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Department of Resources, Recycling and Recovery

CALIFORNIA CLIMATE INVESTMENTS

Greenhouse Gas Reduction Revolving Loan Program

Application Guidelines and Instructions

TABLE OF CONTENTS

LOAN PROGRAM BACKGROUND.....	4
Statutory Authority	4
Timeline	4
Program Funding.....	4
APPROVED ELIGIBILITY CRITERIA.....	5
Loan Applicant Type	5
Facility/Manufacturer Type	5
Project Location	6
Feedstock Waste Material Types	6
Environmental Requirements	6
Greenhouse Gas Emission Reduction:.....	6
Feedstock/Waste Material Diversion from Landfills	6
Loan Amount:	6
Matching Funds Requirement.....	7
Schedule of Fees and Costs.....	7
Eligible Projects	8
Use of Loan Fund Disbursements	8
Permit and CEQA Requirements.....	9
APPLICATION ACCESS	10
Application Access	10
Before You Prepare A Loan Application	10
Loan Application Components.....	10
Loan Application Form.....	10
Project Narrative Proposal.....	10
Financial Narrative.....	10
Application Instructions.....	10
APPLICATION FORMS AND DOCUMENTS	11
LOAN APPLICATION (CalRecycle 838-GHG)	11
Loan Application Checklist (CalRecycle 854-GHG).....	11
PROJECT NARRATIVE PROPOSAL AND FORMS	11
Project Narrative Proposal – Organics Projects (CalRecycle 828-GHG).....	11
Project Narrative Proposal – Recycled Fiber, Plastic, and Glass Projects (CalRecycle 827-GHG).....	11
Scoring Criteria (CalRecycle 831-GHG).....	12
Net Tons of Newly Diverted Materials from Landfills (CalRecycle 834).....	12
Material Flow Charts –Baseline and Projected (CalRecycle 857-GHG)	12
Feedstock Certification (CalRecycle 859-GHG)	12
ARB FY 2015-16 Greenhouse Gas Emission Reduction Calculator Tool (available at: https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/quantification.htm)	12
Benefits to Disadvantaged Communities (CalRecycle 826-GHG)	12
Project Readiness and Permits (CalRecycle 829).....	13
General Checklist of Permits, Licenses, and Filings (CalRecycle 825)	13
Work Plan (CalRecycle 835).....	13
Budget Sources and Uses of Funds (CalRecycle 824).....	13
Collateral Description and Valuation (CalRecycle 826)	13

FINANCIAL NARRATIVE – BUSINESS	14
Financial Narrative – Business (CalRecycle 853).....	14
Present Debt Obligations (CalRecycle 840)	14
Business Credit Check and Background Authorization (CalRecycle 840).....	14
Guarantor Personal Financial Statement (CalRecycle 822)	14
Guarantor Personal Credit Check Authorization (CalRecycle 821)	14
FINANCIAL NARRATIVE – GOVERNMENT	14
Government Financial Narrative – Government (CalRecycle 855).....	14
Government Financing Resolution	14
APPLICATION SUBMITTAL	16
APPLICATION REVIEW	17
Preliminary Loan Application	17
Complete Loan Application.....	17
Project Narrative Proposal.....	17
LOAN APPROVAL PROCESS	17
Loan Application Review Process	17
Common Reasons for Loan Decline or Withdrawal	18
Loan Committee	18
CalRecycle Approval	18
DOCUMENTATION AND FUNDING	19
Loan Documents	19
Escrow Company (Loan document signing and fund disbursement).....	19
BILLING AND PAYMENT	20
Billing and Payment Questions.....	20
ANNUAL REPORTING REQUIREMENTS	20
Project Reporting (Annual as of September 30)	20
Financial Reporting.....	21

LOAN PROGRAM BACKGROUND

The purpose of this Loan Application Guidelines and Instructions document is to provide the loan applicant with information about the Department of Resources, Recycling and Recovery's (CalRecycle) Greenhouse Gas Reduction Loan Program (GHG Loan Program) and instructions about how to complete a loan application.

The loan application is available on the [Forms and Documents](#) page for the GHG Loan Program. Questions about the loan application should be directed to Loans@CalRecycle.ca.gov

The GHG Loan Program provides funds to support new or expanded organics infrastructure, such as composting and anaerobic digestion facilities, as well as for facilities that manufacture fiber, plastic or glass waste materials into beneficial products. The purposes of this investment is to further the purposes of the California Global Warming Solutions Act (AB 32), reduce methane emissions from landfills and further GHG reductions in upstream resource management and manufacturing processes; benefit disadvantaged communities by upgrading existing facilities and, where warranted, establishing new facilities that reduce GHG emissions; result in air and water quality improvements; and create jobs.

