempt bond financing to California businesses for the acquisition, construction, or installation of qualified pollution control, waste disposal, waste recovery facilities, and the acquisition and installation of new equipment. Financing is performed in conjunction with allocation from the California Debt Limit Allocation Committee (CDLAC). The allocation is required by federal tax law for private activity tax-exempt bonds to be issued. Tax-exempt bond financing provides qualified borrowers with lower interest costs than are available through conventional financing mechanisms.

Project Topic Areas:

The project can involve acquisition of land, construction of a new facility, expansion of an existing facility, rehabilitation or replacement of all or part of an existing facility, or acquisition and installation of new equipment. Types of projects, which may qualify for tax-exempt bond financing, include: Curbside collection facilities; Recycling facilities; Composting facilities; Materials recovery facilities; Transfer station; Landfills; Waste-to-energy facilities; Qualified solid waste or hazardous waste disposal projects; Waste recovery facilities; Purchase of collection vehicles and residential waste containers; Water Furnishing Facilities; or Wastewater Treatment Facilities.

Examples of recent assistance include projects to purchase clean-air vehicles by waste companies, construct and operate anaerobic digesters, recycle used oil, convert animal waste to clean burning fuel and develop construction and demolition debris recycling programs. Prospective borrowers should contact bond counsel to help determine if a proposed project qualifies under federal law. Bond counsel must be listed on the State Treasurer's Office list of approved firms. Once eligibility is determined, contact CPCFA staff to begin the application process.

Funding:

The tax-exempt private activity bond financings are performed in conjunction with allocation from the California Debt Limit Allocation Committee (CDLAC). The allocation is required by federal tax law for private activity tax-exempt bonds to be issued. The amount of private activity bond allocation allotted to exempt facility projects varies from year to year. CDLAC allocation amounts are typically awarded in January of each calendar year.

CPCFA acts as a conduit issuer in the transaction. The bonds are issued to raise capital for revenue-generating projects where the funds are used by the borrower to make payments to investors. The conduit financing is typically backed by either the borrower's credit or monies pledged to the project by outside investors. If the project fails and goes into default, it is solely the borrower's responsibility to repay the bondholders.

CPCFA uses its Small Business Assistance Fund (SBAF) to help pay for the costs of issuance of tax-exempt bonds issued on behalf of small businesses. The SBAF may be used to pay for costs such as letter of credit fees, transaction fees and other costs associated with the issuance of bonds. This assistance reduces the net cost of financing to the small business.

Potential uses of bond proceeds include the following: Buildings and equipment; Machinery and furnishings; Land; Costs of architects, engineers, attorneys and permits; and Costs of bond issuance.

Project Requirements:

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Federal Eligibility Requirements

Restrictions on use of proceeds:

- 95% of proceeds must be used for the defined project
- 2% of bond proceeds can be used for costs of issuance
- 25% of bond proceeds can be used for land costs in certain cases
- A public Tax Equity and Fiscal Responsibility Act (TEFRA) hearing must be held before the bonds are issued
- To acquire an existing building, a minimum of 15% of the bond proceeds must be used to renovate the building
- The average life of the bond issue cannot exceed 120% of the weighted average of the estimated useful life of the assets being financed

The Financing and Issuance Process

- Potential Borrowers submit an application for Initial Resolution which is reviewed for tax-exempt bond financing eligibility. CPCFA works directly with the applicants in this process and throughout the entire process if the project is eligible.
- Qualified projects will receive approval of an Initial Resolution (IR) from the Executive Director of CPCFA. The IR is a preliminary action that, if bonds are issued, allows a borrower to be reimbursed for eligible project expenditures incurred 60 days before resolution and for the period after resolution up to the issuance date. It is not a commitment by CPCFA that bonds will be issued.
- A Final Resolution (FR) authorizes a bond sale for a project within a certain period (usually 180 days). An FR is approved by CPCFA only after a detailed examination of final project plans (technical and financial) and the applicant has obtained any and all appropriate certificates from affected environmental agencies and submitted all such certificates to the Authority (if appropriate, a statement must be submitted stating why any approval or certificate has not been obtained or is unnecessary).
- In addition to FR approval, potential borrowers, via CPCFA, request "allocation" from the California Debt Limit Allocation Committee. The allocation is required by federal tax law before private activity tax-exempt bonds can be issued. Since many projects compete for a limited amount of allocation, there is no guarantee that CDLAC will award an allocation. CDLAC allocation remains valid for 90 days, and that can be extended by the Executive Director of CDLAC for an additional 90 days.
- Once projects receive allocation and FR approval the Office of the State Treasurer schedules the bonds for sale. CPCFA utilizes a Bond Trustee to distribute the bond proceeds to the borrower and, on behalf of bondholders, to collect and disburse bond payments.

Eligible Applicants:

CPCFA provides financing for any qualified California business, regardless of size, for projects that include the acquisition, construction and/or equipping of qualified pollution control, waste disposal, water furnishing, sewage treatment and resource recovery facilities. The final determination of eligibility is based upon opinion of Bond Counsel and Tax Counsel pursuant to Federal Tax Laws.