

AMENDED IN SENATE MAY 28, 2021

AMENDED IN SENATE MARCH 25, 2021

**SENATE BILL**

**No. 625**

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**Introduced by Senators Caballero and Limón**  
*(Coauthors: Senators Durazo and Min)*

February 18, 2021

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An act to add Article 11 (commencing with Section 63049.75) to Chapter 2 of Division 1 of Title 6.7 of the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

SB 625, as amended, Caballero. Community development financial institutions: grant program.

~~(1) Existing~~

*Existing* law, the Bergeson-Peace Infrastructure and Economic Development Bank Act, establishes the California Infrastructure and Economic Development Bank (I-Bank) in the Governor's Office of Business and Economic Development under the direction of an executive director appointed by the Governor, subject to confirmation by the Senate, and governed by a board of directors composed of specified persons. Existing law, among other things, authorizes the I-Bank to make loans, issue bonds, and provide financial assistance for various types of projects that qualify as economic development or public development facilities.

Existing federal law establishes the Capital Magnet Fund and makes moneys in that fund available to the United States Secretary of the Treasury to carry out a competitive grant program to attract private capital for, and increase investment in, certain affordable housing and economic development projects by providing grants, as provided, to

Treasury-certified community development financial institutions or nonprofit organizations that meet specified criteria.

This bill would establish the California Investment and Innovation Program, administered by *the* I-Bank, for the purpose of providing grants to qualified community development financial institutions. The bill would establish the California Investment and Innovation Fund and, upon appropriation, require *the* I-Bank to award a grant to an eligible recipient, defined as a community development financial institution that meets specified criteria under the program, as provided. The bill would specify authorized uses of grant funds, including providing loans, grants, equity investments, or technical assistance within low-income communities or for purposes that have a direct and substantial benefit to lower income households. *The bill would also provide criteria for prioritization of grants, and would require the I-Bank to establish guidelines for performance and periodic reporting by grantees. The bill would also establish the California Investment and Innovation Advisory Committee, which would review and recommend for approval applications for grants, and would provide recommendations to the I-Bank on the successful implementation of the program.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) Community Development Financial Institutions (CDFIs)
- 4 are a critical partner of the State of California in addressing
- 5 short-term and long-term needs of low- and moderate-income
- 6 communities in the areas of affordable housing, health care, small
- 7 business lending, economic development, and more.
- 8 (b) As mission-driven lenders, grantors, and providers of
- 9 technical assistance, CDFIs have proven time and again that they
- 10 can play a valuable role in helping to deploy and leverage public
- 11 investment quickly and efficiently.
- 12 (c) It is the intent of the Legislature in creating the California
- 13 Investment and Innovation Program to establish a program that
- 14 creates an ongoing partnership with CDFIs to assist the State of
- 15 California in efficiently deploying resources to communities in
- 16 need and establishing an equitable economic recovery that benefits

1 low-income communities and communities of color that have been  
2 disproportionately impacted by the economic fallout of the  
3 COVID-19 pandemic and by historical and ongoing disinvestment.

4 (d) In addition to providing an economic jumpstart for those  
5 communities through immediate investment, it is the intent of the  
6 Legislature that the program created by this legislation will serve  
7 as a potential repository for current and future emergency or  
8 stimulus funding streams that would otherwise require the state to  
9 start up new programs, thereby slowing the delivery of these funds  
10 to those most in need. The program will be a permanent resource  
11 for community investment.

12 SEC. 2. Article 11 (commencing with Section 63049.75) is  
13 added to Chapter 2 of Division 1 of Title 6.7 of the Government  
14 Code, to read:

15  
16 Article 11. California Investment and Innovation Program

17  
18 63049.75. For purposes of this article:

19 (a) “Bank” means the California Infrastructure and Economic  
20 Development Bank.

21 (b) “Community development financial institution” means any  
22 community development financial institution certified by the  
23 federal Community Development Financial Institutions Fund under  
24 Part 1805 (commencing with Section 1805.100) of Chapter XVIII  
25 of Title 12 of the Code of Federal Regulations.

