

REQUEST FOR APPROVAL

To: Howard Levenson
Deputy Director, Materials Management and Local Assistance Division

From: Michelle Martin
Branch Chief, Financial Resources Management Branch

Request Date: April 20, 2015

Decision Subject: Greenhouse Gas Reduction Loan for Nursery Products, LLC. (Greenhouse Gas Reduction Revolving Loan Fund, FY 2014–15)

Action By: April 24, 2015

Summary of Request: Staff requests approval of a Greenhouse Gas (GHG) Reduction Loan in the amount of \$850,000 to Nursery Products, LLC. (Nursery Products). The request is more fully described under Applicant Profile, on page 3.

Recommendation: Staff recommends approval of a GHG Reduction Loan to Nursery Products in the amount of \$850,000.

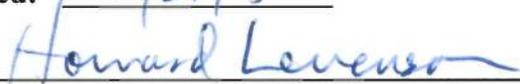
Fund Source: GHG Revolving Loan Fund	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
FY 2014–15	\$3,772,000	\$850,000	\$2,922,000	Direct Loan

Deputy Director Action: On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve a Greenhouse Gas Reduction Loan in the amount of \$850,000 to Nursery Products, LLC.

This approval is subject to:

1. The return by the proposed Borrower of a signed Loan Commitment Letter within thirty (30) days of the date of the Commitment Letter.
2. All terms and conditions contained in the Loan Agreement and other loan documents to be prepared by loan program staff in accordance with applicable statute, and such other terms and conditions as duly authorized staff in their sole discretion deem necessary or advisable.

I further direct staff to conduct all acts necessary to fund this loan, including but not limited to the preparation and execution of the Loan Agreement and other loan documents.

Dated: 4/21/15


Howard Levenson
Deputy Director

Background and Findings

Statutory Authority

The GHG Reduction Revolving Loan Program (GHG Loan Program) was established by Senate Bill 862 (Statutes of 2014, Chapter 36), a trailer bill for the 2014 Budget Act, and is codified in Public Resources Code (PRC) sections 42955-42998. PRC section 42997 authorizes the California Department of Resources Recycling and Recovery (CalRecycle) to provide loans for capital investments that expand organics management and recyclable commodities manufacturing infrastructure in California. PRC section 42996 provided \$5,000,000 to the GHG loan fund for FY 2014-15; after accounting for administrative costs, a total of \$4,662,000 is available to make loans. Investment is needed for new or expanded organics infrastructure, such as composting and anaerobic digestion facilities, as well as for facilities that manufacture recycled materials into beneficial products. This investment in the organics management and recycling infrastructure is necessary to reduce GHG emissions and divert more materials from landfills in support of the State's greenhouse gas reduction and 75 percent solid waste recycling goals.

Program Background and Project Eligibility

For FY 2014-15 the GHG Loan Program is being conducted in two cycles. This loan is part of Cycle 1a, under which loan funds were made available for projects using organic materials.

Two key pieces of legislation, AB 32 and AB 341, provide the policy drivers for the GHG Loan Program. The purpose of Cycle 1a of the GHG Loan Program is to lower overall GHG emissions by expanding existing capacity or establishing new facilities in California to reduce the amount of California-generated green materials, food materials, or organics-derived alternative daily cover being sent to landfills. Eligible projects included: construction, renovation or expansion of facilities in California that compost, anaerobically digest, or use other related digestion or fermentation processes to turn green or food materials into value-added products. This program provides direct, low-interest loans for the purchase of equipment and other related project costs.

Application Evaluation Process

The GHG Reduction Loan Program criteria were approved by CalRecycle on August 14, 2014. The approved criteria included a competitive scoring process. Applications were due December 1, 2014, with a secondary due date of February 6, 2015 for submission of required loan underwriting documents. Applications are reviewed in accordance with the approved scoring criteria and loan evaluation. The most critical scoring criteria were: greenhouse gas reductions, tons of organic materials diverted, and benefits to disadvantaged communities. Applications are subsequently evaluated by loan staff to determine if it met loan underwriting and all other eligibility requirements. Loan staff then presents the loans to the Loan Committee. Loan Committee either evaluates staff analysis to recommend approval or denial to CalRecycle. Approved loans are forwarded to CalRecycle management for final approval and funding.

Program Funding

The maximum loan award is \$2,000,000 per applicant, or the loan amount applied for, whichever is less. With the \$4,662,000 available to fund loans, less two applications that were received totaling \$1,740,000, Cycle 1a was undersubscribed. A Notice of Funds Available was published on April 15, 2015. It identifies that \$2,922,000 is available for Cycle 1b using FY 2014-15 program funds.

Applicant Profile

Nursery Products, LLC.

The applicant operates in California and specializes in the production of compost. The company diverts green waste from the surrounding landfills.

Loan History

This is the first loan application submitted by Nursery Products.

Location

The facility is located in the City of Helendale, in San Bernardino County, within the High Desert Recycling Market Development Zone.

Project Description

The installation and subsequent operation of the new equipment will enable Nursery Products to increase diversion of green waste, reduce the overall requirement for water in composting, and create compost.

Use of Funds

Purchase equipment (windrow turner, two front end loaders, and a cyclone).

GHG Emission Reduction, Diversion, and Jobs

As a result of the loan, the CalRecycle Statewide Technical and Analytical Services Branch determined that the applicants' project will reduce GHG emissions by 18,900 metric tons CO₂ equivalent annually and divert an additional 45,000 tons of green waste annually from California landfills in 2016. The applicant is projecting to create three new jobs as a result of the loan.

Disadvantaged Community

The San Bernardino site is not located in a disadvantaged community.

Recommendation:

- The project is located in California.
- The green waste materials to be recycled are generated within California.
- The green waste materials are currently being directed to California landfills.
- All major permits are in place.
- The applicant's project received a passing score.
- The business has demonstrated the ability to repay and collateralize the loan.
- The Loan Committee met on April 9, 2015 and recommended to CalRecycle that the loan request be approved.
- The Budget Office has confirmed that sufficient monies are allocated for FY 2014–15 and available to fully fund the requested loan amount of \$850,000.
- Legal Counsel is not aware of any significant legal issues related to the loan.

Based on the above factors, and in consultation with the applicant, staff recommends approval of the loan to Nursery Products for \$850,000. The applicant has been informed and agreed with the recommended amount and conditions.

