

TIRE EQUIPMENT LOAN PROGRAM
General Loan and Project Eligibility Criteria

Introduction

The Tire Equipment Loan Program encourages tire-based businesses to expand and site new facilities in California, by providing low-interest loans for the purchase of equipment. The intent of this loan program is to help California tire-based businesses increase their processing capabilities and markets for recycled-content tire derived products.

This document provides information on the loan program criteria. The information contained herein is not intended to be all inclusive of the criteria used to evaluate loan applications. The Department of Resources Recycling and Recovery (CalRecycle) retains the discretion to determine project eligibility based on current policy and priorities. Each prospective applicant is encouraged to contact CalRecycle's loan staff to discuss their specific project.

Applications are evaluated on an individual basis based upon the purpose, goals, and requirements of the loan program, as set forth by law and regulation. For additional information regarding the Loan Program, please contact the CalRecycle loan program staff.

Legal Authority

Public Resources Code (PRC) sections 42872 to 42875 provide the authority to offer a loan program utilizing funds from the Tire Recycling Management Fund. CalRecycle approved Agenda Item #11, at the May 19, 2009 CalRecycle Meeting, directing the loan program to be conducted in a similar manner as the Recycling Market Development Zone Program. The CalRecycle statutes are contained in PRC sections 42023.1 to 42024 and its regulations are contained in 14CCR sections 17930 to 17939.5.

General Loan Criteria

The general criteria apply to all loan program loans, regardless of the type of project.

Who can apply?

Eligible applicants are private businesses that produce in California, or demonstrate a long-term commitment to produce, products made from recycled 100 percent California-generated scrap tires for the recycled rubber portion of the product.

Eligible Projects

Eligible projects must result in the diversion of tires from California landfills.

What materials must be used in the project?

The project must use California-generated scrap tires destined for disposal in a California landfill. Imported tires from out of state or out of country are not considered in the calculation of diversion.

Where must the project be located?

The project, or if a mobile operation the business headquarters, must be located in California.

What is the maximum loan amount?

The program can fund a maximum of 75 percent of the cost of purchasing tire equipment up to a maximum of \$2 million whichever is less.

What can the funds be used for?

Funds can be used for the purchase of machinery and equipment and to finance the loan closing points.

What is the cost of loan closing points?

The cost of loan closing points is ½ percent, collected at the time loan funds are disbursed into escrow. Tire loan proceeds may be used to finance the cost of loan closing points.

What is the loan application fee?

The loan application fee is \$300, due and payable upon the CalRecycle receipt of a Tire Equipment Loan application.

What is the interest rate?

The interest rate is equal to the State's Surplus Money Investment Fund (SMIF) rate, but no less than 4.00%. CalRecycle will announce the interest rates semi-annually in February and August, after public announcement by the State Controller's Office. The rate will be fixed for the term of each loan. As of June 22, 2010, the interest rate is 4.00%.

What is the maximum length of a loan?

The term of a loan is generally equal to the useful life of the equipment taken as security to collateralize the loan. The maximum loan term is 10 years when secured by business personal property assets, or 15 years when partially or wholly secured by real estate.

What is the loan collateral?

The loan will be secured by the equipment to be purchased with loan funds and documented by a Uniform Commercial Code Financing Statement in a first purchase money security interest position. In addition, the loan may be secured by a general lien on business personal property and may also be secured by available real estate (see below for the limitations on taking a borrower's primary residence as collateral).

Can residential real estate (primary single-family residence) be used as collateral?

It is CalRecycle policy not to take a primary single-family residence as collateral. An applicant may request CalRecycle to make an exception to this policy, and CalRecycle will consider the request on a case-by-case basis, subject to the standard staff and loan committee recommendation process.

Can a borrower or related entity obtain more than one Tire Equipment Loan?

A borrower may apply for subsequent loans for business expansion that result in additional diversion, but may not have more than \$3,000,000 total principal outstanding on all loans, Tire Equipment and CalRecycle, owed to CalRecycle by a borrower and related entities at any one time.

Project Eligibility Criteria

The following project categories and examples are provided to assist potential business borrowers. Final project eligibility is determined by CalRecycle. The categories include, but are not limited to, the projects specified below:

What types of projects are currently eligible?

Recycling Manufacturing and Processing:

- a. Producing recycled raw feedstock material.
- b. Manufacturing recycled-content finished products

Examples of eligible projects are:

Eligible projects include, but are not limited to:

1. Using California-generated scrap tire rubber to manufacture established products that do not currently use recycled rubber (i.e. feedstock conversion).
2. Production of crumb rubber from scrap tires.
3. Production of two inch nominal (or smaller) size tire chip for further processing by another manufacturer.
4. Tire-derived aggregate.
5. Rubber mulch.
6. Manufacturing a recycled rubber molded product.
7. Making rubberized asphalt from crumb rubber.

Examples of ineligible projects are:

Ineligible projects include, but are not limited to:

1. Businesses that perform waste tire incineration, pyrolysis, gasification, and or liquefaction.
2. Waste tire collectors and/or haulers: also the tire collection and/or hauling portion of other businesses.
3. Businesses or that portion of a business's operation, that shred or chip tires for use as Alternative Daily Cover or Tire-Derived Fuel.
4. Businesses that perform only research and testing and are not in business to produce and/or sell products.
5. Wholesalers and/or distributors.
6. Collecting and/or sorting of tires.
7. Crushing, grinding, or baling tires for ease of transport.
8. Land application or reclamation projects using tires.