The funds for the GHG Loan Program are from the Greenhouse Gas Reduction Fund established for California's Cap-and-Trade Program auction proceeds, and provide an opportunity for the State to invest in projects that help California achieve its climate goals and provide benefits to disadvantaged communities. These investments are collectively referred to as California Climate Investments.

Statutory Authority

Public Resources Code sections 42995–42998, added to statute by the enactment of SB 862 (Statutes of 2014, Chapter 36), authorize the CalRecycle to award loans under the GHG Loan Program to provide financial incentives for capital investments that expand waste management infrastructure resulting in greenhouse gas emission (GHG) reductions. Priority is given to disadvantaged communities under Health and Safety Code section 39713.

Timeline

Date	Activity
April 2016	Application release
First-come, first-served	Loan applications submitted
90-120 days after a complete application is received	Loan awards

Program Funding

Total available funds for new loan applications is \$6,063,000, as of March 31, 2016. This includes \$4,529,000 from fiscal year 2015–16 plus \$1,534,000 from fiscal year 2014–15. For updates on available funds, send an email to Loans@CalRecycle.ca.gov.

APPROVED ELIGIBILITY CRITERIA

Loan Applicant Type

Eligible applicants include:

- **Government**
 - **Cities and Counties**

Note: California Labor Code section 1782 prohibits a charter city from receiving state funding or financial assistance for construction projects if it does not comply with Labor Code sections 1770-1782. If an applicant is a charter city, or a joint powers authority that includes a charter city, it will be required to certify that Labor Code section 1782 does not prohibit its receipt of a GHG loan for the project described in the application. If, after loan award, it is determined that the borrower is prohibited from receiving state funds for the loan project under Labor Code section 1782, the loan will be declared to be in default and, if funds have been disbursed, a demand for payoff will issued to the borrower for return of the funds to CalRecycle. A list of compliant charter cities is available [Here](#).
 - **Regional or local sanitation agencies, waste agencies, or joint powers authorities.**

An entity may not submit an individual application if that entity is also a member of an applicant JPA.

- **Private, for-profit entities.**

For purposes of this program, a “private, for-profit entity” is defined as a business intended to operate at a profit and return a profit to its owner(s). The business must be qualified to do business in California and in good standing with all applicable California state agencies, including, but not limited to, the Secretary of State and the Franchise Tax Board.
- **Nonprofit organizations** (except private schools) registered with the federal government under 501(c)3, (c)4, (c)6 or (c)10 of the Internal Revenue Code.

Facility/Manufacturer Type

- **Preprocessor**
 - A preprocessor produces an intermediate product which requires further processing by another manufacturer.
 - The preprocessor must result in new diversion from landfills, i.e., beyond that which was already being diverted.
- The preprocessor must provide proof of binding agreement with a California finished product producer that receives the preprocessed feedstock to make compost, soil amendments, biofuels, bioenergy, or recycled content finished products.

- **Finished Product Producer**
 - A finished product producer makes a good or package in a form which requires no further processing or forming before it is offered for sale to an end-user. It does not include intermediate products, such as plastic pellets sold as feedstock to a converter for fabrication into a consumer product).
- **Food Waste Prevention**
 - The loan program cannot finance equipment and machinery that will be located and operated by a third-party.

Project Location

- A preprocessor who makes intermediate recycled-content intermediate products, must be located in California, and sell the products to Finished Product Producers that are also located in California.
- Finished product producers must be located in California.

Feedstock Waste Material Types

- **Organics Projects:** Organics (green waste and food waste) waste materials.
- **Recycled Fiber, Plastic, and Glass Projects:** Recycled fiber (paper, textiles including mattresses, carpet, and wood), plastic, and glass waste materials.

Environmental Requirements

Greenhouse Gas Emission Reduction:

Projects must result in permanent, annual, and measurable reductions in greenhouse gas (GHG) emissions.

Feedstock/Waste Material Diversion from Landfills

Projects must increase the quantity (tons) of:

- 1) Organics projects: California-generated green or food materials, or alternative daily cover (ADC) newly diverted from landfills and composted or digested; or
- 2) Recycled fiber, plastic, and glass projects: California-generated fiber, plastic, or glass materials newly diverted from landfills.

For purposes of this program, “newly diverted” means the tons of materials that are currently being landfilled or used as alternative daily cover that will instead be diverted as a result of this project.

