



**Consent Item**  
Staff Recommendation  
September 14, 2021

**Reauthorize OPC's Investment in the California Fisheries Fund and  
Transfer Administration to a New Entity**

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**RECOMMENDED ACTION:** (1) Reauthorization of OPC's \$1,162,784 contribution to the California Fisheries Fund; and (2) transfer of administration of this contribution from Community Vision to California FarmLink.

**LOCATION:** Statewide

**STRATEGIC PLAN OBJECTIVE(S):** Goal 4: Support Ocean Health through a Sustainable Blue Economy – Objective 4.1: Advance Sustainable Seafood and Thriving Fishing Communities

**FINDINGS AND RESOLUTION:**

Staff recommends that the Ocean Protection Council (OPC) adopt the following findings:

"Based on the accompanying staff report and attached exhibit(s), OPC hereby finds that:

- 1) The proposed projects are consistent with the purposes of Division 26.5 of the Public Resources Code, the Ocean Protection Act;
- 2) The proposed projects are consistent with OPC's Proposition 84 grant program funding guidelines (Interim Standards and Protocols, August 2013); and
- 3) The proposed projects are not 'legal projects' that trigger the California Environmental Quality Act (CEQA) pursuant to Public Resources Code section, section 15378."

Staff further recommends that the OPC adopt the following resolution pursuant to Sections 35500 *et seq.* of the Public Resources Code:

"The California Ocean Protection Council hereby approves the reauthorization of OPC's \$1,162,784 contribution to the California Fisheries Fund, and the transfer of

administration of this contribution from Community Vision (formerly Northern California Community Loan Fund) to California FarmLink.

This reauthorization is subject to the condition that prior to transfer of funds, California FarmLink shall submit for the review and approval of the Executive Director of the OPC a detailed work program, staff requirements, budgets, and the names of any contractors intended to be used to complete the projects, as well as discrete deliverables that can be produced in intervals to ensure the projects are on target for successful completion. All projects will be developed under a shared understanding of process, management and delivery.”

### **EXECUTIVE SUMMARY:**

The Ocean Protection Council (OPC) has reached a three-year check-in point at which to consider reauthorizing its contribution to the California Fisheries Fund (CFF)<sup>1</sup>. The CFF is a revolving loan fund that supports sustainable commercial fisheries on the West Coast<sup>2</sup>. The CFF’s mission is to help borrowers (fishermen, fishing businesses, ports, communities and others) succeed in fisheries that achieve environmental conservation, improved profitability for the industry, and stability for port communities. The CFF aims to enable improved scientific information, enhanced stewardship of fish stocks and habitats, better fishery jobs, improved profitability, and revitalized, sustainable coastal communities.

Community Vision, a Community Development Financial Institution (CDFI), has been administrating the fund for the past three years. Due to changes to its organizational strategic plan, Community Vision is seeking to transfer administrative duties of the CFF to California FarmLink (CA Farmlink). CA Farmlink is a natural fit for administration due to its history of lending to support economic and environmental resilience for small and beginning farmers and its recent development of a fisheries business technical assistance program, building upon industry expertise and partnerships with fisheries community organizations and stakeholders.

Extending the Fund and transferring administration to CA Farmlink will build upon the CFF’s successful 13-year history and position the fund to continue to help California’s small-scale commercial fishers maintain their sustainability and viability in the face of changing ocean conditions.

### **PROJECT SUMMARY:**

In 2008, OPC, then in coordination with the State Coastal Conservancy, approved a \$2 million grant from Proposition 84 to Environmental Defense Fund (EDF) to develop and administer this revolving loan fund for the purpose of enhancing and developing sustainable fisheries in California. Private foundations also invested over \$2.3 million to

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<sup>1</sup> California Fisheries Fund: <http://www.californiafisheriesfund.org/>

<sup>2</sup> OPC’s contribution to the fund only supports loans made in California.

capitalize the CFF. As of the most recent quarter end (6/30/21), OPC's contribution represents 43% of the total CFF capitalization. Of OPC's initial investment in the CFF, there is about \$1.16 million currently remaining after administrative costs and the expensing of OPC's top-loss guarantee on one loan, to a crab fisherman who has been unable to pay as agreed due to the fishery's recent early closures combined with the impacts of Covid<sup>3</sup>.

