Catalyst Program Framework – Updated 8.21.23

**Summary**

The Community Economic Resilience Fund (CERF) is a catalytic investment for California’s 13 regions, designed to spur systemic change to build a more equitable, resilient economy. Through CERF, regions are building High Road Transition Collaboratives (HRTCs) that will develop a clear vision for the region’s economic future. The plans that emerge from CERF will incorporate equity, environmental justice, public health, and will put workers and communities at the center of each region’s economy.

To ensure the program effects systemic changes in regional economies, the Catalyst Program reserves up to $14 million for each CERF region (totaling $182M statewide) to bridge the gap between planning regional economic development strategies and implementing projects designed to achieve outcomes that align with those strategies. Catalyst funds will support HRTCs to invest in pre-development activities, enabling regions to develop projects and maximize investment opportunities while reserving Implementation funds for ready-to-go projects.

**Rationale**

Pre-development funds will expand on the work of the CERF Planning Phase and spur more projects in disinvested communities across the state while giving regions the flexibility to design projects that meet their needs. These funds will enable communities across California to develop projects that align with the vision of the HRTC and position them to access additional federal, state, and private funds.

State, federal, and private funds typically target projects that are ready for implementation rather than to the early investments needed to prepare projects. Too many communities across California lack the funds necessary to move projects through the development process (e.g., conducting feasibility or environmental studies, identifying and controlling sites for development, negotiating Community Benefits Agreements), disqualifying them from many funding opportunities. Disinvested communities have suffered the most from this dynamic, while better-resourced communities are able to allocate capital to developing projects that are ‘ready-to-go,’ or ready for immediate implementation. Agencies across California have identified this need and are targeting funding to bridge the gap between planning and implementation.

Allocating funds for a Catalyst Program will accomplish two core goals: strengthen HRTC social infrastructure to allow for continued regional inclusive planning and enable regions to build a pipeline of viable, ready-to-go CERF-aligned projects. In turn, this will maximize funding opportunities by capitalizing on federal, state, and private investments and alleviate CERF timeline constraints by enabling CERF-aligned projects to compete for funding beyond the lifetime of the program.

**Components**

As proposed, the Catalyst Program would support the following items:

1. Invest no more than $2M per region into the already identified Regional Convenor(s) to operate the established HRTC through at least September 30, 2026. These funds would support the Conveners in following activities on behalf of the HRTC:
	1. Continue to expand regional outreach and engagement activities, ensuring inclusion of disinvested communities;
	2. Continuously update research to keep plans current for future funding opportunities and planning processes;
	3. Coordinate Implementation Phase application process;
	4. Collaborate with the GO-Biz Community & Place-Based Solutions team and the U.S. Economic Development Administration to develop Economic Development Districts where they do not currently exist;
	5. Track the projects identified by the HRTC, including applications and awards for additional funding from other sources.
2. Invest no more than $1.5M per region into the development and recruitment of Sector Investment Coordinators, tasked with promoting system change and alignment activities. These funds will support no more than five positions or sub-contracts, either as new staff at the Conveners or at another identified organization in the region. The positions will execute the following activities on behalf of the HRTC:
	1. Work within the HRTC on industries prioritized in the Planning Phase;
	2. Support the HRTC in cataloguing projects that will support the proliferation of the prioritized industries and enhance high-quality job creation; label these projects as “exploratory” (agreed-upon ideas that are at the very initial phases) and “last-mile” (agreed-upon projects that need the final piece of the puzzle to begin development), or identify projects as non-viable;
	3. Work with GO-Biz staff and regional partners to find and apply for state, federal, and private grants;
	4. Align HRTC-identified projects with federal funding;
	5. Liaise with workforce and economic development partners, High Road Training Partnerships, community-based organizations, and others capable of contributing to the success of the project to build an ecosystem around identified industries or sectors;
	6. Provide or procure Technical Assistance for Implementation grant applications and administration.
	7. NB: Regions do not need to have identified industry clusters to apply for Catalyst Program Funds. Sectors targeted by Sector Investment Coordinators do not need to be established before the end of the Planning Phase.
3. Invest no more than $9M in pre-development dollars into projects labeled as “exploratory” or “last mile,” with the intent of identifying viable projects that could become “ready-to-go" or any projects that may be non-viable. After receiving Catalyst funds, ready-to-go projects may be eligible for additional funding from local, state, or federal governments, philanthropy, or private investors, or that align and complement state or federally funded projects. These projects must align with existing CERF priorities of equity, sustainability, job quality and access, economic competitiveness, and economic resilience. Projects must also adhere to federal, program-specific Justice40 guidelines. The funds may also be identified in federal grant applications as matching funds.
	1. Pre-development activities include, but are not limited to:
		1. Feasibility studies; market analysis; environmental assessments, surveys, and remediation; site acquisition; site and development plans; project designs; permitting; establishing a regional tax increment financing district (TIF); drafting and negotiating Community Benefits Agreements and Community Workforce Agreements; establishing public-private partnerships, Community Development Corporations and Community Development Financial Institutions; revolving loan funds; joint powers authorities; financial planning (e.g., preliminary budget and construction financing); with the goal of establishing long-term funding opportunities for implementation of Planning Phase regional strategies;
		2. Basic environmental infrastructure pre-development, construction, and development of long-term operations and maintenance plans for infrastructure such as: clean water supply systems; wastewater systems; waste disposal systems; pollution control services;
		3. Support costs for building and sustaining the capacity of project leads and partners, such as: investments in partner and local staff development; funding new and/or critical positions; acquiring or utilizing tools and resources to increase partner capacity for project planning and implementation; organizational capacity activities such as access to financial services or legal review; developing new pilot or demonstration projects and programs; participation and/or partnership with existing workforce programs; providing or securing technical assistance for partners.
4. Invest no more than $1.5M for compliance and grant administration
	1. Available to existing Fiscal Agents for project administration (e.g. fiscal oversight) in place of standard 10% overhead