Loan Amount:

- 1) The maximum loan amount is \$2,000,000 or 75 percent of total project cost, whichever is less.
- 2) ~~A borrower and its related entities may receive more than one loan, but may not have more than \$5,000,000 in total principal outstanding on all CalRecycle loans at any one time.~~

Multiple Loan Policy (May 31, 2017)

Businesses may apply for loans, subject to the following:

Maximum Borrowing Limits:

1. Single Borrower

A single borrower may receive more than one loan but, at any one time, may not have more than:

- a. \$3,000,000 total principal outstanding on all RMDZ loans;
- b. \$5,000,000 total principal outstanding on all GHG loans; or
- c. \$5,000,000 total principal outstanding on all CalRecycle loans.

2. Borrower and Related Entities

- a. A borrower and its financially dependent related entities together are subject to the single borrower maximum borrowing limits.
- b. A borrower and its financially independent related entities each are subject to the single borrower maximum borrowing limits.

NOTES:

- The above Multiple Loan Policy establishes program eligibility. Separately, loan staff will conduct a credit evaluation of each applicant, which may further limit the recommended loan amount.
- Related entities have some common ownership. Independent related entities are not primarily dependent upon each other for services, products, or funds, while dependent related entities are primarily dependent upon each other for services, products, or funds.
- For the same project, a business may apply for a RMDZ loan and a GHG loan on or about the same time, conditioned upon loan proceeds being used for separate and distinct expenses.
- For a project expansion or different project, a business may apply for a subsequent loan if at least six months has passed since the last loan was disbursed to the borrower, and all outstanding loans are in compliance with all terms and conditions.

Matching Funds Requirement

- The GHG Loan Program has a matching funds requirement. The borrower must contribute at least 25 percent of the total project cost. The purposes of the match requirement are for the borrower to have financial risk in the project, which will incentivize the business to remain successful during the loan term, and to ensure that there is adequate equity in the loan collateral. In addition, the matching fund requirement must be in an amount sufficient to ensure that the business has sufficient working capital to pay operating expenses.
- Verification of matching funds paid into the project is normally done by providing copies of paid invoices and cancelled checks, especially for large expense items such as equipment and machinery.

Schedule of Fees and Costs

- Loan Application Fee: \$300, due at the time of loan application submittal.

- Loan Closing Points: 0.50 percent, due when loan funds are paid into escrow.
- Loan Interest Rate: 4.00 percent, fixed, on a simple interest basis.
- Prepayment Penalty: None.

Loan Term

The maximum loan term is 10 years when collateralized by assets other than real estate or 15 years when partially or wholly collateralized by real estate. Some loan terms may be less than 10 years to match the useful life of the equipment.

Eligible Projects

- Construction, renovation, or expansion of facilities to increase in-state infrastructure for:
 - 1) The digestion or composting of organics into compost, soil amendments, biofuels, or bioenergy; or
 - 2) The manufacturing of value-added finished products using California derived recycled content fiber, plastic, or glass.
- Construction, renovation, or expansion of facilities to increase in-state infrastructure for:
 - 1) The preprocessing of organics when providing preprocessed materials to an in-state digestion or composting facility that is using the waste to make compost, soil amendments, biofuels, or bioenergy; or
 - 2) The preprocessing of fiber, plastic or glass waste when providing preprocessed materials to an in-state manufacturing facility that is using the waste to make finished products.
- Expansion of projects that have previously received Greenhouse Gas Reduction grants or loans from CalRecycle are eligible provided the project meets the loan criteria and the previously funded project is progressing in a manner satisfactory to CalRecycle.
- Food waste prevention projects result in measurable reduction in food waste normally destined for a landfill. These project can prevent food waste through source reduction and/or edible food rescue. Food rescue must result in rescued food being distributed to people in a disadvantaged community with any food waste residuals from the project being sent to a compost, digestion, or fermentation facility when one is available within the food waste prevention project's service area.
- New and expanded facilities will be required to use the best available control technology (BACT) to limit emissions and ensure compliance with air quality standards.

Use of Loan Fund Disbursements

Eligible costs include:

- Purchase of equipment and machinery
- Real estate improvements associated with the installation of the equipment and machinery. The land owner may need to provide a deed of trust to ensure that the loan has adequate collateral.

- Purchase of real estate that is directly associated with the project's material processing, where the real estate includes a building or other real estate improvements used solely for that processing or manufacturing.

