

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
STAFF REPORT**

**APPROVAL OF RESOLUTION AUTHORIZING IBANK’S ENTRY INTO A SUBGRANT AGREEMENT
WITH THE COALITION FOR GREEN CAPITAL FOR THE PURPOSE OF MAKING FINANCINGS TO
ELIGIBLE PROJECTS IN CALIFORNIA**

I. Introduction

The California Infrastructure and Economic Development Bank (“IBank”) staff recommends the IBank Board of Directors (the “Board”) adopt Resolution No. 25-02 approving, ratifying, and authorizing the execution, delivery, and performance of a Subgrant Agreement with Coalition for Green Capital (“CGC”) and its related transaction documents as outlined below.

The Subgrant Agreement enables IBank’s Climate Catalyst Fund to deploy up to \$446,257,500 of new capital as a grant to the State of California. IBank and the State Treasurer’s Office (“STO”), operating jointly as “California’s Green Bank,” intend to use these funds to finance green businesses and climate infrastructure projects. IBank will deploy these funds through a revolving finance model similar to many of IBank’s well-established programs such as the Infrastructure State Revolving Fund and the Small Business Loan Guarantee Program. The grant subaward has various conditions attached to it, including an ambitious goal of obligating the subaward, as financings of eligible projects or their related expenses, during a “Period of Performance” which ends on December 31st, 2025. However, to the extent IBank is able to successfully deploy these funds within the Period of Performance and remain in compliance with other program requirements, repayments of the financings will revolve back to IBank’s balance sheet as a permanent resource to support further climate project financings in the future. This capital is closely aligned with California’s climate policy priorities, and IBank will deploy these funds consistent with the approach outlined in the [Climate Catalyst Fund Financing Plan NCIF, adopted by the Board on September 25th 2024](#).

This staff report summarizes the origins of this opportunity, engagement and negotiation process, and opportunities and challenges that lie ahead with respect to successfully implementing and complying with the subaward.

II. Background

With the passage of the Inflation Reduction Act (IRA) on August 16th, 2022, the U.S. Environmental Protection Agency (“EPA”) was tasked with establishing the Greenhouse Gas Reduction Fund (“GGRF”) to provide \$27 billion of capital nationally for climate solutions through three channels.¹ The **National Clean Investment Fund** (\$14 billion), the subject of this Board

¹ Besides the National Clean Investment Fund, the other two channels are: (1) the **Solar for All** program (\$7 billion) focuses on deploying solar, energy storage and related technologies within low-income and disadvantaged

item, focuses on establishing national clean financing institutions that deliver accessible, affordable financing for clean technology projects nationwide. The recipients of “NCIF” awards are partnering with private-sector investors, developers, community organizations, and others to deploy projects, mobilize private capital at scale, and enable millions of Americans to benefit from the program. The Coalition for Green Capital (“CGC”) received a \$5 billion NCIF award, and IBank is the intended subrecipient of \$446,257,500 under CGC’s award.²

NCIF Program Objectives include:

- Reduce emissions of greenhouse gases and other air pollutants.
- Deliver benefits of these projects to American communities, particularly low-income and disadvantaged communities (“LIDAC”) – with at least 40% of awarded funds flowing to LIDACs.
- Mobilize additional private capital, leveraging NCIF funds to “demonstrate the market-wide opportunity for financial markets and institutions to finance clean technology projects.”

EPA released its Notice of Funding Opportunity (“NOFO”) for the NCIF on July 14th, 2023, with an application deadline of October 12, 2023. Awards were announced on April 4th, 2024. Following the announcement, EPA commenced a lengthy process of negotiating with awardees terms and conditions (“T&Cs”) for the NCIF grants, a process that culminated in mid-December. Over much of the same period CGC negotiated subgrant agreements with 18 subawardees, including IBank, which are spread across the country (see **Attachment A** for a map and list of subawardees).

IBank staff concluded negotiations during the first week of January. The subgrant agreement and its related documents were executed by IBank’s Executive Director pursuant to Section 10 of Resolution No. 21-11 delegating certain authorities to the Executive Director to act on behalf of IBank to receive grant funding. In order for IBank to deploy the funds, the Board now must approve the acceptance and use of the proceeds of the subgrant agreement in accordance with the implementation plan, the subgrant agreement and its related documents.

communities across the country. EPA made 60 awards under this program, and IBank’s Climate Catalyst unit led the state’s successful application for approximately \$250 million. These funds are now being deployed by the California Energy Commission as grant capital; and (2) The **Clean Communities Investment Accelerator** (\$6 billion) focuses on providing “seed” capital to community lenders such as Community Development Financial Institutions (“CDFIs”) and credit unions to enable them to offer low-cost, accessible financing for climate solutions in disadvantaged communities. Given the program’s focus on local lenders, IBank did not pursue any portion of this capital.

