

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: December 9, 2014

Decision Subject: Recycling Market Development Zone Loan for CleanWorld SATS Biodigester, LLC (Recycling Market Development Revolving Loan Subaccount, FY 2014–15)

Action By: December 12, 2014

Summary of Request: Staff requests approval of a Recycling Market Development Zone (RMDZ) loan for \$1,000,000 to CleanWorld SATS Biodigester, LLC. The request is more fully described under Applicant Profile.

Recommendation: Staff recommends approval of a RMDZ loan to CleanWorld SATS Biodigester, LLC for \$1,000,000.

Fund Source: RMDZ Loan Subaccount	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
FY 2014–15	\$8,010,611	\$1,000,000	\$7,010,611	Direct Loan

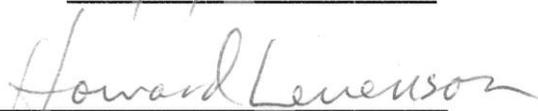
Deputy Director Action: On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve a Recycling Market Development Zone loan to CleanWorld SATS Biodigester, LLC for \$1,000,000.

The approval is subject to:

- The return by the proposed Borrowers of a signed Loan Commitment Letter within thirty (30) days of the date of the Commitment Letter.
- All terms and conditions contained in the Loan Agreement and other loan documents to be prepared by loan program staff in accordance with applicable regulations, 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 these loans, including but not necessarily limited to the preparation and execution of the Loan Agreement and other loan documents.

Dated: 12/11/14



Howard Levenson
Deputy Director

Background and Findings

Statutory Authority

The Recycling Market Development Zone (RMDZ) Program was established by Senate Bill 1322 (Bergeson, Statutes of 1989, Chapter 1096) and codified in Public Resources Code sections 42010-42024. Program regulations are found in Title 14 of California Code of Regulations, sections 17901-17939.5. Public Resources Code (PRC) Section 42023.1 (f) authorizes the Department of Resources Recycling and Recovery (CalRecycle) to approve RMDZ loans to eligible businesses and not-for-profit organizations located in designated zones.

Program Background

CalRecycle administers the RMDZ Revolving Loan Program to encourage California-based recycling businesses located within designated zones to site new manufacturing facilities, expand existing operations and processing capabilities, and create additional markets for recycled-content products. This program provides direct, low-interest loans for the purchase of equipment and other related business costs.

Process

General: The General Loan Criteria for the RMDZ Loan Program was approved by the former California Integrated Waste Management Board in September 2008, and the Project Eligibility Criteria was approved by CalRecycle in March 2012.

Loan applications are reviewed and evaluated in accordance with established procedures to ensure that the project meets current eligibility and underwriting criteria and that required permits have been obtained. The Loan Committee considers the financial soundness of the applicant and the terms of the proposed loan and recommends to CalRecycle that the loan request be either approved or declined. Upon conclusion of this process and Loan Committee's approval recommendation, CalRecycle senior management staff reviews the loan request and determines whether to make a commitment to approve and fund the loan.

Application Review: The application was reviewed for completeness and evaluated consistent with approved General and Project Eligibility Criteria and commercial loan industry practices, to determine an appropriate loan amount and structure that is being recommended for the applicant.

For the recommended loan:

- The project is located within the boundaries of the Sacramento RMDZ.
- The waste materials to be recycled are generated within California.
- The waste materials are currently disposed of in California landfills.
- The business has demonstrated the ability to repay and collateralize the loans.
- The local RMDZ Administrator supports the project, attested to the reasonableness of the employment and diversion projection of the project and has certified that the requested loan is compatible with their RMDZ's Action Plan and Objectives.
- Legal Counsel for the RMDZ Loan Program was involved in staff discussions evaluating the merits and eligibility of the project prior to the Loan Committee meeting. Legal Counsel is not aware of any significant legal issues related to the loans.
- The Budget Office has confirmed that sufficient monies are allocated for FY 2014–15.
- The Loan Committee met on November 20, 2014 and recommends approval of the loan.

Based on the above factors, and in consultation with the applicants, staff recommends approval of the loan to CleanWorld SATS Biodigester, LLC for \$1,000,000. The applicant has been informed and agreed with the recommended amount and conditions.

Applicant Profile

CleanWorld SATS Biodigester, LLC

Use of Funds & Project Description: Located in the Sacramento RMDZ, CleanWorld SATS Biodigester, LLC proposes to use the \$1,000,000 loan to finance final construction costs of Phase II of the existing SATS (Sacramento Area Transfer Station) anaerobic digestion (AD) project located on Fruitridge Road in Sacramento. SATS Phase II of the project will increase project capacity from 25 tons per day (Phase I) of food waste feedstock to 100 tons per day (Phase II), and was originally funded by a \$6,000,000 grant from the California Energy Commission. Phase II project costs subsequently increased, and this proposed loan will fund the final construction and equipment costs.

Loan History

CleanWorld SATS Biodigester, LLC is a wholly owned subsidiary of CleanWorld, the corporation which is the successor company to Clean World Partners, LLC. Phase I was partially funded by a CalRecycle loan of \$2,000,000 to Clean World Partners, LLC which was approved in July 2012.

The facility will recycle food waste into compressed natural gas that will be used to refuel waste hauling trucks, generate electricity and produce various residual byproducts.

This project is noteworthy because it is the first AD facility financed by CalRecycle under the 2012 Project Eligibility Criteria. AD is an emerging technology which holds promise to assist local jurisdictions to more effectively manage certain waste streams and also assists CalRecycle with meeting its 75% recycling goal.

Diversion and Jobs: As a result of the RMDZ loan for Phase II of the SATS project, the applicant is projected to divert an additional 27,375 tons of food waste annually from California landfills and create twelve jobs.

