Climate Tech Finance: Potential Statewide Expansion

Technology Implementation Office Steering Committee Meeting
September 17, 2021

Derrick Tang
Manager
dtang@baaqmd.gov
• The Committee will be updated on discussions around expanding the Climate Tech Finance program statewide
Presentation Requested Action

• None; informational item
Presentation Outline

• Program Overview
• Program Growth
• Key Areas for Growth
Reducing greenhouse gases by increasing access to capital to accelerate climate technology commercialization

**Working Capital for Business Growth**
Loan guarantees of up to $2.5M or 90%

**Loans for Buying Climate Tech**
Low-interest loans of up to $30M over 30 years
$10B State Small Business Credit Initiative (SSBCI)

- California programs slated to receive $895M
  - 7x more for Climate Tech Finance to leverage
- Separate allocation for programs benefiting Socially and Economically Disadvantaged Individuals (SEDI)
- Opportunity to expand partnership with IBank
Key Areas for Growth

• Scale up technology & impact evaluations
• Expand network of climate entrepreneurs
• Expand network of climate lenders
• Introduce new financial products
Scale Up Technology & Impact Evaluations

• Administrative funding from SSBCI could facilitate expansion of technical services statewide
• Can be done in collaboration with other air districts
• Prioritize projects supporting historically underserved communities
• Opportunity to standardize reporting and program evaluation for statewide funding program
Expand Network of Climate Entrepreneurs

- Use existing Climate Tech Finance networks and regional Financial Development Corporations to scale outreach statewide
- Identify projects with shared characteristics for more efficient lender matching
Expand Network of Climate Lenders

• Increase inventory of registered climate- and mission-oriented lenders

• Take advantage of imminent regulatory changes, banks’ goalsetting around climate investments and Community Reinvestment Act
Introduce New Financial Products

• Based on lender feedback, larger loan guarantees ($5M+) would increase program pipeline and activity

• Discussions with IBank and Governor’s Office on Climate Catalyst and potential venture fund focused on SEDI and climate justice

• Opportunities to attract private capital
• Discussion of potential program expansion
Climate Tech Finance: Racial Equity Framework

Technology Implementation Office Steering Committee Meeting
September 17, 2021

Derrick Tang
Manager
dtang@baaqmd.gov
• The Committee will be updated on a racial equity framework for Climate Tech Finance
Presentation Requested Action

• None; informational item
Presentation Outline

• Racial Equity Framework Overview

• Initial Themes from Racial Equity Analysis

• Themes Applied to Climate Tech Finance
Racial Equity Framework

• A series of questions to guide proposal evaluation with the mission of identifying and reducing racial inequities through the following steps:
  1. Proposal goal/desired outcome(s)
  2. Involve stakeholders & analyze data
  3. Determine benefit and/or burden
  4. Advance opportunity and/or minimize harm
  5. Evaluate, raise racial awareness, be accountable
  6. Report back

• Based on framework designed by Government Alliance on Race & Equity (GARE)
Initial Themes for Programs Striving for Equity

1. Collect (the right) data
2. Emphasize technical assistance
3. Invest in developing relationships with communities to increase participation
4. Explore potential changes to program policies and design
5. Establish priorities to scale up work that advances racial equity
1. Collect (the right) data

- **Collect** demographic and socioeconomic data for all programs
- **Research** the appropriate baseline data for the program
- **Measure and track by race**: both funding ($ spent on whom) and service (time/effort spent on whom)
2. Emphasize technical assistance

• Technical assistance is equally as important as funding when that service is necessary to help someone access our programs

• Train staff to apply racial equity lens to outreach and implementation

• Explicitly allocate resources to provide technical assistance
  • Help applicants navigate incentive programs at Air District and other sources
  • Make sure that communications can be translated and use wording that is easy to understand; avoid government terminology
3. Invest in developing relationships with communities to increase participation

- **Go beyond Inform**: Outreach is often one-way, yet word-of-mouth is a major driver for many programs
  - Dig deeper in areas where a program is less effective to determine root causes and what could lead to more success

- **Work toward Empower**: Bring community into program design
  - Requires explicit allocation of time and resources for developing authentic relationships with specific communities

![A Spectrum of Public Participation](source: RSA)
4. Explore potential changes to program policies and design

- **Strategies for Climate Tech Finance:**
  - Customer discovery with entrepreneurs of color, community lenders, support organizations
  - Collecting demographic data from applicants on a voluntary basis (separate from the application process)
  - Incorporated in application materials an evaluation of how a project advances racial equity
  - Technical assistance to help businesses prepare finances for bank review
  - Based on stakeholder feedback, exploring potential program enhancements around local project finance for community health benefits

- **Relate proposed changes to root causes of racial inequity:** policies that restrict communities from building wealth and gaining access to things that are expensive (newer technologies, infrastructure, labor)
5. Establish priorities to scale up work that advances racial equity

• Government programs inherently provide more benefit to people who are comfortable working with government than to people who are not

• **Create structure** to help racial equity work scale
  • Apply racial equity framework to other programs and processes
  • Expand trainings for all staff as the first step in a development process
  • Incorporate racial equity objectives and metrics as core priorities in program and staff objectives

• **Enforce priorities** by allocating time for racial equity work as part of strategic planning and workload management
• Discussion of racial equity framework and potential resources, including:
  • Baseline demographic data
  • Stakeholder connections
  • Programs to model