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 percent of the loan funds approved for improvements to property must be applied toward costs involving sustainable building products and services. Examples include the use of recycled paints, carpets, cubicles, and rubberized asphalt. The installation of energy efficient lighting, heating and cooling systems, water conservation and shade producing landscape would also apply. Borrowers are required to provide invoices showing that 25 percent of the amount borrowed for improvements was used for sustainable building practices.

Ineligible costs include:

- Working capital
- Refinance of onerous debt
- Payment of the loan closing fee

Permit and CEQA Requirements

Permit requirements are as follows:

- Eligible projects do not qualify for a loan unless they are past the design phase of the project and are prepared for construction. Applicants must obtain all significant applicable federal, state, and local permits prior to CalRecycle Loan Committee consideration of the application. Significant permits may include: Air Permit, Water Quality Permit, Fire Permit, Solid Waste Facility Permit, Business License, and/or a Conditional Use Permit.
- Applicants shall complete all California Environmental Quality Act (CEQA) requirements for their project before the loan request is presented to the loan committee.

Loan Underwriting Requirements

1. Experience: satisfactory work and educational experience of the facility operator.
2. Ability to repay the loan: the applicant must be creditworthy, and the project and the borrower must have the financial capacity to generate sufficient cash flow from the sale of recycled-content products to repay the loan (or other sources if the borrower is a government entity).
3. Adequacy of the collateral: the collateral value must match or exceed the loan amount.
4. An owner of 20 percent or more of the applicant business generally must guarantee the loan. CalRecycle may ask other owners or key management to also provide a guarantee.

Applications which meet the above criteria and all other eligibility and priority criteria will be recommended to the Loan Committee for approval.

APPLICATION ACCESS

Application Access

- The loan application is available on the [Forms and Documents](#) page for the GHG Loan Program.

Before You Prepare A Loan Application

You are encouraged to contact loan staff before you prepare a loan application, to discuss your project and financial ability to repay the loan. To request assistance, send an email to Loan Staff at Loans@CalRecycle.ca.gov.

Loan Application Components

The Loan Application consists of three parts:

Loan Application Form

The purpose of the Loan Application is to gather basic information about the loan applicant to determine if the GHG Loan Program is the best type of financing to meet the needs of the applicant and achieve the goals of the program. This may be submitted in advance, without the Project Narrative Proposal or the Financial Narrative.

Project Narrative Proposal

The purpose of the Project Narrative Proposal and accompanying forms is to determine if the project will achieve the primary goals of diverting California generated non-hazardous solid waste from landfills, reducing greenhouse gas emissions, and benefiting California disadvantaged communities.

Financial Narrative

The purpose of the Financial Narrative and accompanying required financial documentation is to determine if the loan applicant has the ability to repay and collateralize the loan.

Application Instructions

Application instructions are contained in each form.

APPLICATION FORMS AND DOCUMENTS

Below is a list of CalRecycle application forms and documents. Each form contains specific instructions.

LOAN APPLICATION (CalRecycle 838-GHG)

The purpose of the Loan Application is to gather information about the applicant and the project. This information will be shared with CalRecycle staff involved in the loan process, the Air Resources Board (ARB) and, if the project is located in a Recycling Market Development Zone, with a Zone Administrator. Applications will be treated in accordance with Public Records Act requirements and certain information, subject to those requirements, may be publicly disclosed.

The CalRecycle 838-GHG, additional forms and supporting documents are required to be submitted to form a complete application. See the Loan Application Checklist for additional required forms.

Loan Application Checklist (CalRecycle 854-GHG)

The purpose of the Loan Application Checklist is to ensure the loan applicant submits all required forms and documents to submit a complete loan application package. The Checklist is to be attached to the Loan Application.

PROJECT NARRATIVE PROPOSAL AND FORMS

Project Narrative Proposal – Organics Projects (CalRecycle 828-GHG)

The purpose of the Project Narrative Proposal - Organics Project is to fully describe all aspects of your organics project. It is reviewed with all accompanying project forms and documents, then scored to determine project eligibility. The scoring criteria is shown in the Scoring Criteria form (CalRecycle 831-GHG). Each section of the Project Narrative Proposal must have a response. Ensure your narrative responses are concise, detailed, and most importantly, address each of the sections. Make sure the information in the Project Narrative Proposal is consistent with, and relates to, work activities in the Work Plan (CalRecycle 835-GHG) and in the Budget Sources and Uses of Funds (CalRecycle 824).

