

Recycling Market Development Revolving Loan Program Project Eligibility Criteria September 2001

Introduction

The Recycling Market Development Revolving Loan Program provides low-interest loans to private businesses, and not-for-profit organizations, and local government entities to increase diversion of non-hazardous solid waste from landfills and to promote market demand for secondary and postconsumer materials.

The purpose of this document is to provide information on the Recycling Market Development Revolving Loan Program project eligibility. The information contained herein is not intended to be all inclusive of the criteria used to evaluate loan applications.

Applications are evaluated on an individual basis based upon the purpose, goals, and requirements of the Recycling Market Development Revolving Loan Program as set forth by law and regulation. The evaluations must also be based on the recommendations of the Board's Environmental Justice Program, once it is approved. For information regarding a specific project, please contact the California Integrated Waste Management Board (Board)'s loan program staff.

General Eligibility

Where must the project be located?

The project, or if a mobile operation, the primary business location must be located within a Recycling Market Development Zone (RMDZ).

How much can this program lend?

The program can fund a maximum of 75% of costs directly attributed to an eligible project up to a maximum of \$2 million whichever is less.

Who can apply?

Eligible applicants can include businesses, not-for-profit organizations, and local governments and agencies.

Eligible Projects

Eligible projects must result in the diversion of solid waste from a landfill.

What can the funds be used for?

Businesses and non-profit organizations can use the funds for machinery and equipment, working capital, real estate purchase (**maximum of \$500,000**), leasehold-improvements, and the refinancing of onerous debt that results in increased diversion. Funds can also be used for financing loan points and fees.

Loans made to finance the purchase of commercial real estate and/or to make necessary real estate improvements will require the application of sustainable building practices. At least 25% of the loan funds approved for improvements to property would have to be applied toward those costs involving sustainable building products and services. This would apply only to the portion of the loan funds used for improvements. Examples include the use of recycled paints, carpets, cubicles, and rubberized asphalt. The installation of energy efficient lighting, heating and cooling systems, water conserving and shade producing landscape would be applicable.

Loans to local governments can only be used for publicly owned infrastructure and capital improvements that directly support other eligible businesses within the RMDZ.

Types of Projects

Eligible projects must result in the diversion of non-hazardous solid waste from a California landfill.

There are six categories of priority projects eligible for the RMDZ loan program. They are Waste Prevention, Reuse, Recycling, Conversion Technology, Transformation, and Public Infrastructure and Capital Improvements. Research and development projects are not included in these categories.

Set Aside for Jobs Through Recycling (JTR) 98

JTR 98 project, funded by a grant from the federal EPA, is intended to create regional markets for recyclable materials near a major transfer station. This project has a total of ten partners including local government, three non-profits and, local environmental alliances. (For information about the JTR 98 project, call the R-Team Hotline at (916) 341-6600.) To support this project, RMDZ revolving loan funds of \$1,000,000 will be set aside for financing eligible projects related to the JTR 98 project. This set aside will expire on October 31, 2001.

Waste Prevention

A Waste Prevention project will result in a meaningful net reduction in the amount of solid waste created from the production of a product. Projects involving only the procurement of items will not be considered.

Typical Waste Prevention projects include those that reduce the use of virgin or non-recyclable materials, reduce the amount of packaging materials, or increase the efficiency of the use of materials by reducing the amount of waste generated.

Eligible Examples:

- Producing a product from a few recyclable plastic resin types rather than many resin types, thereby making the product more recyclable
- Manufacturing bottles, boxes, or containers using less material
- Converting to optimizing equipment (such as computerized saws) to reduce waste generation
- Changing operations resulting in the use of less packaging materials

Ineligible Examples:

- Purchasing items not directly involved in the production of a product, such as recycled or reusable pallets, reusable containers, or reusable filters

Reuse

Reuse means to take a finished product (not a material) which has served its useful life or is factory defective, and provide new value to the product that makes it usable again for its original intended purpose. This process may include reconditioning, reprocessing, re-manufacturing or some other value-adding procedure. Repair or thrift shops are not included in this category.

Eligible Examples:

- Washing and reconditioning items for reuse (includes diaper services)
- Sorting and/or grading recovered construction materials for resale
- Dismantling or disassembly of electronic or durable goods into component parts for reuse or resale

Ineligible Examples:

- Repairing electronic items and/or appliances
- Laundry services
- Food collection and/or distribution operations
- Thrift shops
- Auto dismantling

Recycling

A Recycling project is a project where post consumer or secondary materials are used to produce a value-added finished product or, where necessary, intermediate processing of a recovered material is provided. A value-added recycled product is one in which the raw materials have increased their value through a change in their character or composition through a manufacturing

process. Projects for simply collecting, sorting, and baling of recovered materials for ease of transport does not constitute adding value and will not be considered.

Eligible Examples:

- Producing recycled-content plastic pellets, flakes, or chips.
- Producing a finished product with recycled-content materials such as recycled plastic pallets or lumber
- Producing mulch or compost
- Paper production and converting. Paper converting projects must ensure that a minimum of 75% of the paper used in the loan project meets the applicable recycled-content standard. All paper production and converting projects must meet a recycled-content standard that is the higher of the applicable standard for either:

The State of California (as defined in Public Contract Code, Section 12161, and for newsprint, Public Resources Code, Section 42756); or

The US Environmental Protection Agency (as defined in the Recovered Materials Advisory Notice II, published July 1998). Where a range of percentages is specified in the EPA standard, the lowest percentage of the range shall be used to compare with the respective percentage in the California standard.

