

Recycling Market Development Zone (RMDZ)
ZoneWorks – Focus On Financing
December 5, 2012

Moderator: Jim La Tanner

CalRecycle

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<http://www.calrecycle.ca.gov/RMDZ/>

Focus On Financing

Next speaker

California Pollution Control Financing Authority (CPCFA)

Financing Program For Solid Waste Projects

Speaker: Mark A. Holmstedt

Westhoff, Cone & Holmstedt
500 Ygnacio Valley Road, Suite 380
Walnut Creek, CA 94596
Work: (925) 472-8747
Email: MAH@WCAH.com
<http://www.wcah.com/>

California Pollution Control Financing Authority (CPCFA)

Financing Program For Solid Waste Projects

Qualified Project Costs

- Any Depreciable Asset – Collection and processing equipment, anaerobic digestion; gasification; compost
- Soft Costs - Engineering; architectural fees; feasibility studies; Legal fees; and Permitting
- Land – Limited to 25% of Borrowed amount
- Existing Buildings - Requires minimum rehabilitation expenditures of 15% of acquisition cost; within 18 months.

California Pollution Control Financing Authority (CPCFA)

Financing Program For Solid Waste Projects

Eligible Borrowers

- If a Commercial Bank will lend to Borrower
- If Borrower has a minimum 2-year profitable operating history and projections show ability to repay debt
- New Borrower with STRONG CONTRACTS
 - With limited exceptions contract Life equals debt term
- Good Business Model; Strong (Creditworthy) Guarantor

California Pollution Control Financing Authority (CPCFA)