26 (c) “*Disadvantaged community*” means an area, as defined by  
27 the bank pursuant to Section 63049.79, in which the median  
28 household income is less than 80 percent of the statewide annual  
29 median household income level.

30 ~~(e)~~

31 (d) “Eligible recipient” means a community development  
32 financial institution for which either of the following applies:

33 (1) The community development financial institution has its  
34 headquarters in this state.

35 (2) The community development financial institution has a  
36 record of lending in this state, based on either of the following:

37 (A) At least 25 percent of the community development financial  
38 institution’s loan portfolio provides financial assistance to persons  
39 or projects located in this state.

1 (B) The community development financial institution has  
2 provided financing assistance in this state totaling at least five  
3 million dollars (\$5,000,000) over the following time periods:

4 (i) If the community development financial institution is not a  
5 small and emerging community development financial institution,  
6 the three years preceding the date of its application for a grant  
7 under the program.

8 (ii) If the community development financial institution is a small  
9 and emerging community development financial institution, any  
10 time period.

11 ~~(d)~~

12 (e) "Fund" means the California Investment and Innovation  
13 Fund created in Section 63049.76.

14 ~~(e)~~

15 (f) "Low-income communities" has the same meaning as defined  
16 in Section 39713 of the Health and Safety Code.

17 ~~(f)~~

18 (g) "Lower income household" has the same meaning as defined  
19 in Section 50079.5 of the Health and Safety Code.

20 ~~(g)~~

21 (h) "Program" means the California Investment and Innovation  
22 Program established in Section 63049.76.

23 ~~(h)~~

24 (i) "Small and emerging community development financial  
25 institution" means a community development financial institution  
26 that has less than ten million dollars (\$10,000,000) in assets.

27 63049.76. (a) (1) The California Investment and Innovation  
28 Program is hereby established for the purpose of providing grants  
29 to eligible recipients.

30 (2) The bank shall administer the program.

31 (b) The California Investment and Innovation Fund is created  
32 in the State Treasury. Upon appropriation by the Legislature, the  
33 bank shall allocate moneys in the fund to eligible recipients in  
34 accordance with this article.

35 (c) The California Investment and Innovation Fund may receive  
36 funds made available to the state by any source, including, but not  
37 limited to, the federal government, philanthropic ~~entities~~, *entities*,  
38 and financial ~~institutions~~. *institutions*.

39 63049.77. (a) When funding is available pursuant to Section  
40 63049.76, the bank shall make the funding available to eligible

1 recipients. Unless otherwise prohibited by law, the bank shall use  
2 the available funding to do all of the following:

3 ~~(a)~~

4 (1) Develop a competitive application process for awarding  
5 grants pursuant to the program and require each eligible recipient  
6 to submit an application in the form and manner prescribed by the  
7 bank.

8 ~~(b)~~

9 (2) Set aside at least 20 percent of any amount made available  
10 for purposes of the program for eligible recipients that are small  
11 and emerging community development financial institutions.

12 ~~(c)~~

13 (3) Ensure that eligible recipients receiving grants pursuant to  
14 the program serve geographically diverse areas, both urban and  
15 rural, across this state.

16 (b) *When funding is available pursuant to Section 63049.76,*  
17 *the bank shall make grants available in one or more rounds of*  
18 *funding availability, not to exceed twenty-five million dollars*  
19 *(\$25,000,000) in total grants in any calendar year.*

20 (c) *Pursuant to Section 63049.79, the bank shall determine the*  
21 *maximum amount that any eligible recipient may receive per*  
22 *calendar year, provided that, in a calendar year, no applicant may*  
23 *receive more than 5 percent of the total grant funds available in*  
24 *that calendar year.*

25 (d) *To the extent permissible under state and federal equal*  
26 *protection laws, grants shall be prioritized in accordance with the*  
27 *following criteria:*

28 (1) *Providing access to capital for communities and businesses*  
29 *that have historically lacked access to capital, including, but not*  
30 *limited to, the following:*

31 (A) *Businesses in which a majority of the business is owned by*  
32 *women, minorities, persons of color, or veterans.*

