

**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 Harvest Power California, LLC.  
(Greenhouse Gas Reduction Revolving Loan Fund, FY 2014–15)

**Action By:** April 24, 2015

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**Summary of Request:** Staff requests approval of a Greenhouse Gas (GHG) Reduction Loan in the amount of \$890,000 to Harvest Power California, LLC. (Harvest Power California). The request is more fully described under Applicant Profile, on pages 3 and 4.

**Recommendation:** Staff recommends approval of a GHG Reduction Loan to Harvest Power California in the amount of \$890,000.

<b>Fund Source: GHG Revolving Loan Fund</b>	<b>Amount Available</b>	<b>Amount to Fund Item</b>	<b>Amount Remaining</b>	<b>Line Item</b>
FY 2014–15	\$4,662,000	\$890,000	\$3,772,000	Direct Loan

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**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 \$890,000 to Harvest Power California, 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

**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 at 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 Funds

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**

### Harvest Power California, LLC.

The applicant operates several sites in California which specialize in the production of compost. The company diverts green and food waste from the surrounding landfills. The applicant is owned by a larger parent corporation, Harvest Power, Inc.

### Loan History

This is the first loan application submitted by Harvest Power California, LLC.

### Location

The facility is located in the City of Tulare, in Tulare County, within the Greater So. San Joaquin Valley Recycling Market Development Zone.

### Project Description

The installation and subsequent operation of the new equipment will enable Harvest Power California at the Tulare site to increase diversion of pre and post-processed food and green waste, reduce the overall requirement for water in composting, and create compost that will be sold to agriculture, municipalities, landscapers, and residential communities, near the respective sites.

### Use of Funds

Purchase equipment (a turbo separator unit, slurry spreader, loader, fork lift) and install an irrigation system at their Tulare, CA composting operation.

### GHG Emission Reduction, Diversion, and Jobs

As a result of the loan, the CalRecycle Statewide Technical and Analytical Services Branch determined that the applicant's project will reduce GHG emissions by 7875 metric tons CO2 equivalent and divert an additional 18,750 tons of food and green waste annually from California landfills in 2016. The applicant is projecting to create two new jobs as a result of the loan.

### Disadvantaged Community

The Tulare site is located in a disadvantaged community.

### Recommendation:

- The project is located in California.
- The green and food waste materials to be recycled are generated within California.
- The green and food waste materials are currently being directed to California landfills.
- All major required permits are in place.
- A permit to install the irrigation system will be obtained and provided to CalRecycle before loan funds are disbursed to pay for the irrigation system.
- 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 \$890,000.

- 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 Harvest Power California for \$890,000. The applicant has been informed and agreed with the recommended amount and conditions.