This updated framework removes the Industry Collaborative level of decision-making and requires HRTCs to determine how to integrate Catalyst program decision-making into their existing governance structures to ensure Catalyst program decisions are equitable, inclusive, and center workers and disinvested communities. This framework also removes the requirements that HRTCs capitalize or establish a revolving loan fund, identify existing parcels, identify potential anchor institutions at risk of financial insolvency, and conduct the jobs and skills mapping exercise.

**Application, Eligibility, and Timeline**

Each region’s Fiscal Agent, on behalf of the HRTC, will be eligible to apply for up to $14M in funds from the Catalyst Program. A closed solicitation will open on September 1, 2023, and close on November 30, 2023. The application will be no longer than eight pages, and details of the region’s strategic plan will not be required to apply. Applications will be reviewed and awarded on a rolling basis.

Catalyst Program funds will be made available by May 1, 2024. Up to 25% of the full grant amount will be available through Advance Pay. Funds must be fully expensed by September 30, 2026.

**Alignment with CERF Planning and Implementation Phases**

The Catalyst Program will expand on the work of the CERF Planning Phase.

* Funds from the Catalyst Program will become available prior to the September 2024 sunset of the Planning Phase dollars. This will ensure no gap in funding for HRTC operations.
* Catalyst Program expenditures must align with the strategies and priorities identified by the HRTC in the Planning Phase. HRTCs will identify Sector Investment Coordinators based on industries or sectors the HRTC prioritizes in its Regional Plan.
* The HRTC will develop a decision-making process for Catalyst funds that includes project evaluation and funding decisions. This process must integrate into its existing governance structure and decision-making process and include representation from at least the 12 identified stakeholder groups in the Planning Phase Solicitation for Proposals (SFP).

Projects identified as ‘last-mile’ in the Planning Phase and that become ‘ready-to-go’ due to Catalyst investments would be eligible for Implementation Phase funding. Projects that emerge from the Planning Phase as ‘ready-to-go' without additional Catalyst funding will also be eligible for CERF Implementation Phase funds.

**Additional Considerations**

* The CERF Interagency Team will amend existing Planning Phase contracts to provide greater clarity to the “Regional Plan: Part 2, Strategic Investments and Projects” requirements listed in the CERF PY 22-24 Planning Phase Solicitation for Proposal (SFP). Amendments would better align Implementation Phase project criteria with the addition of the Catalyst Program, including but not limited to ensuring implementation projects are “ready-to-go.”
* The Interagency Team will support the HRTCs in applying for funds on “ready-to-go" projects as well as accessing additional resources and technical assistance to implement the above deliverables.
* The definition of “projects” is aligned with the Economic Development Pilot grant including the following categories: Innovation Ecosystem, Entrepreneurship and Access to Capital, Infrastructure and Community Facility Development, Social Infrastructure.
* The remaining funding within CERF (approximately $268M) will be made available after July 1, 2024, through a solicitation adapted from the Economic Development Pilot Program.