- Production of pulp from an agricultural crop residue (such as rice straw) which can be used in the production of paper, or processing an agricultural waste into building materials. Production of a product from agricultural crop residues is eligible for the program if the specific residue was individually identified in the jurisdiction's waste characterization study or if the study contains a broader miscellaneous "Agricultural Crop Residue" category.

Ineligible Examples:

- Printing operations.
- Collecting, sorting and baling activities.
- Metal production.
- Land application or reclamation projects using mulch and/or compost.

Conversion Technology

Conversion technologies are non-combustion processes such as thermal conversion (e.g. gasification, pyrolysis); chemical conversion (e.g. hydrolysis); or biological conversion (e.g. hydrolysis or anaerobic digestion other than composting) that use biomass residuals for the purposes of producing electricity or new products that meet quality standards for use in the marketplace. Biomass residuals refer to yard trimmings, woody debris, low-grade paper, and other cellulose-based materials that have been subject to source-separation or other recyclable/compostable diversion programs and that are otherwise destined for landfills.

Eligible Examples:

- Projects using gasification to convert agricultural, forestry, and MRF residuals into a synthetic gas that could be used to produce electricity.
- Projects using hydrolysis to convert rice straw to ethanol.
- Projects using biological conversion whereby bacteria is used to breakdown organic material in the absence of oxygen to produce methane gas.

Transformation

A Transformation project is the production of a product that may be burned when used. Projects in this category are given the lowest priority and are subject to funding availability. Eligible projects are limited to those which:

- i. Produce a value-added product,
- ii. Will not interfere with current or future efforts to increase waste minimization, recycling or composting of the material type being used in the project, and
- iii. Do not, in the aggregate, exceed 10% of all loan funds to be awarded during any annual loan funding cycle.

Eligible Examples:

- Fire logs and fire starters
- Production of waste and tire derived fuel

Public Infrastructure and Capital Improvements

Capital Improvements means physical improvements to publicly owned land, including buildings, structures and fixtures or attachments of a permanent or semi-permanent nature, including large equipment, erected on and affixed to the land. A capital improvement project must directly support business activities that would be eligible for this Loan Program.

Infrastructure means the basic facilities, such as sewer, water, transportation, and utility systems. An Infrastructure project is a publicly owned project where infrastructure (road, utilities, etc.) is added or improved to directly support eligible business activities.

Loans to local governments can only be used for publicly owned infrastructure and capital improvements that directly support other eligible businesses within the RMDZ.

There will be a \$2,000,000 cumulative maximum annual limit on funds available for loans to local governments.

Eligible infrastructure projects, where feasible, will be required to use at least 15% recycled content building materials and other “sustainable construction methods,” as applicable. Where feasible, recycled content products used in infrastructure projects will be made with California materials.

Eligible Examples:

- Extending a public roadway or rail spur to facilitate the expansion or siting of a recycling based business.
- Improving a sewer line to facilitate the expansion of a recycling based business.
- Procurement of glass beneficiating equipment to provide feedstock for a container or fiberglass manufacturer.
- Procurement of plastic washing and granulating equipment to provide feedstock for a plastic injection molder.

Ineligible Examples:

- Procurement of trucks for collecting recyclable materials.

Contract Process for Lending to Public Entities

The following steps outline the Board's contract process for awarding RMDZ loans to local governments.

1. A Solicitation Notice, including a loan application package, will be sent out to local governments.
2. To provide early confirmation of project eligibility, a local government may submit just the project description portion of the Application form to the Board staff for review. Staff within 30 days of receipt of the Application can provide a determination as to whether project will meet the program criteria. Receipt of the written Board determination will not ensure the subsequent Board approval of the loan or consideration either in the event that other project applications are approved first or that the cumulative funding limit has been reached.
3. For each project that is qualified, the local government will subsequently submit a complete Loan Application Package. Each completed package would be date stamped to ensure "first come first served" basis of awarding loan funds.
4. Each Loan Application Package will be evaluated based on completeness of the application, the extent to which the project either maximizes regional diversion of materials or promotes direct establishment of recycling businesses.
5. If multiple applications were received, priority considerations shall be given to those projects which demonstrate an ability to repay the loan; that the project will increase the market demand for recycling the project's type of post consumer material; satisfy statewide recycling market objectives; and satisfy additional priorities that are identified by the Board.
6. Staff will evaluate the loan application taking into consideration those financial issues that are peculiar to municipalities and other public entities. This will include analysis of the following: constitutional debt limit; collateral such as revenues; the local government entities' legal counsel issuance of an opinion letter certifying that the local government entity has legal authority to enter into a repayment agreement; and the local government entities' chief financial officer issuance of an opinion letter certifying that the local government entity has sufficient cash flow to repay the proposed loan.
7. Each qualified application will be presented to Loan Committee.

8. After Loan Committee approval, each local government application will be presented for Board consideration and approval for a maximum of \$2,000,000 awarded annually to local government entities.
9. Once the Board has approved the loan request, staff will prepare the loan contract document. The loan contract document will include conditions precedent to actual funding. These conditions will require copies of all agreement and commitment letters from all other parties that have a role in making the project successful. Examples are agreements between the local government entity and the landowner, construction contractors, and the recycling businesses that will locate in the project area. A Promissory Note will be an attachment to the loan contract document.
10. When all conditions of the loan contract document are met, the loan would be funded through an escrow account.