² The other two successful applicants to the NCIF were the Climate United Fund (\$7 billion) and Power Forward Communities (\$2 billion). IBank elected not to join either of these applications, as their strategies did not involve direct capitalization of state-level sub-recipients. However, IBank staff has been coordinating with these entities as they pursue lending opportunities in California.

Below is a summary of key terms, conditions and features of the subgrant agreement.

III. CGC/IBank Subgrant Agreement

1. Targeted Funding Allocation:

- a. At least 40% of the funds must support projects in LIDAC (low-income and disadvantaged communities) as determined by the federal government's Justice40 definitions, with commercially reasonable efforts to elevate that percentage to at least 50%.
- b. The priority project categories are:(1) Distributed Energy Generation and Storage, (2) Net-Zero Building Emissions, and (3) Zero-Emissions Transportation. Projects outside of the priority categories require prior CGC approval.
- c. IBank must make commercially reasonable efforts to ensure 20% of NCIF funds are used in rural areas and 2% are used in tribal communities.

2. Compliance and Oversight:

- a. Funds must be strictly used for eligible activities defined by EPA and CGC, such as supporting "qualified projects" and program administrative activities. All "qualified projects" must comply with the EPA's "Six-Factor Test," which requires that each project, activity, or technology that NCIF capital supports meet all of the following requirements:
 - i. The project, activity, or technology would reduce or avoid Greenhouse Gas Emissions, consistent with the climate goals of the United States.
 - ii. The project, activity, or technology would reduce or avoid emissions of other Air Pollutants.
 - iii. The project, activity, or technology would deliver additional benefits to communities within one or more of the following seven categories: climate change; clean energy and energy efficiency; clean transportation; affordable and sustainable housing; training and workforce development; remediation and reduction of legacy pollution; and development of critical clean water infrastructure.
 - iv. The project, activity, or technology may not have otherwise been financed.
 - v. The project, activity, or technology would mobilize private capital.
 - vi. The project, activity, or technology would support only commercial technologies, defined as technologies that have been deployed for commercial purposes at least three times for a period of at least five years each in the United States for the same general purpose as the project, activity, or technology.
- b. As applicable, IBank is required to adhere to rigorous federal and program-specific standards, including environmental, financial, and performance requirements, such as Build America, Buy America (BABA) and Davis-Bacon and Related Acts (DBRA) requirements.

3. Performance Reporting and Monitoring:

- a. IBank must submit quarterly, semi-annual and annual reports to CGC detailing fund usage, project outcomes, and compliance with program objectives.
- b. CGC will monitor and evaluate IBank's performance quarterly to ensure sufficient implementation. Any material noncompliance with proposed program budget and implementation plans will require CGC and IBank to work jointly on a performance improvement plan.

4. Other Requirements/Commitments:

- a. IBank must comply with CGC's investment policy, which includes requirements for concentration limits, maturity limits, and credit thresholds, until CGC has approved IBank's own internal policies. (The Criteria, Priorities and Guidelines document to be discussed at this Board meeting constitutes IBank's investment policy.)
- b. IBank and CGC will each use commercially reasonable efforts to share with the other party co-investment opportunities in California of \$50 million or more. CGC will also make efforts to share opportunities in California with IBank of less than \$10 million.
- c. If IBank engages in secondary offerings of NCIF financings, CGC retains the right of first offer ("ROFO"), with CGC granted 20 business days to respond.
- d. A closeout agreement will be required at the end of the agreement's term, which will include additional EPA reporting and compliance conditions. While the full term of the agreement is nearly seven years, closeout could occur as early as the end of the performance period.
- e. CGC may amend the agreement (with reasonable notice) for: (1) changes required by the EPA, (2) compliance with federal requirements or CGC's work plan, or (3) temporary adjustments to address emergencies (the latter for up to 60 days). Subawardees do have the ability to dispute unilateral amendments.

5. Timeline and Term:

- a. Though the term of agreement is to September 30th, 2031, the period of performance ends on December 31st, 2025. All funds must be obligated or spent in compliance with program requirements by that date or they will revert to CGC.
- b. CGC will oversee fund distribution, compliance, and performance throughout the term of the agreement.

