Welcome to the Information Forum for California Local Governments on the California Rebuilding Fund

A public-private partnership supporting our small businesses

Hosted by the Haas School of Business, UC Berkeley

Sustainable and Impact Finance Initiative
Professors Laura Tyson and Adair Morse

With Presentations by:

- California Governor's Office of Business and Economic Development
- IBank
- Small Business Majority
- CRF USA
- Pacific Community Ventures
- Calvert Impact Capital
The motivation of this work is to support small businesses through trusted, local community lenders in partnership with public and private sector leaders.

- Small businesses desperately need rebuilding capital
  - PPP, EIDL, and local grant/subsidized loan programs have kept the lights on
  - Our goal: Provide working capital loan support for rebuilding

- CDFIs are the cornerstone to reach those in need
  - Essence of the program is to provide capital, technical assistance and credit support to enable our local CDFIs to reach those most in need

- Public-private partnership to leverage State + other government/philanthropic dollars with private capital to reach as many small businesses as possible
  - $50M Guarantee Facility
  - $250-500M Blended Facility
The perspective and leadership of the State of California

Scott Wu  Isabel Guzman
The economic case for small business support programs

Professor Adair Morse
Economics 101 - Evidence: Providing access to affordable credit leads to the wellbeing of small businesses and communities

Small Business Economics:
Evidence from the Canada Small Business Financing Program run during the 2007-2009 economic downturn resulted in strong outcomes versus businesses who did not access credit

- 12% Higher revenues
- 14% Higher profits
- 6% Higher total wages paid

Community Economics:
When small businesses sell goods and services, revenues and foot traffic cause spillovers to:

- Residents / landlords through income and property value support
- Other small businesses
- State and local governments, exposed to community incomes, property valuations, sales taxes and other taxes/fees
Economics 102: Best design = synthesis of best ideas + best learnings

- California Rebuilding Fund resulted from I-Bank & the State bringing together independent ideas for the public-private partnership

  ✓ CASE/UCBerkeley Law/ Morrison Foerster
  ✓ Haas School of Business, UC Berkeley
  ✓ Governor's Finance Task Force
    • Janet Yellen & Jackie Reses (Square)
    • Building off Calvert
  ✓ Calvert Impact Capital & Community Reinvestment Fund
    • Key Lessons from New York (State) Forward Fund and Chicago Small Business Resiliency Fund
How Does it Work?

Beth Bafford  Dan Moret  Bulbul Gupta  Rohit Agarwal

Calvert Impact Capital  CRF USA  Pacific Community Ventures  kiva
This effort pools resources and leverages existing infrastructure to simplify execution and speed to market during this time of crisis.

Loans, investments & grants…

…centralized and tailored…

…distributed through local partners…

…to the businesses that need it most

IBank
Philanthropy / Other Government Support
Foundations
Banks
Corporates

REBUILDING FUND

Capital
Technical assistance
C2C Technology Platform
Community based lenders / CDFIs
Local small businesses affected by COVID-19
California Rebuilding Loan: Tailored to meet the credit needs of small businesses during post-COVID recovery

<table>
<thead>
<tr>
<th>Loan Terms</th>
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<td><strong>Interest Rate</strong></td>
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<td><strong>Repayment Term</strong></td>
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<td><strong>Use of Proceeds</strong></td>
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<td><strong>Recourse</strong></td>
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<td><strong>Fees</strong></td>
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<td><strong>Loan Amount</strong></td>
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The program is designed to be simple, straightforward, and transparent for small businesses.

Pre-application Process

All interested small businesses will apply for a loan through a centralized portal hosted at www.CALoanFund.org.

Matching/Origination

Eligible applicants will be matched with a community lender that serves the region; the CDFI will underwrite against the program’s criteria.

Package and Sell to Fund

Once a loan is approved and closed, the CDFI will package and sell 90-95% of the loan to one of two SPVs set up under the Fund.

Maintain Relationship

The originating lender will retain 5-10% of the loan on their balance sheet and maintain the servicing relationship.

If a business is ineligible, they will be provided with a set of resources and technical assistance providers to understand other options available.
CDFIs are able to provide access to affordable capital & business advising within days

1. Pre-application (through C2C platform)
2. Outreach to applicant by CDFI
3. Submit full application with financial records
4. CDFI Underwriting (using streamlined disaster recovery process)
5. Internal review (within 1 day of all financial records)
6. Loans are auto-approved (under $50K) within 1 day; Or approved by committee within 3 days (up to $100K)
7. Borrower receives Capital & PCV’s Good Jobs, Good Business toolkit, within 2-3 days
8. Borrower is paired with free business advisor(s) through BusinessAdvising.org
Community Engagement and Outreach

Mark Herbert

Allocations & Reach

Adair Morse

SMALL BUSINESS MAJORITY

Berkeley Haas
Participating lenders and supporting partners have decades of experience serving small businesses in low-income communities across the state.
First Round, Tentative Allocations - 2 Steps

Step 1:
Covering All of California

The fund will ensure that all areas of California have access to a share of the capital for their small business.

In the presentation, we showed a placeholder of the population weights by broad regions that the State uses.

The roll-out implementation will instead allocate shares (with some hold-out for excess demand) at the county level based on either population, business or establishment count, or some combination.
First Round, Tentative Allocations - 2 Steps

Step 2:
Ensuring that funds flow to Distressed Communities

Within-California measures of fiscal and household distress:
  - Population without high school education by age 25
  - Poverty rate

Our first-round process will ensure coverage for the lowest two quintiles of distress zip codes in a combination of these metrics
Local governments will play a critical role in supporting this program so it can reach small businesses in your communities

- Spread the word about [www.CALoanFund.org](http://www.CALoanFund.org)
- Support small businesses with pre-loan technical assistance
- Help amplify stories of businesses who received funding
For questions and additional information

If you are...

Public sector

Bank / Institution

Philanthropy

CDFI / community lender / TA Provider

Contact...

Beth Bafford
bbafford@calvertimpactcapital.org

Mark Herbert
mherbert@smallbusinessmajority.org
Appendix
The California Rebuilding Fund will be capitalized by senior debt, subordinate debt, and grant capital.

The Fund is seeking commitments of:

- **Senior loans** from banks or other institutions (minimum $5 million commitment) for liquidity
- **Subordinate loans** or PRIS from foundations (minimum $1 million commitment) to crowd-in senior lenders and keep cost of funds low for small businesses
- **Grants and donations** from foundations, corporates, and to serve as loss reserves for the CDFIs

### Key Terms

<table>
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<tr>
<th>Facility Size</th>
<th>$50M Guarantee Facility</th>
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<tbody>
<tr>
<td></td>
<td>$250-500M Blended Facility</td>
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<tr>
<td>Borrowing Entity</td>
<td>California Rebuilding Fund, LLC</td>
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<tr>
<td>Term</td>
<td>78 months</td>
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<tr>
<td>Interest Rates</td>
<td>Class A (senior): 1.0 - 2.0%</td>
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<td></td>
<td>Class B (subordinate): 0 - 2.5%</td>
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<td>Loan Loss Reserves (first loss): grant capital</td>
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<td>Subordination</td>
<td>70% Class A (less available reserves) to collateral value ratio for Blended Facility; Guarantee Facility benefits from 95% IBank guarantee</td>
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<td>Availability Period</td>
<td>12 months from the first close</td>
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The portal for small businesses is simple, transparent, and easy to navigate.