

Recycling Market Development Revolving Loan Program Eligibility Criteria

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The Department of Resources Recycling and Recovery (CalRecycle) administers the Recycling Market Development Zone (RMDZ) Loan Program, financing businesses that prevent, reduce, or recycle recovered waste materials through value-added processing or manufacturing. Facilities must be located within a CalRecycle-designated RMDZ and use postconsumer or secondary recovered waste feedstock generated in California.

The purpose and importance of the RMDZ Loan Program is set forth in Section 42001 of the California Public Resources Code:

“The purpose of this chapter [is] to stimulate the use of postconsumer waste materials and secondary waste materials generated in California as raw materials used as feedstock by private business, industry, and commerce.”

The RMDZ Loan Program supports several statewide initiatives and CalRecycle goals, including three important pieces of legislation (AB 341, AB 1826, and SB 1383), all of which will create increased supplies of recovered materials. The RMDZ Loan Eligibility Guidelines in this document are a guide for businesses considering applying for an RMDZ loan, and for Zone Administrators and CalRecycle staff. These criteria are not necessarily all inclusive.

Eligible Applicants

- Private, for-profit entities
- Nonprofit organizations (except private schools)
- Local government entities
 - Cities, counties, and cities and counties
 - Regional or local sanitation agencies, waste agencies, and joint powers

Funding

- \$2,000,000 or 75 percent of total project cost, whichever is less.
- A borrower and its related entities may receive more than one RMDZ loan, but may not have more than \$3,000,000 principal outstanding on all RMDZ loans.
- Matching funds of at least 25 percent of the total project are required. Matching funds can include, but are not limited to, cash, grants, or loans. The following may not be used as matching funds: collateral, personal property, intangible items, i.e., patents, IOUs.
- Term is up to 10 years when secured by business assets or up to 15 years when secured by real estate.
- Interest Rate: 4 percent, fixed for the term of the loan
- Application fee is \$300 and loan closing fee is 0.5 percent of the loan amount.
- Collateral is required. Collateral may include equipment, inventory, accounts receivable, real estate (typically excluding personal residences, vehicles, retirement accounts, foreign accounts receivable, and liquid assets).
- Personal and/or business guarantees are generally required from owners of 20 percent or more and their related business entities. Other key personnel, including owners of less than 20 percent, may be asked to guarantee when necessary to support the viability of the loan.
- Assignment of life insurance may be required for key owner(s) when the key owner(s) are essential to the success of the business.

- Private entity and nonprofit organizations can use loan funds for:
 - Machinery and equipment, including vehicles or other “rolling stock”
 - Working capital
 - Real estate purchase (maximum of \$1,000,000)
 - Real estate improvements
 - Refinancing of onerous debt that results in increased diversion
 - Loan-closing points
- Local government entities can use loan funds for infrastructure and/or capital improvements in support of private, for profit entities, and nonprofit organizations engaged in value added processing or manufacturing using recycled materials.

Feedstock

Eligible feedstock is postconsumer or secondary recovered waste material that is generated in CA, and that is typically landfilled. However, the recovered waste material does not have to be currently landfilled if it is being used to manufacture a value-added feedstock or a finished product. One key criterion is whether a project results in expanded market demand for recycled materials.

Location

All projects must be located in a CalRecycle designated RMDZ, which can be determined by entering the project physical address into the [RMDZ Zone Search, Map, and Profiles](#). In the case of mobile operations, the primary business location for the project must be located within the RMDZ.

Permits

The loan applicant must provide documentation of major permit approval (land, air, water, fire, etc.), generally before the loan will be presented at a loan committee meeting. Copies of approved major permits must be provided before the loan is funded.

Process, Timeline, and Questions

- For assistance and prior to submitting an application, please submit a [contact form](#) or send an email to LAMD@calrecycle.ca.gov, so CalRecycle can guide you through the process.
- Loan applications are accepted continuously and are processed on a first-come-first-served basis, subject to availability of program funds.
- To view the full loan application materials, see the [Forms and Documents web page](#).

Eligible Project Types – see examples below

1. Waste Prevention

Waste Prevention projects change the process by which products are made, resulting in a net reduction of feedstock used and/or waste generated. This can be accomplished by modifying equipment or processes, improving operations and maintenance, or changing materials in manufacturing. The project will result in less waste generated during the manufacturing process.

2. Reuse

Reuse projects will prolong the useful life of a product, delaying final disposal or recycling, and may involve the repair, repurposing, reconditioning, washing, or treatment of a worn or used product that makes the product useable again for its originally intended purpose or for a similar purpose.

3. **Recycling, Composting, and In-Vessel Digestion**

There are two types of recycling manufacturers: 1) Processing a feedstock into a finished product; 2) Producing a value-added feedstock for use by other manufacturers that produce a value-added or finished product.

