

Request for proposals funding guidance

Environmental Assistance Loan Program

I. Introduction

The Environmental Assistance (EA) Loan Program is established under Minn. Stat. § 115A.0716 and administered under Minn. R. 9210.0800 to 9210.0855. The goal of the EA Loan Program is to accelerate the application and/or improvement of environmental processes and technologies in Minnesota by providing financial assistance for the capital costs (machinery and equipment) of eligible projects.

The Minnesota Pollution Control Agency (MPCA) partners with private financial institutions (e.g., banks) to offer loans resulting in substantially reduced interest rates for projects that will improve the environmental and economic quality of Minnesota. Protecting public health, the environment, and the economic viability of businesses can all be achieved through front-end solutions to pollution and waste.

Refer to the appropriate sections (II-IV) of the Request for Proposals (RFP) for more details on the following:

- Application period: loans are awarded throughout the calendar year as funds become available
- Priority eligible applicants: Minnesota based, small to medium sized businesses, political subdivisions of Minnesota, and Minnesota Tribal Governments.
- Priority eligible projects: green chemistry, pollution prevention, source reduction, recycling, and organics recycling
- Eligible loan costs: limited to capital costs (machinery and equipment)
- Term of loan agreement: negotiable (up to a maximum of seven years)
- Maximum loan amounts: ranges from \$100,000 to \$600,000, dependent on type of loan

Participatory Loans	Direct Loans (start-up businesses are eligible on a case-by-case basis only)
Maximum EA loan of \$600,000	Maximum EA loan of \$100,000
MPCA funds must be matched in full, dollar for dollar, by funds from a participating financial institution.	A minimum of twenty-five percent (25%) match of the loan request is required.
Interest rate of zero percent on EA loan funds and competitive market rates on the matching funds provided by the participating financial institution.	Interest rate of zero percent.

II. Eligibility requirements

The purpose of the EA Loan Program is to accelerate environmental activities where financial assistance can be most effective and in areas most in need. Priority applicants and projects are identified below.

Priority-eligible applicants

All eligible applicants are encouraged to apply. Applicants that will be prioritized for funding are Minnesota-based, small- to medium-sized businesses, political subdivisions of Minnesota, and Minnesota Tribal Governments. For purposes of this RFP, the definitions for priority eligible applicants are as follows:

- **Small- and medium-sized businesses:** as the definition will vary to reflect industry differences, small and medium-sized businesses are as defined and determined by the Small Business Administration (SBA). SBA's [Table of Size Standards](#) provides definitions for [North American Industry Classification System](#) (NAICS) codes, that vary widely by industry, revenue and employment. SBA defines small business by firm revenue (ranging from \$1 million to over \$40 million) and by employment (from 100 to over 1,500 employees).
 - Those applicants deemed by the MPCA to be start-up businesses are eligible for MPCA Direct Loans on a case-by-case basis only. However, such applicants remain eligible to apply for Participatory Loans. For purposes of this RFP, start-up businesses are those without a business plan, legal registration, capital collateral, and have generally only one year of operating history demonstrating their ability to repay the loan
- **Political subdivisions of Minnesota:** means any municipal corporation, governmental subdivision of the state, local government unit, special district, or local or regional board, commission, or authority authorized by Minnesota law to plan or provide for waste management (Minn. Stat. § 115A.03, subd. 24).
- **Minnesota Tribal governments:** means the federally recognized Indian Tribes located in Minnesota including: Bois Forte Band; Fond Du Lac Band; Grand Portage Band; Leech Lake Band; Mille Lacs Band; White Earth Band; Red Lake Nation; Lower Sioux Indian Community; Prairie Island Indian Community; Shakopee Mdewakanton Sioux Community; and Upper Sioux Community (Minn. § Stat. 10.65.02).

Ineligible applicants

Individuals who do not own a business are not eligible for loan funding.

Priority-eligible projects

Priority-eligible projects are those projects purchasing machinery and equipment for the purposes of implementing green chemistry, pollution prevention, source reduction, recycling, or organics recycling.