The CFF has had thirteen successful years of operation, supporting 47 loans to 35 borrowers – ranging from \$10,000 to \$458,000 – totaling almost \$6 million since the first loan closed in 2009. The current total corpus of the CFF, not including administrative expenses, is over \$3.2 million. Therefore, as the 47 loans totaled almost \$6 million, this is indicative that the fund has revolved 1.9 times since its initiation. Some borrowers applied for a second loan after paying back their first loan, demonstrating the trust that has been established between the fishing community and the CFF. Loans have been used for the following purposes: vessel purchase, vessel gear/upgrades, purchase of fishing permits, working capital, non-vessel equipment, dockside infrastructure, and purchase or lease of quotas pertaining to the Pacific groundfish fishery. The partial losses deducted from OPC funds total \$78,414; OPC has received reconciled financial details, as well as budget reports from the current grantee.

Community Vision, a Community Development Financial Institution (CDFI), has been the administrator of the fund for the past three years; however, due to an evolved organizational strategic plan, and reflecting on the past three years of its administration, Community Vision seeks to transfer its administrative duties of the CFF. The transferee, California FarmLink, has been identified as a natural fit for administration for the reasons described below:

California FarmLink is a CDFI historically focused on lending to sustainable and organic agriculture to support economic and environmental resilience for small and beginning farmers. Recognizing the common industry dynamics and challenges facing small and beginning farmers and small and beginning fishers, FarmLink has, over several years, developed a fisheries business technical assistance program; leveraging industry expertise and partnerships with fisheries community organizations and stakeholders, with the goal of making direct loans to fisheries businesses in the near future. FarmLink has made loans to aquaculture businesses and has developed a comprehensive strategic and operational plan for fisheries lending. FarmLink works across California, with a focus on serving communities of color and beginning and sustainable operators. California FarmLink has demonstrated experience in administering successful loan programs utilizing community engagement and deep business technical assistance and has strong mission alignment with the intent of the CFF. Whereas Community Vision has determined that they are not the best fit administrator for the fund due to their organizational focus on larger real estate loans, and the fact that they do not conduct intensive business technical assistance, CA FarmLink's loans and operations are much more similar and synergistic to fisheries lending and the California Fisheries Fund goals. OPC staff, Community Vision,

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<sup>3</sup> Administrative costs under Community Vision's administration have been \$38,000 per year.

and CA FarmLink have together discussed the transfer in detail, and all believe the transfer represents the strongest possible future for the continued success and growth of the California Fisheries Fund.

In addition, CA FarmLink and OPC staff have identified shared priorities for future CFF lending including increasing opportunities for underrepresented borrowers in the fisheries industry (including women and people of color), increasing opportunities for small and beginning fishers, and financing diversification of fisheries businesses for environmental and economic resilience.

OPC staff's recommendation is to (1) reauthorize OPC's \$1,162,784 contribution to the CFF; and (2) to transfer administration of this contribution from Community Vision to CA FarmLink.

**Background:**

*California Ocean Protection Act*

The California Ocean Protection Act (COPA) states that OPC may support sustainable fisheries through loans. Specifically, in Public Resources Code 35650 (b)(C)(v), it states that monies deposited in the Ocean Protection Trust Fund may be expended to foster sustainable fisheries through “the creation of revolving loan programs for the purpose of implementing sustainable fishery projects.”

*About the California Fisheries Fund*

The California Fisheries Fund (CFF) is a nonprofit, mission-based revolving loan fund that helps finance sustainable commercial fisheries on the West Coast, and primarily in California. The primary objective of the CFF is to improve the financial performance of California marine fisheries that are actively moving towards more sustainable models, methodologies or outputs.