Ineligible Project Types - *see examples below*

Projects are ineligible for the following reasons: 1) Using any of the following material types: hazardous waste, metals and/or any specific materials that are banned from solid waste landfills locally or statewide; 2) Producing single use plastic bags or polystyrene food containers. 3) Technologies that are transformation, i.e., incineration, pyrolysis, waste-to-energy, etc., gasification, biomass, etc.

Project Examples

1. **Waste Prevention**

Eligible Projects

- Modifying equipment or processes to make products using less raw material or packaging.
- Purchasing a laser cutter to replace a water saw, to cut more parts from the same sized sheet of plastic.

Ineligible Projects

- Buying recycled or reusable pallets, reusable containers or reusable filters that are not directly involved in the making of a product.

2. **Reuse**

Eligible Projects

- Separating salvageable items from deconstruction projects for resale.
- Collecting, distributing, and storing edible food for human consumption and/or animal feed.
- Collecting, cleaning, sterilizing and redistributing glass bottles.
- Washing reusable diapers that are used instead of disposable diapers.
- Collecting, sorting, repurposing, and/or repairing items for resale.
- Providing a textiles swap subscription service and assigning a points system for items donated (and therefore for a higher level of reuse).

Ineligible Projects

- Performing home appliance or automobile repairs.
- Dismantling automobiles or white goods.
- Collecting and refilling propane tanks.
- Washing uniforms that would not otherwise be disposed.

3. **Recycling, Composting, In-Vessel Digestion, etc.**

Eligible Projects

- Producing a recycled intermediate material from non-hazardous solid waste.
 - Cleaning and grinding any type of plastic to produce plastic pellets, flakes, or chips.
 - Processing recovered tires to produce crumb rubber.
 - Deconstructing mattresses and separating the residual wood, metal, and fiber to be made into new products.
 - Deconstructing waste carpet and sorting into residual materials (nylon/plastic/wool fiber, calcium carbonate, etc.) to make other products.
 - Recovering edible food and producing a new product, i.e., using recovered edible food to make prepared meals, such as soups, jams, baked goods, etc.

- Producing pellets, flakes, or chips by separating, cleaning and grinding plastic casing/containers that previously contained electronic waste, paint, pesticides, plastic parts of solar panels, etc., which therefore are no longer considered hazardous waste.
- Separating and cleaning casing from electrical cords and grinding the plastic to produce plastic pellets, flakes, or chips.
- Producing a recycled-content finished product from non-hazardous solid waste and/or a recycled material.
 - Processing organic materials through a compost system to produce compost.
 - Chipping and grinding organic materials to make mulch or decorative landscape materials.
 - Converting feedstock such as food waste by using in-vessel digestion to produce renewable natural gas, liquid fuels, electricity, heat, soil amendments, and liquid fertilizers.
 - Using paper to produce recycled content finished products such as copier paper, paper towels, table napkins, and facial tissue.
 - Using cardboard and newspaper to produce recycled content finished products, such as bottle shells, boxes and wall insulation.
 - Using carpet fibers to manufacture recycled content carpet underlayment.
 - Using plastic pellets, flakes, or chips to manufacture recycled content plastic pallets, lumber (or other durable building materials), bottles, and food packaging (see Ineligible Project Types for specific exclusions).
 - Using plastic waste that was created during the manufacturing process, then processing it back through the manufacturing process to make post-industrial recycled content finished product. (Note: This waste was previously being disposed.)
 - Using glass to manufacture recycled content glass tiles, flooring, countertops, tableware, trophies and/or gift items.
 - Using crumb rubber to manufacture recycled content weighted bases for traffic safety products, rubber mats, and/or hot asphalt mix.
 - Grinding broken concrete and asphalt to manufacture recycled content rock products, gravel, sand, and road base.
 - Using recycled content yarn made from recycled plastic to sew garments.
 - Chipping, grinding and/or composting using tree mortality feedstock (including pine needles) to make mulch and compost. (Note: For this feedstock material to be eligible supporting documentation must be provided stating that the material would otherwise be disposed without the project).

Ineligible Projects

- Collecting and baling recyclables for shipment only.
- Any project recycling only metal.
- Using woodchips or any other feedstock in a gasification unit to produce biochar as a soil amendment.
- Production of single-use plastic bags with recycled feedstock.
- Production of polystyrene food containers using recycled content feedstock.
- Feedstock, finished product or equipment for use in conversion technologies, such as biomass, transformation (e.g., pyrolysis), gasification.
- Development of a mobile phone application to encourage recycling.
- Using wax produce boxes to produce fire logs.
- Recycling hazardous waste or hazardous portions of electronic waste.

For more information, please call (916) 341-6199, send an email to LAMD@calrecycle.ca.gov or submit a [contact form](#). Your local RMDZ Administrator may also be able to provide additional assistance.