Priority-eligible projects will support the purchase of equipment that will result in measurable reduction or elimination in the use of toxic chemicals; reducing or preventing waste or pollutant generation at the source; or increasing the collection, processing or marketability of recyclables, source-separated organic material (see [Minn. Rule § 7035.03, subp. 105a](#) for full definition), compost, biogas, or digestate.

For purposes of this RFP, the definitions for priority-eligible projects are as follows:

- **Green chemistry:** an approach to designing and manufacturing products that minimizes the use and generation of toxic substances (Minn. Stat. § 116.9401 (k)). Green chemistry projects include product design or redesign, raw material substitutions and process modifications. Example: A product introduction or redesign to eliminate the use of a toxic chemical or hazardous substance that requires the retrofit or replacement of manufacturing process equipment.
- **Pollution prevention:** an activity that eliminates or reduces at the source the use, generation, or release of toxic pollutants, hazardous substances, and hazardous wastes (Minn. Stat. § 115D.03, subd. 8). Example: A powder coating firm replacing a mild steel conveyerized parts washing system with a stainless steel and polypropylene washer to enable the use of phosphorus free, ambient temperature conversion coatings, thereby eliminating the use of iron phosphate and reducing water and energy consumption.

- **Source reduction:** an activity that prevents the generation of waste or the inclusion of toxic materials in waste, including reusing a product in its original form, increasing the life span of a product, reducing material or the toxicity of material used in production or packaging, or changing procurement, consumption, or waste generation habits to result in smaller quantities or lower toxicity of waste generated (Minn. Stat. § 115A.03, subd. 36b).
- **Recycling:** the process of collecting and preparing recyclable materials and reusing the materials in their original form or using them in manufacturing processes that do not cause the destruction of recyclable materials in a manner that precludes further use (Minn. Stat. § 115A.03, subd. 25b). Eligible projects also include the development and manufacturing of products that use recycled materials.
- **Organics Recycling:** the process of collecting, preparing, and processing organic materials, including but not limited to food waste and yard waste, via methods including but not limited to composting, anaerobic digestion with the beneficial use of digestate and biogas (required for eligibility), or food-to-livestock in a manner that diverts the material and outputs from incineration or landfilling.

Ineligible projects

- Projects that do not accelerate the application and/or improvement of environmental processes and technologies in Minnesota are not eligible.
- Projects that are not located in Minnesota are not eligible.

Non-priority applicants and/or projects

Proposed loan projects that are not characterized as RFP priority projects are eligible but will be considered only if funds remain available following the consideration of all pending priority eligible projects. As funds are repaid, additional loans may be awarded for other projects that will serve to improve the environmental and economic quality of Minnesota.

Eligible loan costs

Eligible loan costs are limited to the capital costs associated with researching, developing, or implementing environmental assistance projects or practices in Minnesota. Capital costs are limited to the costs of acquisition of machinery and equipment, including freight and installation, and related leasehold improvements.

Ineligible loan costs

Ineligible loan costs are any non-capital expenditure, including those costs incurred before the term of the loan agreement, purchase of real property or over-the-road vehicles (collection vehicles may be eligible on a case-by-case basis) and costs of general operating support such as routine overhead expenses. Real property means fixed or stationary property such as buildings or land (Minn. R. 9210.0805, subp. 11).

Maximum loan amount

The maximum amount of loan funding available per project from the MPCA ranges from \$100,000 to \$600,000, dependent of the type of loan requested (Direct Loan or Participatory Loan).

Participatory loans: maximum EA loan of \$600,000

- **Participatory Loans** are intended for those eligible applicants securing participation from a financial institution to provide the required matching funds. Participatory Loans are those in which the MPCA enters into a participation agreement with the financial institution to purchase a share of the financial institution's total loan to the eligible applicant.
- **Matching requirement:** EA loan funds must be matched by a minimum dollar-for-dollar match by loan funds from a participating financial institution (i.e., bank). The applicant's matching funds may not be derived from other MPCA funding sources or other Minnesota state agencies or departments.