Project Narrative Proposal – Recycled Fiber, Plastic, and Glass Projects (CalRecycle 827-GHG)

The purpose of the Project Narrative Proposal – Recycled Fiber, Plastic, and Glass Project is to fully describe all aspects of your recycled fiber, plastic, and glass project. It is reviewed with all accompanying project forms and documents, then scored to determine project eligibility. The scoring criteria is shown in the Scoring Criteria form (CalRecycle 831-GHG). Each section of the Project Narrative Proposal must have a response. Ensure your narrative responses are concise, detailed, and most importantly, address each of the sections. Make sure the information in the Project Narrative Proposal is consistent with, and relates to, work activities in the Work Plan (CalRecycle 835-GHG) and in the Budget Sources and Uses of Funds (CalRecycle 824).

Scoring Criteria (CalRecycle 831-GHG)

The purpose of the Scoring Criteria is to ensure the project meets the minimum project criteria requirements and goals of the GHG Loan Program.

Net Tons of Newly Diverted Materials from Landfills (CalRecycle 834)

The purpose of this document is to provide the annual net tons of California generated waste materials that will be newly diverted away from landfilling and toward more beneficial uses as a result of your project. Be sure to use the net tons newly diverted, not the gross tons. Although GHG reductions are the primary purpose of this loan program, all projects must show a measurable increase in new net tons diverted. This is part of the scoring process.

Material Flow Charts –Baseline and Projected (CalRecycle 857-GHG)

The applicant must prepare both a Baseline Flow Chart and a Projected Flow Chart.

The purpose of the Material Flow Chart - Baseline is to provide a visual diagram showing the current flow of feedstock waste materials to your business. You may prepare the flow charts using any method available to you. This is part of the scoring process.

The purpose of the Material Flow Chart – Projected is to provide a visual diagram showing the projected flow of feedstock waste materials to your business after the loan is funded. This is part of the scoring process.

Feedstock Certification (CalRecycle 859-GHG)

The purpose of the Feedstock Certification form is to verify and document that the California generated feedstock/waste materials you will use are newly diverted from landfills. It is the applicant's responsibility to ensure the Feedstock Certification form is accurate and complete for each processor, contractor or hauler who will provide feedstock/waste material to your business. The form must be signed by the processor, contractor, hauler, or other party that provides feedstock/waste materials to your business. The Feedstock Certification form and the required supporting documentation must be attached to the Project Narrative Proposal. CalRecycle staff will use this information to determine that feedstock amounts are sufficient and agreements are in place to support your project. The form is required at time of loan application and may be required annually to ensure that the borrower complies with loan landfill diversion requirements. This is part of the scoring process.

ARB FY 2015-16 Greenhouse Gas Emission Reduction Calculator Tool

Located at the [Air Resource Board](#).

The purpose of this calculator is to estimate the GHG reductions, from the net tons of materials diverted to metric tons of carbon dioxide equivalent (MTCO_{2e}) and the MTCO_{2e} per loan dollar. Note that the calculation is based on net tons of material diverted, not gross tons. This is part of the scoring process.

Benefits to Disadvantaged Communities (CalRecycle 826-GHG)

The purpose of the Benefits to Disadvantaged Communities form is to determine if your project provides direct, meaningful, and assured benefits to a disadvantaged community

per the criteria established in the California Air Resources Board's (ARB) Funding Guidelines for Agencies that Administer California Climate Investments (December 21, 2016) (Funding Guidelines) available [Here](#) . Disadvantaged communities are identified by CalEPA's October 31, 2014 identification based on [CalEnviroScreen 2.0](#). Disadvantaged community maps. CalRecycle has a goal of awarding at least 25 percent of the total available funds to projects that meet the common needs of and provide benefits to disadvantaged communities. The department also has a goal of awarding at least 10 percent of the total available funds to projects that are located within disadvantaged communities. Projects claiming to benefit disadvantaged communities must be designed to avoid substantial burdens (e.g., displacement of low income disadvantaged community residents and businesses or increased exposure to toxics or other health risks). This is part of the scoring process.

Project Readiness and Permits (CalRecycle 829)

The purpose of this form is to assess whether your project will be able to obtain all necessary permits before presentation of the loan to the CalRecycle loan committee.

General Checklist of Permits, Licenses, and Filings (CalRecycle 825)

The purpose of this form is to ensure the applicant has obtained all applicable permits, licenses, and filings before the loan is presented to the CalRecycle loan committee. CalRecycle staff will use this information to determine your permitting, construction, and start-up status. Copies of all major permits must be provided at time of loan application.

Work Plan (CalRecycle 835)

The purpose of this form is to list all procedures or tasks needed to complete your project. Additional Work Plan requirements are located in the Project Narrative Proposal form. Ensure expenses relate to line items identified in the Budget Sources and Uses of Funds (CalRecycle 824).

