Key Questions in developing the Prop 4 Solicitation
for "Noncombustion Biomass Utilization"

I. Lender Qualifications and Market Position

1. What types of financial institutions are best positioned to serve as the State's lending partner? For example, commercial banks, mission-driven lenders, CDFIs, specialized project-finance lenders, or other financial intermediaries.
2. We must make a grant to an "eligible applicant" due to Prop 4 constraints – this is a non-taxable entity such as a tribe, nonprofit, or local government. Most of these institutions don't have lending experience, so what should our expectation be when an applicant comes to the table with a partnership? What should we look for in partnership documentation?
3. How should we think about the opportunity for the lending partner/team to bring additional funds to bear, either through establishing a complementary fund, growing the public fund through additional investments, co-investing goals, or other strategy? We know there is opportunity here and want to give recognition to those bringing expertise and connections, at the same time as knowing that not every entity will be able to bring these to the table in the same way.
4. What capabilities and experience should the State require of a lending partner or team? We are considering experience in: project finance; infrastructure lending; biomass, forestry, agricultural, waste, or energy projects; emerging or first-of-a-kind technologies; government-supported lending programs; and loans involving public or subordinate capital.
5. What minimum portfolio, capitalization, lending capacity, or other financial qualifications would be appropriate for the lending partner?

II. Financing Structure

6. What loan tenors, interest-rate structures, amortization periods, grace periods, and repayment structures would generally be appropriate for biomass utilization projects?
    a. And should those structures be directed by the solicitation, or should we take input from the applicants?
    b. Should the State establish standardized loan terms, or should the lending partner have flexibility to structure individual transactions within defined program parameters?
    c. If allowing for a more individualized approach, how might we consider proposals of different types and tools?
7. What minimum and maximum loan sizes would allow the program to serve a meaningful range of projects while remaining administratively efficient?

III. Risk Allocation and Public Capital

8. We've been thinking of this program as a first-loss, or subordinate, revolving loan program, but should we be broader in the tools we accept (e.g. loan-loss reserve, credit enhancement, loan guarantee, interest rate subsidy, etc.)?

9. Which risks should appropriately be retained by the project sponsor, assumed by the lender, or shared with the State?
10. How much public credit enhancement would be necessary to materially change lending decisions?
11. How should the State balance risk mitigation with preservation of public capital?
12. What underwriting standards should the State establish, and where should the lending partner have discretion?
13. Should projects be required to demonstrate a minimum level of commercial readiness before becoming eligible for program financing?

IV. Lender Compensation and Economics

14. What compensation structure would make participation economically attractive to a qualified lending partner?
15. What level of lender return would be necessary to administer this portfolio?
16. What should the State expect the lending partner to perform directly versus through subcontractors or other partners?
17. What portfolio-level performance metrics should the State require?
18. How frequently should the lender report portfolio performance and individual loan status to the State?
19. Are there procurement requirements that could unintentionally discourage otherwise qualified lenders from participating?

V. Program Administration and State-Lender Relationship

20. What governance structure would enable the State to maintain appropriate oversight without unnecessarily slowing loan approvals? Is State participation necessary, or even desired?
21. What State reporting, audit, compliance, or transparency requirements would materially affect the cost or attractiveness of serving as the lending partner?
22. What performance metrics should be used to evaluate the lending partnership once the grant is made?
23. What should the expected period of performance be? When should the first loan be initiated?
24. We are making a grant, which can be revoked under some conditions in the case that the work isn't expected to deliver value to California/Californians. What should the conditions be for grant termination for this program?

VI. Other Questions:

25. What is the greatest risk to successful implementation of a State-supported biomass lending program?
26. What aspects of the proposed program would cause your organization not to participate in the eventual RFP?
27. Are there examples of other public lending or credit-enhancement programs that the State should examine?
28. If you were writing the RFP, what would you include that the State may not be considering?

29. We are contemplating a requirement for pre-application meetings with potential applicants. Would this make sense? How might we make these most useful?