Financing Program For Solid Waste Projects

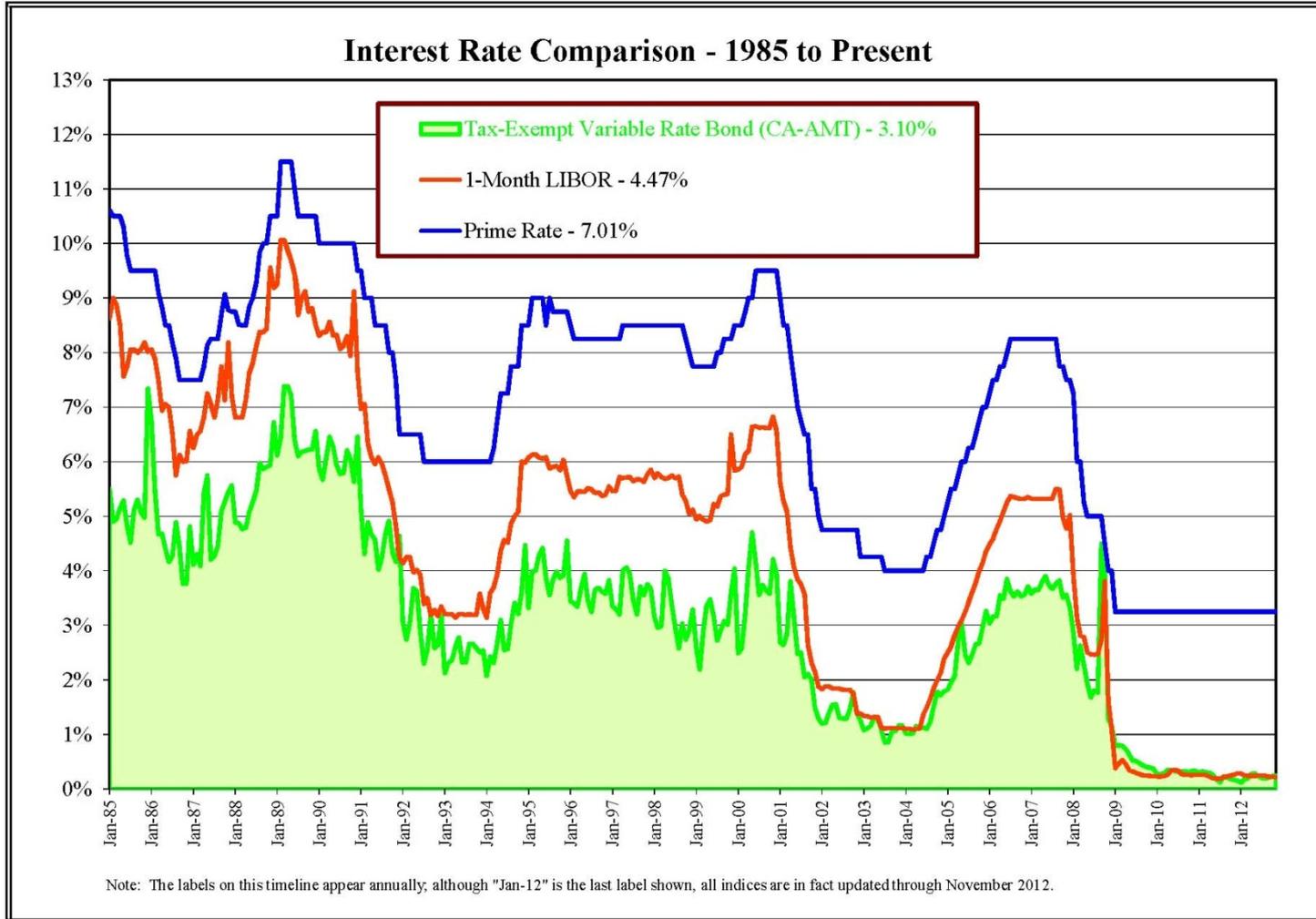
Major Barriers to Entry

- Limited Operating History; unprofitable
- Leverage Greater than 5:1
- Stabilized Annual Debt Service Coverage Less Than 1.25 (unless utility type Contractual Revenues or other mitigation)

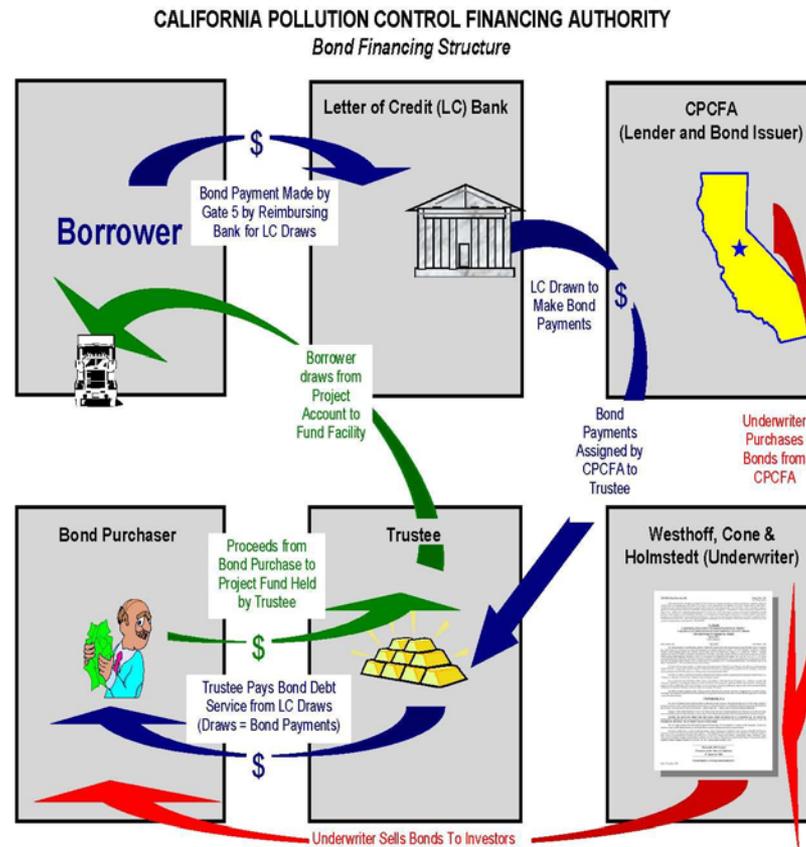
Successful RMDZ – CPCFA “PARTNERSHIPS”

- eCullett
- Phoenix Energy aka Ortigalita Power Company

California Pollution Control Financing Authority (CPCFA) Financing Program For Solid Waste Projects



California Pollution Control Financing Authority (CPCFA) Financing Program For Solid Waste Projects



Focus On Financing

Next speaker

California Capital Access Program

Speaker: Nancee Trombley, Manager

State Treasurer's Office

915 Capitol Mall C-15, Suite 457

Sacramento, CA 95814

Phone: (916) 651-8663

Email: ntrombley@treasurer.ca.gov

<http://www.treasurer.ca.gov/cpcfca/calcap/index.asp>

California Capital Access Program

- To help California small businesses thrive by encouraging financial institutions to make loans to small businesses that often have trouble obtaining capital.



- CalCAP is a form of loan portfolio insurance that provides up to 100% coverage in certain loan charge offs.