Budget Sources and Uses of Funds (CalRecycle 824)

The purpose of this form is to provide a clear accounting of all costs associated with all activities necessary to complete the project. Indicate all funding sources for your project. There are additional Budget questions located in the Project Narrative Proposal document. Budget line items should relate to Work Plan activities and information in the Project Narrative Proposal.

If you also intend to apply for a grant or other California Climate Investments funds, those other funds must be used for project components different from those to be funded by the GHG loan. Include an explanation about how funding from the two programs will work together in the Project Narrative Proposal.

Collateral Description and Valuation (CalRecycle 836)

The purpose of this form is to list all equipment and machinery to be purchased with loan funds and used as collateral and all other proposed collateral, to determine that the loan will be adequately collateralized. For equipment and machinery to be purchased with loan proceeds, and offered as loan collateral, equipment brochures, technical specifications, and quotes or purchase invoices must be attached to this form.

FINANCIAL NARRATIVE – BUSINESS

Financial Narrative – Business (CalRecycle 853)

The purpose of this form is for the applicant to explain their ability to financially qualify for the loan and explain the financial statements.

Present Debt Obligations (CalRecycle 840)

The purpose of this form is for the applicant and guarantors to list all debt obligations, especially those reported to credit reporting agencies and off-balance sheet obligations. This information is needed to help determine the ability to repay and identify the collateral held on secured loans. For equipment, machinery, and business assets to be offered or taken as loan collateral, attach copies of each secured lender's Note, Security Agreement, and Loan Agreement.

Business Credit Check and Background Authorization (CalRecycle 837)

The purpose of this form is for the applicant business to authorize CalRecycle to obtain business credit reports and check credit references

Guarantor Personal Financial Statement (CalRecycle 822)

The purpose of this form is to determine the guarantor's personal ability to make loan payments, when business cash flow is not sufficient to do so. If the guarantor's personal assets are titled in the name of a trust, the trust must also guarantee the loan.

Guarantor Personal Credit Check Authorization (CalRecycle 821)

The purpose of this form is for personal guarantors to authorize CalRecycle to obtain personal credit reports and check credit references.

FINANCIAL NARRATIVE – GOVERNMENT

Government Financial Narrative – Government (CalRecycle 855)

The purpose of this form is for the applicant to explain their ability to financially qualify for the loan and explain the financial statements. This will help loan staff analyze the applicant's financial information and to prepare a Loan Credit Presentation.

Government Financing Resolution

Cities, counties, regional or local sanitation agencies, waste agencies and joint powers authorities must pass a resolution (Resolution) that authorizes specific project financing matters. A copy of the Resolution must be submitted with the loan application.

Requirements:

1. The Resolution must authorize submittal of a financing application for the project for which the applicant is eligible and signing of all financing-related documents. The Resolution must identify the period of time, up to two years, during which the authorizations are valid. If a Resolution does not specifically identify a period of time, it will be considered valid for one year from the date of adoption.
2. The Resolution must identify the authorized signer(s) by listing the name(s) and job title(s) of the person(s) authorized to sign all financing-related documents.

3. For matters other than the submission of the financing application and signing of the financing agreement and related documents, the Resolution may authorize the authorized signers(s) to delegate his/her signing authority to another person identified by job title.
4. A Resolution from a joint powers authority (JPA) must be accompanied by the JPA's joint powers agreement providing the JPA with authority over solid waste management, listing all member entities, and containing the signature of all members.

APPLICATION SUBMITTAL

Applications can be submitted at any time and are processed on a first-come, first-served basis, subject to availability of program funds.

The application can be submitted in person or by mail to the addresses below. Overnight courier services are encouraged to ensure that CalRecycle receives the loan application. Also send a scanned copy of the courier's tracking document by email to Loans@CalRecycle.ca.gov

Physical Address (hand delivery and overnight couriers):

Department of Resources, Recycling, and Recovery (CalRecycle)
Loans Unit (Mail-stop #9)
1001 I Street
Sacramento, CA 95814

Mailing Address (U.S. Postal Service)

Department of Resources, Recycling, and Recovery (CalRecycle)
Loans Unit (Mail-stop #9)
P.O. Box 4025
Sacramento, CA 95812-4025

- ✓ Ensure that the original Loan Application (CalRecycle 838-GHG) is submitted and signed using blue ink.
- ✓ A check to pay the \$300 application fee must be attached to the Loan Application.
- ✓ Photocopies of all other application forms and borrower documents are acceptable.