In 2008, it was identified that fishing communities lacked the necessary funding to adapt to new, environmentally friendly regulations<sup>4</sup>. The CFF was established to provide a stable, accessible source of capital to support California's evolving harbor communities. Historically, banks and credit unions have been mostly unwilling to provide loans to commercial fishermen due to the potential for marginal profits and the general unpredictability of the fishing industry representing a higher risk of supporting fishing communities through loans<sup>5</sup>. The CFF model is unique in that it allows fishermen to use fishing boats, permits and Pacific groundfish quota as collateral. This allows for the use of a powerful new asset that can be securitized in order to access capital supporting both environmental and economic benefits<sup>6</sup>. CFF loans strive to support a positive environmental, social and financial impact. CFF financing has helped community-based fishing businesses lessen their environmental impact, increase the profitability and

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<sup>4</sup> CFF Overview Document: [Investing in Sustainable Fishing](#).

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

stability of their businesses by increasing business efficiency, and increase the diversity, number and stability of employment opportunities in local port communities.

Over the past 13 years, the CFF has worked directly with the following fisheries in California: groundfish, spiny lobster, Dungeness crab, and sablefish, among others, as well as with fishery businesses and scientific research organizations that provide information to support sustainable, commercial fisheries. Loans have been used for the following purposes: vessel purchase, vessel gear/upgrades, purchase of fishing permits, working capital, non-vessel equipment, dockside infrastructure, and purchase/lease of quotas pertaining to the Pacific groundfish fishery<sup>7</sup>. The CFF is a unique model, as California does not have any other similar fisheries loan programs. While there are impact investing sources, there are no revolving loan funds that support commercial fisheries. Other funds supporting commercial fisheries do exist; however, they do not serve California.

#### *About CFF Loans*

The CFF has supported 47 loans to 35 borrowers – ranging from \$10,000 to \$458,000 – totaling almost \$6 million since the first loan closed in 2009. The average approved loan amount is about \$147,000. Twenty-nine out of 47 loans have been fully repaid, and twelve of these loans were paid back early. Four loans have defaulted, two of which were written off and two remain in default; these will be retained by Community Vision to be worked out with the borrowers and will not be transferred to CA FarmLink. The partial loss pertaining to OPC's contribution equals \$78,414.

The CFF provides term loans or lines of credit, for terms ranging from one to ten years at an interest rate ranging from 4.0%-8.0%, depending on market interest rates and specific borrower circumstances. Borrowers include: Fishermen, processors, distributors, ports, communities, and nonprofit organizations. Loan purposes include: vessel purchase, vessel gear/upgrades, purchase of a specific fishing permit, working capital, non-vessel equipment, dockside infrastructure, purchase or lease of Pacific groundfish quota. Nine of the 38 loans have fallen into more than one purpose category. The CFF analyzes if projects are aligned with ten loan criteria. The first criteria being that projects are aligned with CFF's core goals to enable a healthy environment and healthy local economy.

#### *California Fisheries Fund Grant Agreement*

The OPC has reached a three-year check-in point at which to consider reauthorizing its contribution to the CFF. The agreement between the Ocean Protection Council and Community Vision states that the CFF, *"shall be in full force and effect until three years from the date of its transfer, at which time the grantee shall stop disbursing loans with the Grant Funds contributed by the Council, consistent with this agreement. Previous to the next available Council meeting after 3 years from the date of the transfer, the Council may consider (1) whether to reauthorize its investment in the project for an additional term, or (2) whether to have all remaining loans wind down and convert the principal amount - less any loan losses - plus any interest earned in excess of those funds needed to fund operations*

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<sup>7</sup> About CFF loans: <http://www.californiafisheriesfund.org/loan.html>

*into a grant to the Grantee for subgrants pursuant to COPA and in general alignment with this Agreement, or (3) whether to have all remaining loans wind down and transfer the principal amount – less any loan losses, plus any interest earned in excess of those funds needed to fund operations – back to the State of California.”* OPC staff recommends reauthorizing the Council’s contribution to the CFF and transferring administration of this contribution to California FarmLink because the CFF fills an important niche in supporting California commercial fishermen, and because the CFF has a demonstrated track record of success for the past 13 years.