- **Total project cost:** Applicants may apply for loans where the total project costs exceed \$1,200,000; however, funding in excess of the match needed for the maximum EA Participatory Loan amount must be provided by the participating financial institution at prevailing interest rates, or by other sources. Applicants are not required to contribute their own funds to the project.
- **Interest rate:** Participatory loan funds provided by the MPCA are awarded at a 0% interest rate. Loan funds provided by participating financial institutions are not state loans, and interest rates are privately determined between prospective borrowers and financial institutions. These prevailing interest rates are competitive rates offered by financial institutions and may be higher than prime lending rates. The maximum interest rate is characterized as a blended interest rate, consisting of the average between the prevailing rate (offered by a financial institution) and a 0% rate for the portion of funds provided by the MPCA.
- **Fiscal agent:** The financial institution will act as the primary fiscal agent for administration and repayment of the awarded EA Participatory Loan. An administrative fee may be added to the EA loan to defray costs associated with the servicing of the EA loan. The MPCA and applicant will negotiate with the financial institution the administrative fee, if any, to be retained by the financial institution as payment for its servicing of the loan. This administrative fee will be paid by the applicant.
- **Term of loan agreement:** The MPCA will enter into a Participatory Loan Agreement with both the applicant and the financial institution. The maximum term of a Participatory Loan Agreement will be determined by the participating financial institution and the MPCA, not to exceed seven years. The determination will be based on the specific financial situation of the applicant.

Direct loans: maximum EA loan of \$100,000

- **EA Direct Loans** are intended for those applicants not using a financial institution to provide the required matching funds. If the applicant uses a financial institution to provide the matching funds, the EA loan request is no longer a Direct Loan, but becomes a Participatory Loan instead.
- **Start-up businesses** are eligible for Direct Loans on a case-by-case basis only. Start-up businesses are those without a business plan, legal registration, capital collateral, and generally only one year of operating history demonstrating their ability to repay the loan.
- **Matching requirements:** Direct EA loan funds must be matched by a minimum twenty-five percent (25%) of the loan amount requested. The applicant's matching funds may not be derived from other MPCA funding sources or other Minnesota state agencies or departments. Additional collateral may also be required to secure the loan.
- **Total project costs:** Applicants may apply for loans where the approximate total project costs exceed \$150,000; however, funding in excess of the match needed for the maximum EA Direct Loan amount must be provided by the applicant.
- **Interest rate:** Direct EA Loan funds provided by the MPCA are awarded at an interest rate of zero percent.
- **Fiscal agent:** The MPCA will be the fiscal agent for administration and repayment of awarded EA Direct Loans.
- **Term of loan agreement:** The MPCA will enter into a loan agreement with the applicant. The maximum term of a direct loan agreement shall be determined by the MPCA, not to exceed seven years. The determination will be based on the specific financial situation of the applicant.

III. Evaluation criteria

Only complete applications from eligible applicants with eligible projects and costs will be accepted for MPCA team review. Eligible applications will be evaluated based on criteria established in the rules and in this RFP. The proposed project must be consistent with the goals identified in Minn. Stat. §§ 115A.02 and 115D.02, which are to protect the state's land, air, water, and other natural resources and the public health.

- A. Pass/fail criteria: applicant eligibility, project eligibility, cost eligibility

B. Evaluated criteria. The MPCA review team will evaluate eligible applications based on the following criteria:

1.	Priority applicants: Minnesota-based small to medium-sized businesses, political subdivisions of Minnesota, and Minnesota Tribal Governments.
2.	Priority projects: those projects purchasing machinery and equipment for the purposes of green chemistry, pollution prevention, source reduction, recycling, or organics recycling as defined in this document. Consistency of proposed project with the goals in Minn. Stat. 115A.02 and 115D. 02.
3.	Anticipated and measurable outcomes are provided; likelihood of achieving anticipated outcomes
4.	Assets and resources available to the applicant to conduct the project and to repay the loan
5.	Cost effectiveness of proposed project
6.	Qualifications of the individuals who will perform the work described in the project
7.	Use of innovative technologies, methods, or techniques; applicability of the proposed project, and future dissemination of project results, to other persons or organizations in Minnesota
8.	Clarity and completeness of application

IV. Application and award process

Applications will be reviewed, and decisions will be made on a rolling basis. This approach provides for applications to be reviewed and decided upon on a continuous basis, based on available loan funds.