APPLICATION REVIEW

The loan application review process is:

Preliminary Loan Application

Loan staff will conduct an initial review of the Loan Application (CalRecycle 838-GHG) and analyze the applicant's historical financial statements, to make an early determination of whether or not this is the appropriate loan program to finance equipment and machinery for the applicant's business. This form contains key program questions (#1 – 7) to identify if the loan applicant should apply to the GHG Loan Program.

Complete Loan Application

A complete Loan Application consists of the Loan Application (CalRecycle 838-GHG), the Project Narrative Proposal – Organics Projects (CalRecycle 828-GHG) or the Project Narrative Proposal – Recycled Fiber, Plastic, and Glass Projects (CalRecycle 827) with the respective additional CalRecycle forms, and the applicant's supporting documents. Use the Loan Application Checklist (CalRecycle 854-GHG) to ensure all forms and documents are submitted with the Loan Application.

Loan staff will conduct a review of the entire loan application package to determine if the loan will be approved or denied.

Project Narrative Proposal

The Project Narrative Proposal application documents will be evaluated and scored by a CalRecycle review panel, based on the approved Scoring Criteria including co-benefits for each type of loan project). Applications must score 30 or more, out of 60 possible points.

- All projects must further the purposes of AB 32 and achieve a net reduction in GHGs as quantified using ARB's FY 2015-16 Greenhouse Gas Quantification Methodology and accompanying [calculator tool](#). Financial Narrative Review
- The Loans Unit will review the Loan Application, Project Narrative Proposal, and Financial Narrative to determine if it will recommend loan approval or denial.

LOAN APPROVAL PROCESS

Loan Application Review Process

Loan Staff will analyze the loan application and all other application forms, to ensure that the applicant qualifies for the GHG Loan Program and demonstrates the ability to repay and collateralize the proposed loan. Project documents will be evaluated and scored by a CalRecycle review panel based on greenhouse gas emissions reductions, tons of newly diverted material, and disadvantaged communities' benefits. To be eligible for funding, the project must obtain a minimum score of 30 points out of 60

possible points. Applications which meet these financial and project eligibility requirements will be forwarded to the CalRecycle Loan Committee with a Credit Presentation for its consideration.

Common Reasons for Loan Decline or Withdrawal

1. The project has not sited in California.
2. The business corporation or limited liability company is not properly registered with the California Secretary of State.
3. Permits have not been obtained and/or CEQA requirements have not been met.
4. The applicant's customers are not located in the United States. (I.e. loan repayment should not be dependent upon the collection of foreign accounts receivable, especially if the business does not obtain foreign accounts receivable insurance on all foreign sales).
5. The applicant is not able to properly document new diversion of waste materials from landfills.
6. The equipment and machinery are not owned and operated by the applicant's business, the equipment/machinery is single use, there is minimal collateral liquidation value, or the equipment/machinery uses high heat or incineration that causes greenhouse gas emissions.
7. The applicant does not make or sell recycled-content materials or finished products.
8. Application is incomplete. Failure to provide requested application documents and information in a timely manner.
9. Applicant does not meet the basic program eligibility requirements (i.e. Loan Application).
10. Applicant's project scores less than 30 points.
11. Applicant does not meet financial requirements.
12. Applicant substantially modifies the text in CalRecycle forms.
13. Loan Application (CalRecycle 838-GHG) is not signed.

Applicant Not Selected For Funding

If loan staff's analysis indicates the applicant may not fully qualify for a loan, loan staff will inform the applicant of the potential denial reasons and allow the applicant to provide mitigating factors and to submit additional new information and documents.

Loan Committee

The CalRecycle loan committee, comprised of outside experts in financial analysis and credit evaluation, will determine if the applicant has demonstrated the financial ability to repay, collateralize the loan, and its overall creditworthiness. The applicant is encouraged to participate in the loan committee teleconference meeting. The loan committee will vote to recommend approval, approval with modifications, or denial of the financial aspect of the loan request. This is not to be construed as full loan approval, which can only be done by CalRecycle's Director or Deputy Director.

CalRecycle Approval

Loans recommended for approval by loan committee will be forwarded to CalRecycle's Director or Deputy Director for final approval consideration. The project score and loan

committee recommendation will be considered in the decision to approve, approve with modifications, or deny the loan request.

When approved, CalRecycle's loans are subject to the following conditions:

1. The return by the Applicant 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 and such other terms and conditions as duly authorized staff in their sole discretion deem necessary or advisable.
3. The Applicant's signing of loan documents within the 90-day loan commitment period. The loan commitment may be extended, for cause, for an additional 90 days. Extension of the loan commitment beyond the second 90-day period shall occur only if agreed to by both CalRecycle and the Applicant.

