

# RECYCLING MARKET DEVELOPMENT REVOLVING LOAN PROGRAM

## SUMMARY

### PROGRAM OVERVIEW

The Recycling Market Development Revolving Loan Program provides **direct loans** to businesses that use postconsumer or secondary waste materials to manufacture new products. To be eligible to apply for a loan, the project must be located in one of forty designated *Recycling Market Development Zones (RMDZ's)*. If the project is mobile or portable, then the business headquarters must be located in one of the RMDZ's.

Local governments may apply for funds to finance public works infrastructure which directly supports businesses that use postconsumer or secondary waste material.

### USE OF FUNDS

- Machinery & Equipment
- Real Property Purchases
- Working Capital
- Leasehold Improvements
- Refinance of Debt (if related to the project)

### RATES, TERMS, & FEES

- Each eligible business or local government agency may borrow up to **75% of the cost of a project**, up to a **maximum loan amount of \$2,000,000**.
- The maximum term of a loan is **15 years** if secured by commercial real estate. If the RMDZ loan is not secured by commercial real estate, the loan term is based on the useful life of the asset(s) being financed with a maximum of **10 years**.
- The Board may consider a subordinate collateral position to a primary private lender.
- Interest rates are **fixed** for the term of the loan, and are set by the Board semi-annually. Check with your Regional Credit Manager or Zone Administrator for the current rate.
- A **nonrefundable application fee of \$300.00** is due at time of application submittal. A loan origination fee of **one-half percent (0.5%)** of the loan will be charged upon loan closing. The loan fee may be financed.

### FILING LOAN APPLICATIONS

Loan applications are accepted on a continuous basis.

## RECYCLING MARKET DEVELOPMENT REVOLVING LOAN PROGRAM

### General Criteria

Effective September 16, 2008

#### Introduction

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

The purpose of this document is to provide information on the Loan Program General Loan Criteria. 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 Loan Program as set forth by law and regulation. Environmental Justice is addressed through the Zone approval/renewal process and local permit process. For additional information regarding the Loan Program, please contact the Department of Resources Recycling and Recovery (CalRecycle) Loan Program staff.

#### General Loan Criteria

The general criteria applies to all Loan Program loans, regardless of the type of project.

#### *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).

#### *What is the maximum loan amount?*

The program can fund a maximum of 75% of costs directly attributed to an eligible project up to a maximum of \$2,000,000 whichever is less.

#### *Can a borrower or related entity obtain more than one RMDZ loan?*

A borrower may apply for subsequent loans for business expansion that result in additional diversion using the same or different type of feedstock, manufacturing process, or end product, but may not have more than \$3,000,000 total principal outstanding on all RMDZ loans to a borrower and related entities at any one time.

#### *Who can apply?*

Eligible applicants can include businesses and not-for-profit organizations.

#### *What can the funds be used for?*

Businesses and non-profit organizations can use the funds (a) for

- Machinery and equipment,
- Working capital,
- Real estate purchase (b), (maximum of \$1,000,000)
- Real estate improvements (b), and
- Refinancing of onerous debt that results in increased diversion, and
- Funds can also be used for financing loan-closing points.

(a) RMDZ loan recipients are required to agree that when purchasing products with loan funds in the 11 SABRC categories, the borrower agrees to purchase recycled-content products when available and fitness and quality are equal to that of non-recycled products.

(b) 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. Borrowers are required to provide invoices showing the amount that 25% was purchased and the types of products and services purchased.

***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.

***What is the cost of loan closing points?***

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

***What is the loan application fee?***

The loan application fee is \$300, due and payable upon CalRecycle's receipt of an RMDZ 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 semiannually in February and August, after public announcement by the State Controller's Office. The rate will be fixed for the term of each loan.

***Public Infrastructure and Capital Improvements***

Should a local jurisdiction need financing, CalRecycle staff will refer them to other state programs and provide some assistance in applying for those funds.

***Eligible Projects***

Eligible projects must result in the diversion of solid waste from California landfills. See separate document titled "Project Eligibility Criteria."

# RECYCLING MARKET DEVELOPMENT REVOLVING LOAN PROGRAM

## ***PROGRAM OBJECTIVES\****

### Preamble:

In marketing the Recycling Market Development Revolving Loan Program, staff shall target businesses and projects which would best serve to achieve the program objectives adopted by the Board.

### **Objective #1**

Maximize the effectiveness of the Recycling Market Development Revolving Loan Program as a market development tool by targeting projects which use materials normally disposed in solid waste landfills as recycled feedstock to manufacture recycled-content end-products, or otherwise increase demand for secondary materials which directly support achievement of local waste diversion goals from solid waste landfills. Manufacturing, as described, does not include the clean up of nonhazardous contaminated soil.

### **Objective #2**

Support the Board's current Market Development Plan by giving priority consideration to projects which utilize the Board's priority materials and divert the greatest tonnage. *The Board's priority materials are mixed waste paper, compostable materials, high density polyethylene, mixed plastics, and construction and demolition materials.*

### **Objective #3**

Support the integrated waste management hierarchy by promoting in order of priority: 1) source reduction; 2) recycling and composting; 3) environmentally safe transformation and environmentally safe land disposal.

To achieve this objective, the Board shall:

- a. Give priority lending consideration to source reduction projects which satisfy objectives 1 and 2 above; and
- b. Give lowest lending priority to alternative daily cover and transformation projects, and limit funding of such projects to those which:
  - i. Produce value-added products;
  - ii. Are not detrimental to current or future efforts to increase source reduction, recycling or composting of the project's material type;
  - iii. Do not, in aggregate, exceed 10% of all loan funds to be awarded during any annual loan funding cycle.

\* The Recycling Market Development Revolving Loan Program objectives are periodically updated by the California Integrated Waste Management Board.