The MPCA reserves the right to amend this RFP at any time. Issuance of this RFP does not obligate the MPCA to make any loan awards.

For this RFP, no pre-applications are necessary. However, before applying, applicants should determine their priority eligibility, as well as that of the proposed project and project costs.

Due to limited program funding, the MPCA's goal is to always fund those priority applicants and projects identified in the RFP. Proposed loan projects do not fit the definition of priority projects as described above are eligible but will be considered only if funds remain available after consideration of all pending priority eligible projects. As funds are repaid, additional loans may be awarded for proposed projects that will serve to improve the environmental and economic quality of Minnesota.

A. Submittal requirements

All applicants must use the provided MPCA EA Loan Program application forms (Attachment A). Completed applications should be submitted electronically as an email attachment to Grants-Loans.pca@state.mn.us. All applications sent by email will receive an email confirmation of receipt from the MPCA.

1. **Applications for Participatory Loans** must include a copy of the participating financial institution's file on the applicant's loan and a letter containing the financial institution's assessment of the risks associated with the loan and the creditworthiness of the applicant.

Information requested by participating financial institutions may include, but is not limited to, business tax forms, current financial statements, corporate by-laws, credit history, and other information deemed necessary to determine the approval or denial of a loan to a prospective borrower. The financial institution will act as the primary fiscal agent for administration and repayment of awarded EA Participatory Loans.

2. **Applications for Direct Loans** must include one or more years of tax returns, up-to-date financial statements, a request for credit information form, and a purchase agreement or quote from vendor(s) verifying what equipment is to be purchased. The MPCA will be the fiscal agent for awarded Direct Loans, and these documents are needed for MPCA fiscal review/loan approval or

denial. Although a letter from a bank assessing risk and creditworthiness is not required, the applicant is encouraged to provide such a letter as a reference. The EA Direct Loans are intended for those applicants not using a financial institution to provide the required matching funds. If the applicant does use a financial institution to secure the matching funds, the EA loan request is no longer a Direct Loan, but becomes a Participatory Loan instead.

B. Process steps

1. The MPCA will conduct pass/fail review to determine applicant, project, and cost eligibility.
2. Eligible applications meeting the pass/fail criteria will then undergo a MPCA team review based on the evaluation criteria established in this RFP, including any financial information provided or requested.
3. The MPCA may request additional information during the application and evaluation process to clarify information provided, including any additional loan financial information to support the loan request.
4. Applicants will be notified by the MPCA as to whether their application has been approved or denied for an EA loan. From the date of accepting an application as complete and eligible for MPCA team review, the review and decision process typically takes a minimum of 45 days to complete. Additional time will be required to complete negotiations of the terms and conditions of the loan agreement.
5. Approved applicants must enter into a loan agreement. No funds will be disbursed until:
 - a. The MPCA has determined the total estimated project cost.
 - b. The necessary project financing has been determined and is ensured by the borrower.
 - c. The MPCA and the borrower have successfully entered into a loan agreement.
6. Funds for a direct loan will be disbursed directly to the applicant/borrower's vendor on applicant/borrower's behalf.

Nonpublic data

The intent of publicly funded projects is to make information developed through the projects available to the public as much as possible. All information submitted to the MPCA as part of this application process will be public at the completion of the evaluation and award process.

Applicants may request that certain information from the applications be designated nonpublic or private. If the request meets the definition in Minn. Stat. § 13.37, subd. 1, paragraph (b), or is sales information, such data shall be classified as private or non-public data (Minn. Stat. § 115A.06, subd. 13). Loan recipients shall provide to the MPCA, for public distribution, reports about the results of funded projects in a way that does not disclose proprietary information.

V. Assistance

For assistance or more information about the Environmental Assistance Loan Program, RFP, or application process, or designating certain information as non-public or private, please refer to "Frequently Asked Questions", and /or send your inquiries to Grants-Loans.pca@state.mn.us.