OUR MISSION

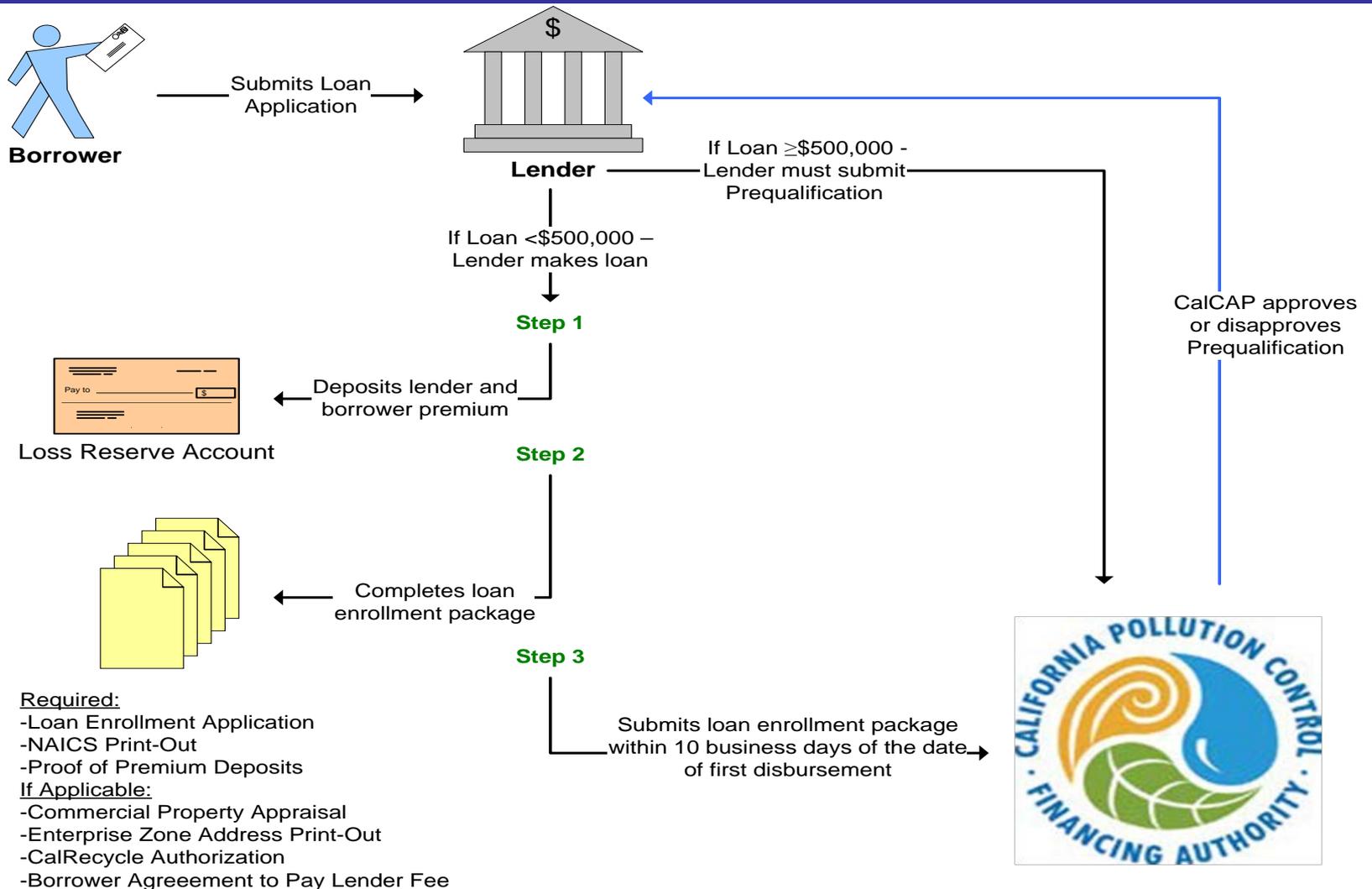
California Capital Access Program

Federal Funding State Small Business Credit Initiative (SSBCI)

- CalCAP was allocated \$84M in Federal Funds to assist lenders to make loans to small businesses



California Capital Access Program



California Capital Access Program



When a business meets CalRecycle requirements

Produce a value added product from recycled or recovered material



CalRecycle will pay the borrower and lender fee. No cost to either.