33 (B) *Businesses in rural communities.*

34 (C) *Businesses in low-income communities.*

35 (2) *Serving communities that are disadvantaged communities*  
36 *or have a disproportionately high rate of poverty or unemployment,*  
37 *low educational attainment, or other disadvantaging factor that*  
38 *limits access to capital and other resources.*

1 (3) *Providing access to housing, health care, or education or*  
2 *financial services for households that are very low income as*  
3 *defined in Section 50105 of the Health and Safety Code.*

4 63049.78. (a) Unless otherwise prohibited by law, an eligible  
5 recipient that receives grant funds under the program may use  
6 those funds for the following purposes:

7 (1) Providing loans, grants, equity investments, or technical  
8 assistance within low-income communities or for purposes that  
9 have a direct and substantial benefit to lower income households.

10 (2) Serving investment areas or targeted populations, as those  
11 terms are defined in Section 4702 of Title 12 of the United States  
12 Code, as that section read as of January 1, 2021, by developing or  
13 supporting any of the following:

14 (A) Commercial facilities that promote revitalization,  
15 community stability, or job creation or retention.

16 (B) Businesses that either provide jobs in low-income  
17 communities or enhance the availability of products and services  
18 to lower income households.

19 (C) Community facilities.

20 (D) The provision of basic financial services.

21 (E) Housing that is principally affordable to lower income  
22 households. Assistance used to facilitate homeownership pursuant  
23 to this subparagraph shall be limited to services and lending  
24 products that serve lower income households that either are not  
25 provided by other lenders in the area or complement the services  
26 and lending products provided by other lenders that serve the  
27 investment area or target population.

28 (F) Any other businesses or activities deemed appropriate by  
29 the bank and consistent with the purposes of the program.

30 (b) An eligible recipient that provides loans with grant funds  
31 awarded under the program shall provide those loans on a revolving  
32 basis.

33 63049.79. The bank may adopt guidelines for the operation of  
34 the program in accordance with Chapter 3.5 (commencing with  
35 Section 11340) of Part 1 of Division 3 of Title 2.

36 63049.80. (a) *For purposes of this section:*

37 (1) *“Committee” means the California Investment and*  
38 *Innovation Advisory Committee.*

39 (2) *“Director” means the executive director of the bank.*

40 (b) *The director may establish and appoint the committee.*

- 1 (c) *The committee shall consist of the director or the director's*  
2 *designee and one volunteer from each of the following categories:*  
3 (1) *A member of the public appointed by the Senate Committee*  
4 *on Rules.*  
5 (2) *A member of the public appointed by the Speaker of the*  
6 *Assembly.*  
7 (3) *A representative of a consumer advocacy group.*  
8 (4) *A member of the public with expertise in affordable housing*  
9 *development or finance.*  
10 (5) *A member of the public with expertise in community*  
11 *development.*  
12 (6) *A representative of a financial institution or a community*  
13 *development financial institution.*  
14 (7) *A member of the public with expertise in small business*  
15 *lending.*  
16 (8) *A representative of an organization representing the interests*  
17 *of low-income rural communities.*  
18 (d) *The committee's duties shall include all of the following:*  
19 (1) *Reviewing and recommending for approval applications for*  
20 *grants submitted pursuant to this article.*  
21 (2) *Providing recommendations to the bank on the successful*  
22 *implementation of the program.*  
23 63049.81. (a) *Pursuant to Section 63049.79, the bank shall*  
24 *establish time periods for performance and periodic reporting by*  
25 *grantees.*  
26 (b) *Pursuant to Section 63049.79, the bank shall adopt*  
27 *guidelines for periodic reporting by grantees. In adopting the*  
28 *guidelines, the bank shall ensure appropriate periodic financial*  
29 *and project reporting, record retention, and audit requirements*  
30 *for the duration of the grant to the grantee to ensure compliance*  
31 *with the limitations and requirements of this section. The guidelines*  
32 *shall also establish reporting that documents the use of funds, the*  
33 *number of persons or households served, the geographic*  
34 *distribution of funds, and other data as determined by the bank to*  
35 *assist the bank in assessing program outcomes.*

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