

Greenhouse Gas Reduction Revolving Loan Program Overview and Criteria

Fiscal Year 2014/15 (Revised August 2014)

Purpose

To lower overall greenhouse gas emissions by expanding existing capacity of or establishing new facilities to process California-generated organic materials and recycled fiber (paper, textiles, carpet or wood), plastic, and glass into new products. The initial portion of the program will be competitive.

Eligible Applicants

- Government entities: cities, counties, cities and counties, regional or local sanitation agencies, waste agencies, and joint power authorities.
- Private, for-profit entities. For purposes of this program, a “private, for-profit entity” is defined as a business intended to operate at a profit and return a profit to its owners. This definition includes benefit corporations, as defined in Corporations Code section 14601(a). The business must be qualified to do business in California and in good standing with all applicable California state agencies, including, but not limited to, the Secretary of State and the Franchise Tax Board.
- Nonprofit organizations (except private schools) registered with the federal government under 501(c)3, (c)4, (c)6 or (c)10 of the Internal Revenue Code.

Project Requirements

Organic Material Projects:

Projects must be located in California and result in permanent, annual, and measurable:

1. Reductions in Greenhouse Gas (GHG) emissions from the handling or landfilling of California-generated green and food materials; **and**
2. Increase in quantities (tons) of California-generated greenwaste, food materials, and /or alternative daily cover (a) diverted from a landfill(s) **and** (b) composted or digested.

Recycled Fiber, Plastic, and Glass Projects:

Projects must be located in California and result in permanent, annual, and measurable:

1. Reductions in GHG emissions by manufacturing products with California-generated recycled-content fiber, plastic or glass; **and**
2. Increases in the quantity (tons) of California-generated recycled-content fiber, plastic or glass materials (a) diverted from a landfill(s), **and** (b) used to manufacture products.

For purposes of program loans for fiber, plastic and glass projects, a manufactured “product” is defined as a good or package in a form which requires no further processing or forming before it is offered for sale to an end-user. It does not include recycled-content raw feedstock material (intermediate products), such as plastic pellets or flakes sold as feedstock to a manufacturer that further processes the material.

Permit Requirements

Applicants must obtain all significant applicable federal, state, and local permits prior to review by the Loan Committee loan approval. Significant permits may include: Air Quality Management District, Wastewater Discharge, Fire, Solid Waste Facility, and Conditional Use Permits. Any required CEQA review must also be completed. CalRecycle will determine which applicable permits are significant.

Eligible Types of Projects

- Organic Material Projects (for applications submitted at any time): Construction, renovation or expansion of facilities in California that compost, anaerobically digest, and/or use other related digestion or fermentation processes to turn green or food materials into products.
- Recycled Fiber, Plastic, and Glass Projects (for applications submitted after January 15, 2015 December 1, 2014, if funding is available): Construction, renovation or expansion of manufacturing facilities in California using California-generated recycled-content fiber, plastic, or glass to produce products.

(Excludes projects that use pyrolysis, gasification or other thermal conversion technologies to create products, projects that collect, sort and/or bale waste material, and projects in which the applicant intends to produce an intermediate product only).

Eligible Costs

- Purchase of equipment and machinery.
- Real estate improvements associated with the installation of the equipment and machinery. The land owner may need to provide a deed of trust to ensure that the loan has adequate collateral.
- Purchase of real estate that is directly associated with the project’s material processing, where the real estate includes a building or other real estate improvements used solely for that processing or manufacturing.

Loan Underwriting Requirements

1. Experience: satisfactory work and educational experience of the facility operator.
2. Ability to repay the loan: the applicant must be creditworthy, and the project and the borrower must have the financial capacity to generate sufficient cash flow from the sale of recycled-content products to repay the loan (or other sources if the borrower is a government entity).
3. Adequacy of the collateral: the collateral value must match or exceed the loan amount.
4. An owner of 20 percent or more of the applicant business must guarantee the loan. CalRecycle may ask other owners or key management to also provide a guarantee.

Applications which meet the above criteria and all other eligibility and priority criteria will be recommended to the Loan Committee for approval.

Loan Application Priority Criteria

- *Until November 3, 2014.* Applications will be accepted for projects using organic material. Those applications will be evaluated competitively, based on five of the ~~three~~ categories consistent with the Organics Grant Program Scoring Criteria: GHG emission reductions; tons of organic material composted, digested, or source reduced; ~~and~~ benefits to disadvantaged communities; project readiness and permits; and air and water quality benefits (see Loan Program Scoring Criteria document).
- *After ~~January 15, 2015~~ December 1, 2014.* If funding is available, applications will be accepted for projects using organic or recycled fiber, plastics or glass material and will be evaluated on a first-come, first-served basis.

Schedule of Fees and Costs

- Loan Application Fee \$300
- Loan Closing Points: 0.50%
- Loan Interest Rate: 4.00%

Greenhouse Gas Reduction Revolving Loan Program Fund

The 2014/15 Governor’s proposed budget reflects that \$94,662,000 is ~~will be~~ available to fund new loans in the 2014/15 fiscal year.

Program Expense	FY 2014/15
New loans	\$94,662,000
Administrative	\$338,000
Total	\$105,000,000

Loan Funding

- The maximum loan amount is \$52,000,000 or 75% of the total project cost, whichever is less.
- Matching fund requirement is 25% of the total project cost.
- ~~A borrower and its related entities may receive more than one loan, but may not have more than~~

- \$5,000,000 in total principal outstanding on all CalRecycle loans at any one time. A borrower and its related entities may receive more than one loan, however, the total funding provided from the Greenhouse Gas Reduction Revolving Loan Program (also known as the Organics Loan program) may not exceed \$2,000,000. In addition, a borrower and its related entities may not have more than \$5,000,000 in total principal outstanding at any one time on loans funded by the Recycling Market Development Zone and Organics Loan programs.

Loan Term

The maximum loan term is 10 years when collateralized by assets other than real estate or 15 years when partially or wholly collateralized by real estate. Some loan terms may be less than 10 years to match the useful life of the equipment.