This is a 14% contribution to the Loss Reserve Account (not separate from CalCAP)



Collateral Support Program

Speaker: Nancee Trombley, Manager

State Treasurer's Office

915 Capitol Mall C-15, Suite 457

Sacramento, CA 95814

Phone: (916) 651-8663

Email: ntrombley@treasurer.ca.gov

<http://www.treasurer.ca.gov/cpcfca/calcap/index.asp>

Collateral Support Program

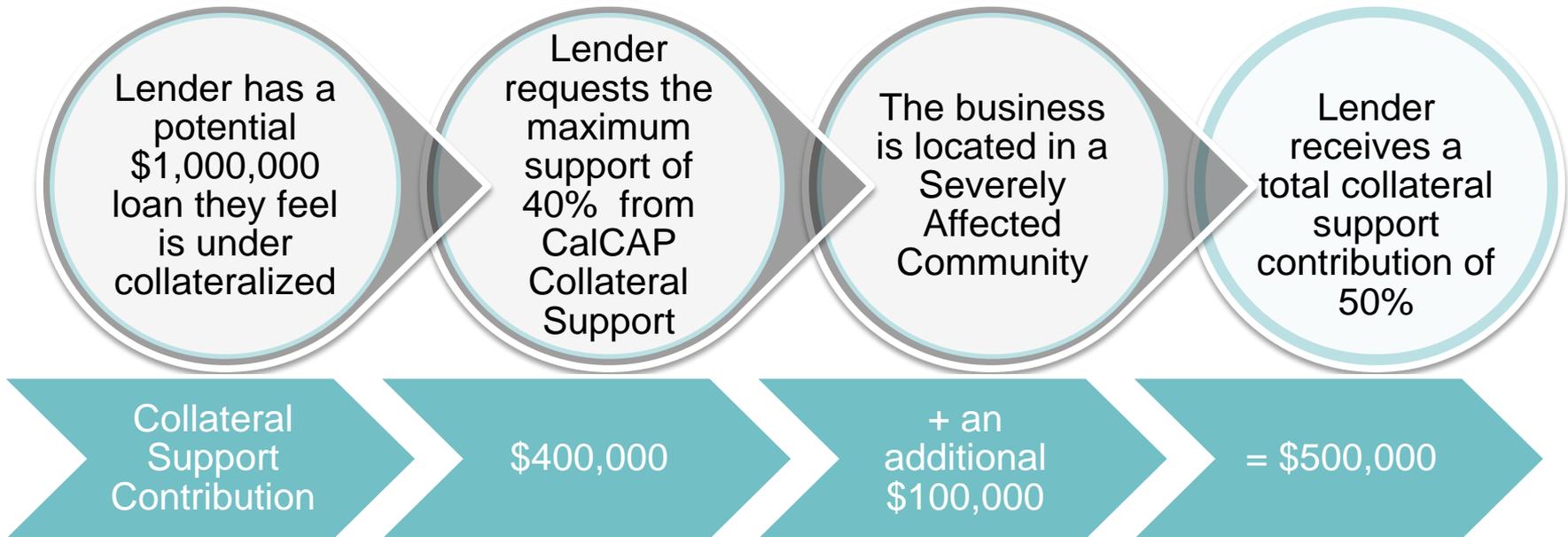
Targeted Loan Categories

- **Bridge Loans**
 - needed prior to obtaining permanent financing
- **Construction Loans**
 - for commercial energy efficiency or environmental improvement projects



Collateral Support Program

Collateral Support Example



Focus On Financing

Next speaker

State Loan Guarantee Program

Speaker: Anthony Rucker, Senior Loan Officer

California Capital Financial Development Corporation

2000 O Street, Suite 250

Sacramento, CA 95811

Work: (916) 442-1729

Email: ARucker@CaCapital.org

<http://www.cacapital.org/index.html>

State Loan Guarantee Program

California Capital serves as an intermediary between the financial institution and borrower, providing guarantees on loans to small business owners who are unable to secure traditional bank financing.

Use Restrictions: Equipment purchase, contract, financing, business expansion, working capital. All proceeds must be used in California.

State Loan Guarantee Program

Term: Loans up to 7 years

Interest Rate: Negotiated between the borrower and lender

Funding Source: Participating financial institution

Collateral : All available, including business and personal assets

Guarantee:

Term loans - Up to 80%

Lines of credit - Up to 80%

Maximum guarantee - Up to \$2,500,000

Fee: Up to 3% of guaranteed amount; \$250 documentation fee

Focus On Financing

Next speaker

Bank Loan

Speaker: Kathleen Todd, Vice President

California Bank & Trust
2399 Gateway Oaks Drive
Sacramento, CA 95833
Phone (916) 561-1124