#### *About California FarmLink*

The recommended new administrator of OPC’s contribution is California FarmLink. CA FarmLink is a Community Development Financial Institution (CDFI) focused on lending to sustainable and organic agriculture to support economic and environmental resilience for small and beginning farmers. Recognizing the common industry dynamics and challenges facing both small and beginning farmers and fishers, FarmLink has over several years developed a fisheries business technical assistance program, building industry expertise and partnerships with fisheries community organizations and stakeholders, with the goal of making direct loans to fisheries businesses in the near future. FarmLink works across California, with a focus on serving communities of color and beginning and sustainable operators. FarmLink partners with training programs, impact investors, public agencies and other nonprofits, weaving an ecosystem of support for next-generation producers. CA FarmLink has demonstrated experience in administering successful loan programs utilizing community engagement and deep business technical assistance and has strong overall mission alignment with the intent of the CFF. OPC staff, Community Vision, and CA FarmLink have together built thorough groundwork for the transfer, and all believe the transfer represents the strongest possible future for the continued success and growth of the California Fisheries Fund.

Community Vision has communicated with current borrowers about this upcoming transfer, and CA FarmLink will administer outstanding loans supported by the OPC contribution. With this transfer, OPC will continue to have an advisory role regarding OPC’s contribution in order to oversee mission-based objectives of the loans. CA FarmLink will provide regular reports to OPC regarding OPC’s contribution. OPC’s contribution will support loan applicants statewide.

#### **Project Timeline**

Within OPC and Community Vision’s current grant agreement, the completion date is March 31, 2021, and the termination date is March 31, 2031. The termination date is the date by which all outstanding loans must be paid back to the State. OPC staff and CA FarmLink have identified that a three-year check-in point would be mutually beneficial to assess the operations and success of the transfer. If the Council reauthorizes OPC’s contribution and transfers administration of the contribution to CA FarmLink by September 30, 2021, then a three-year check-in point would be around September 30, 2024. The termination date may be ten years after the completion date, to allow for the loan terms of

one to ten years. For example, if the effective date of the transfer agreement is September 30, 2021, then the termination date may be September 30, 2031. At the three-year check-in point in 2024, if the operations and administration are successful and mutually beneficial, then CA FarmLink’s administration of OPC’s contribution may be extended an additional ten years until 2031.

This timing follows a similar structure to the initial agreement between OPC and EDF, as well as the subsequent agreement between OPC and Community Vision.

**PROJECT FINANCING:**

Staff recommends that the Ocean Protection Council (OPC) reauthorize OPC’s \$1,162,784 contribution to the California Fisheries Fund, and transfer of administration of this contribution from Community Visions to CA Farmlink.

Ocean Protection Council	\$1,162,784
<b>TOTAL</b>	<b>\$1,162,784</b>

The above total differs from the previous reauthorization amount of \$1,356,198 due to subtracting the total operating expenses billed by Community Vision (\$115,000) as well as the 25% first-loss portion of the Travis Vellis loan (\$78,414), neither of which will be transferred to CA Farmlink.

These funds are from the Ocean Protection Council’s appropriation of the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84). Proposition 84 authorizes the use of funds for purposes consistent with Section 35650 of the Public Resources Code, establishing the California Ocean Protection Trust Fund (Pub. Res. Code § 75060(g)). Under Section 35650(b), Ocean Protection Trust Fund monies may be expended for projects authorized by the OPC that are identified as appropriate Trust Fund purposes, as specified. The project is consistent with the Trust Fund purposes as discussed in the following section.

**Leverage of OPC Funds**

Through the 3:1 structure, one portion of OPC funds will leverage three portions of additional lender contributions. OPC’s reauthorization of its contribution builds upon the previous 13 years of demonstrated success of the CFF. OPC funds that are currently invested in the CFF portfolio will only meet this leverage requirement once they have been repaid and recycled into new loans.

**CONSISTENCY WITH CALIFORNIA OCEAN PROTECTION ACT:**

The proposed project is consistent with the Ocean Protection Act, Division 26.5 of the Public Resources Code, because it is consistent with trust-fund allowable projects, defined in Public Resources Code Section 35650(b) as projects which:

- Improve the management of fisheries
- Foster sustainable fisheries
- Improve management, conservation, and protection of coastal waters and ocean ecosystems

**COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):**

The proposed project is categorically exempt from review under the California Environmental Quality Act (“CEQA”) pursuant to 14 Cal. Code of Regulations Section 15306 because the project involves only data collection, research and resource evaluation activities that will not result in a serious or major disturbance to an environmental resource. Staff will file a Notice of Exemption upon approval by the OPC.