6. Other Material Agreements:

- a. Network Partner Agreement: The subgrant agreement requires IBank to sign a network partner agreement ("NPA") to join CGC's [American Green Bank Consortium](#), a green bank membership organization, and to maintain membership for the term of the subgrant agreement. Under certain circumstances subawardees may withdraw from the NPA, and IBank has indicated that it is not permitted to engage in any lobbying.
- b. Non-Disclosure Agreement: Confidential information is subject to the Public Records Act (PRA) and its exemptions.
- c. Assurance Letter: A small percentage of the funds will be reserved for potential damages.
- d. Budget: The budget allocates approximately \$6.6 million for program administration activities and \$439.7 million for financial assistance. Program administration activities

cannot exceed 5% of the total subaward. The budget may be amended periodically subject to CGC's consent.

- e. Implementation Plan: The plan, found in **Attachment B** outlines IBank's anticipated deployment of NCIF funds through financing instruments and the corresponding estimated GHG reductions based on a survey of the Climate Catalyst unit's pipeline as of December 12, 2024. Currently, IBank projects that the NCIF award will be used as follows:

- \$161,200,000 for Climate Loan Guarantees
- \$161,200,000 for Climate Loan Participations
- \$74,295,500 for Incentive Bridge Loans
- \$43,000,000 for Loan Loss Reserve Products on portfolios of private loans
- \$6,562,000 for Program Administration

The Implementation Plan also estimates that this financing will reduce GHG impacts by approximately 179,721 tons annually, prior to any NCIF funds revolving. However, staff note that the GHG calculators required by EPA do not take into account many important factors, such as battery storage, grid benefits, or EV charging infrastructure. Actual GHG impacts will be calculated on a deal-by-deal basis.

While IBank and STO are partnering as the California Green Bank, IBank is the named entity on the subgrant, the terms of which prohibit interagency agreements that would change or add to the designated subrecipient. That said, arrangements such as a forgivable loan between agencies are possible, and some other subawardees are in the process of structuring agreements on this basis. Under this framework IBank and STO are currently working towards developing an agreement that would allow deployment of a portion of the subgrant via the GoGreen Business and GoGreen Home programs under CAEATFA, and the California Capital Access Program under CPCFA. When this plan is finalized subject to Board approval, IBank staff will revise the Implementation Plan accordingly.

IV. Challenges and Opportunities

IBank is excited for the opportunity to access nearly \$450 million on behalf of the State to finance climate-related projects, especially as each new climate catastrophe brings home the urgency of transforming our economy. However, the funds come with a myriad of "strings attached" in the form of program performance, as well as compliance and reporting requirements from both EPA and CGC. Chief among the challenges among is the narrow deployment window that ends 12/31/25. This will have the effect of shortening the "shadow of the future" of our financing pipeline, i.e. raising concerns among lenders and borrowers, especially as the period nears its end, about the ability to enter into binding obligations within this timeframe. This is in addition to the pipeline already being made narrower by the need to comply with complex requirements such as BABA and DBRA.

All that said, IBank staff feels that it would very much serve the State's interests to rise to these challenges. The Catalyst team has been building up a deal pipeline for over a year now, which now stands at \$1.1 Billion across various stages of maturity, and is actively growing. As stakeholders become increasingly aware of the availability of NCIF funds, new pipeline opportunities are emerging almost daily. In addition, subject to Board approval, IBank intends to work with a highly qualified consulting firm to develop our pipeline further, help process financing requests quickly and efficiently, and assist with other program tasks. IBank's planned partnership with STO will also serve to expand the opportunities to fully deploy the subgrant. Finally, CGC has indicated a willingness to show flexibility for the sake of achieving our common goals, including potential mutually agreeable considerations as the end of the Period of Performance nears. This increases the likelihood that most if not all of these funds will remain a permanent resource of the State of California. All things considered, IBank staff believes it is well worthwhile to accept the NCIF subaward from CGC.

V. Conclusion and Recommendation

Staff recommends Board approval of Resolution No 25-02 approving, ratifying, and authorizing the execution, delivery, and performance of a Subgrant Agreement and its related transaction documents, thereby enabling IBank to access up to \$446,257,500 of new capital in accordance with the Implementation Plan to finance eligible climate-related projects in California.

Attachment A: List of CGC Subawardees and Locations

Attachment A. List of CGC Subawardees and Locations

IBank is a named subawardee of the CGC alongside the following entities:

- City First Enterprises
- Collective Clean Energy Fund
- Connecticut Green Bank
- Community Development Venture Capital Alliance
- DC Green Bank
- Efficiency Maine Trust
- Elemental Impact
- Illinois Finance Authority/Climate Bank
- Michigan Saves
- Minnesota Climate Innovation Finance Authority
- Montgomery County Green Bank Corporation
- New Jersey Economic Development Authority
- New York City Energy Efficiency Corporation
- New York Green Bank
- Ohio Air Quality Development Authority
- Solar and Energy Loan Fund (SELF)
- State Environmental Improvement and Energy Resources Authority (Missouri)