Email: kathleen.todd@calbt.com

Web: <http://www.calbanktrust.com/>

Bank Loan

SBA 7a and 504 Loans comparison

504

- Proceeds for commercial real estate and durable machinery and equipment
- Loan amounts \$125,000 - \$10,000,000 (both loans)
- Fixed interest rate on the SBA piece – generally below market rates
- 20 year loan term for commercial real estate and 10 years for machinery & equipment.
- Equity: typically 10% additional for start up and special purpose
- Bank offers 1st position conventional loan; CDC makes a 2nd position loan with 100% SBA guaranty

7a

- Proceeds for general business purposes: working capital, inventory, machinery & equipment, commercial real estate, debt refinance, business acquisition, etc.
- Minimum \$50,000 to maximum \$5,000,000 loan amounts
- Generally variable rate; Banks offer fixed or fixed to variable rates
- Term based on anticipated useful life of acquired assets - 5-25 years terms
- Cash injection required – as low as 10%
- Direct loan from a Bank; Bank obtains SBA guaranty on the loan

Bank Loan

Bank Conventional Loan

CB&T – Small Business Loan Center

- Up to \$500,000 term loans offered for machinery & equipment purchase:
 - Established businesses with historical debt service capacity. Collateral, equity, Principal guarantees and satisfactory credit histories required
 - 5 – 7 year loan term; risk based variable and fixed rate pricing
 - Up to 100% advance rate

- Up to \$3,000,000 owner occupied commercial real estate loans
 - Acquisition, improvement, and refinance of general purpose commercial real estate
 - 75% advance / loan to value
 - 51% or greater owner occupancy
 - Fixed rate pricing available – up to 25 years fully amortizing terms

Focus On Financing

Next Speaker

Community Development Block Grant Program

Speaker: Patrick Talbott, Economic Development Representative

Department of Housing and Community Development

Financial Assistance Division

1800 3rd Street, Suite #390

Sacramento, California 95811

Phone: (916) 552-9361

Email: Patrick.Talbott@hcd.ca.gov

<http://www.hcd.ca.gov/fa/cdbg/EconDevelopment.html>

Community Development Block Grant Program

General Overview of CDBG:

- **State Awards Grant to Eligible Jurisdiction:** Notice of Funding Availability (NOFA) on HCD website provides list of eligible cities or counties.
- **Jurisdiction Makes Loans / Grants to Eligible Businesses:** City or County uses program operator (EDC or SBDC) to underwrite businesses for funding.
- **Loans or Grants Provided to Create or Retain Jobs:** Loans are structured based on cash flow of the business to allow for financial feasibility and can be used alone or as “gap funding with other sources of funding.
- **Three Program Activities:** 1) Microenterprise (technical assistance, financial assistance) Program; 2) Business Assistance Loan Program; 3) Over The Counter (OTC) Project.
- **Funding Coordination:** Resources for CDBG Funding Partners.

Focus On Financing

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Recycling Market Development Zone Loan Program

Speaker: Jim La Tanner, Supervisor

CalRecycle

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Email: Loans@CalRecycle.ca.gov

<http://www.calrecycle.ca.gov/RMDZ/>

RMDZ Loan Staff

Jim La Tanner, Supervisor (May 1998)

Inquiries & Application Processing:

- Govindan Viswanathan, Loan Officer (June 2004)
- Shirley Hom, Loan Officer (January 2012)
- Tim Brannan, Loan Officer (October 2012)

Loan Documentation & Billing:

- Karyn Gardner, Loan Officer (January 2010)
- Kevin Laird, Program Technician (September 2012)

Email: Loans@CalRecycle.ca.gov

Recycling Market Development Zone Loan Program

- **General Loan Criteria**

- **Location:** Project must be located within the boundaries of an RMDZ.
- **Amount:** Up to \$2,000,000 per loan or 75% of total project cost whichever is less.
- **Term:** Up to 10 years, or 15 if secured by real estate
- **Interest Rate:** 4.00% fixed
- **Cost:** Application fee \$300, Loan Closing Points ½%.

- **Project Eligibility Criteria**

- **Diversion:** Each project must result in the diversion of non-hazardous solid waste from California landfills.
- **Types:** 1) Waste Prevention, 2) Reuse, or 3) Recycling, Composting, and Anaerobic Digestion that produces recycled raw feedstock material or manufacturing recycled-content finished products.

QUESTIONS

CPCFA Bonds – Mark Holmsted

California Capital Access Program – Nancee Trombley

Collateral Support Program – Nancee Trombley

State Loan Guarantee Program – Anthony Rucker

Bank Loan – Kathleen Todd

Community Development Block Grant Program - Patrick Talbott