DOCUMENTATION AND FUNDING

Loan Documents

Following CalRecycle's conditional approval of a loan, loan staff will prepare loan documents. One of the loan documents is a Loan Agreement. The Loan Agreement contains provisions (e.g. project implementation requirements to maintain project eligibility and annual reporting) that the borrower must comply with during the entire term of the loan.

Escrow Company (Loan document signing and fund disbursement)

The use of an escrow company for the signing of loan documents and disbursement of loan funds is a requirement. The escrow company will disburse loan funds in increments, after receiving CalRecycle's authorization based on CalRecycle's confirmation that submitted invoices match the approved use of loan proceeds and that no other party has paid for the same expense. Changes to approved project expenditures must be approved in advance by CalRecycle. After receiving CalRecycle authorization, the escrow company will disburse funds directly to the vendor or contractor or, if the borrower has already paid the invoice, directly to the borrower for reimbursement.

BILLING AND PAYMENT

- Loan billing statements are prepared on a monthly basis by loan staff and mailed to the borrower
- Payments are due on the first (1st) day of each month. Payments may be made by: 1) Check made payable to CalRecycle, which must include the borrower name and loan number; or 2) Using your bank's Bill Pay service, which will help ensure that payments are made in a timely manner. CalRecycle is not able to establish automatic payments where we as a lender automatically withdraw the loan payment from your bank account.
- Payments must be mailed to CalRecycle, Mail Stop #19A, Post Office Box 2711, Sacramento, CA 95812. This is a secured post office box for payments only.
- Payments received on the second (2nd) day of the month or afterwards are considered late and will accrue additional interest. Thus, payments should be mailed in advance to ensure receipt on or before the first of each month.
- For payments not received by the 11th day of the month, a late fee of 6% of the payment amount will be assessed. You should monitor your bank statement to make sure payments have been received by CalRecycle.
- Payments are applied first to accrued and unpaid interest, second to principal, and third to other fees such as late charges.
- Loan interest is calculated on a simple interest basis. This means that the interest is calculated daily, based on the loan interest rate and outstanding principal loan balance. Payments that are received before the payment due date should result in early payoff of the loan. Payments received consistently on the payment due date (first day of each month) will ensure adherence to the loan amortization schedule. Payments received after the payment due date may result in a larger final payment on the loan maturity date.

Billing and Payment Questions

Billing and payment questions should be sent by email Loans@CalRecycle.ca.gov
Responses will be provided by Loan Staff.

ANNUAL REPORTING REQUIREMENTS

Project Reporting (Annual as of September 30)

All borrowers are required to report annually as of September 30th on certain project performance criteria, including GHG emission reductions amounts, net tons of waste materials diverted, benefits to disadvantaged communities, and project co-benefits including information on jobs and job training information. For borrowers that state that their project will meaningfully address a community need, the reported information needs to include an assessment of how the project benefits have addressed the identified need. Annually, loan staff will send the borrower a survey reporting form to facilitate consistent reporting. The specific project reporting requirements will be included in the Loan Agreement, but are subject to change in accordance with Air Resources Board Funding Guidelines reporting table requirements or CalRecycle

requirements. A subset of funded projects will be required to periodically report results of the project for a period of time after project completion (e.g., once a year for three years) in accordance with ARB's Quantification Methodology. Some reported project information will be publicly available on the ARB website, including the amount of funding that is being spent on projects that benefit disadvantaged communities and maps that show the locations of these communities. Failure to report in a timely manner and with accurate information may result in a loan default. All project reporting records and documents will be maintained by CalRecycle during the 10 year term of the loan and five years after the loan is paid off.

Financial Reporting

All borrowers are required to report annually on compliance with all loan terms and conditions, including providing current financial statements and other required documents. Failure to report in a timely manner and with accurate information may result in a loan default.

AUDIT PROCEDURES, RECORDS ACCESS, AND REMEDIES FOR NON-PERFORMANCE

CalRecycle and State oversight agencies have the right to audit a loan during the project life (as defined in the QM as 10 years). Borrowers must maintain all loan records during this time period and until completion of a pending audit or resolution of any dispute and must allow designated State representative's access to these records for audit purposes. If a borrower does not comply with project performance or other requirements contained in the loan documents, CalRecycle may declare the loan in default, cancel any undisbursed funds, and take action as provided for in the loan documents or available at law, including action to collect the outstanding loan balance.