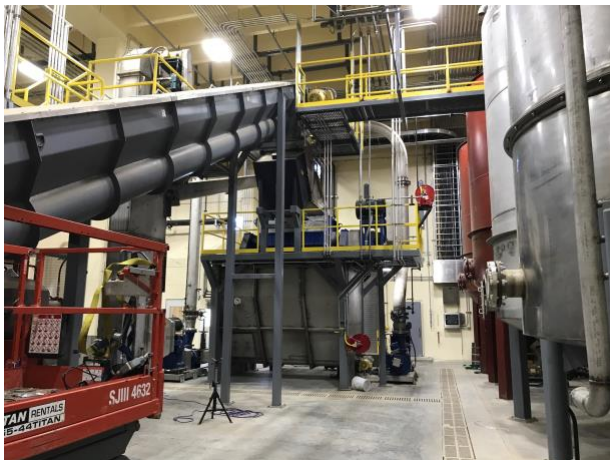




Darling Rendering Plant - Fresno, California
New Markets Tax Credit Intake Form & Community Impact Questionnaire





The Central Valley NMTC Fund (CVNMTC) has been providing equity and debt capital to low-income communities nationwide since 2012. CVNMTC utilizes tax credit equity in conjunction with both private and public funds to finance innovative, high community projects that include community facilities, educational institutions, hospitals, health care clinics, charter schools, mixed-use projects, and renewable energy facilities.

Note: This questionnaire relates only to the eligibility and community impact of a proposed transaction for the NMTC Program. This questionnaire is not an application for credit.

Project Sponsor and Contacts:

Sponsor: Darling Ingredients
Contact: Sandy Dudley; VP Strategic Planning and Business Development
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NMTC Advisor: Classic Lake Consulting & CVNMTC
Contact: Kyle Walton
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Part I: Project Description

Project Name: Darling Ingredients - Food Processing Byproduct Conversion Plant

Nature of Project: Real Estate and Operating Business

Summary:

Darling Ingredients Inc. - Sponsor Background

Darling Ingredients Inc. (“Darling”) is an agricultural industrial manufacturer focused on creating sustainable food, feed and fuel ingredients for a growing population. Darling’s mission is to “create solutions that sustain life.” Darling specializes in using meat by-products and processing them to reclaim valuable and essential bio-nutrients, fats, oils, proteins, meals and more that are used daily in personal, commercial, and industrial products. Darling’s natural and sustainable ingredients are marketed internationally to the pharmaceutical, food, animal feed, pet food, biofuel, fertilizer, sports nutrition and cosmetic industries. Darling currently operates a 23,616 SF food processing by-product conversion facility in southwest Fresno (the “Plant”). The facility was constructed by Sierra Rendering in 1956, originally operating as a slaughterhouse with limited rendering operations. In 1965 Peterson Manufacturing purchased the facility which, by that time, had grown into a full-scale rendering operation. In 1987 Darling purchased the facility and has operated it ever since. Over the last 60 years, non-industrial urban uses were developed in the surrounding area such that residential neighborhoods are now within one-quarter mile of the conversion plant. The Sponsor employs 43 people at the existing Plant and 241 throughout California

Project Overview – Food Processing Byproduct Conversion Plant

The \$61.6M state of the art food processing byproduct conversion operation (the “Project”) includes the construction of four new buildings: a conversion facility; a truck shop; a maintenance shop; and an office building. The four buildings have a total floor area of approximately 40,000 square feet. The Project will reside on approximately 20 acres. The Project will allow Darling to retain its current 43 employees while also adding 20 new full-time employees. It is important to note that the previous Plant faced space limitations and engineering constraints, impeding Darling’s ability to implement new the equipment and environmental upgrades, increase production or grow employment.

The ground up Project will incorporate the newest and most efficient technology and equipment for food processing, manufacturing, and rendering. The process control improvements will allow Darling to improve water evaporation rates from 29,000 lbs of water per hour to 48,000 lbs of water/hour. The Project also includes major odor abatement system upgrades. The new facility will meet a Best Available Control Technology (BACT) standard per the Air District rules. The new facility will utilize systems that capture odor at the point of generation and deliver it to a thermal oxidizer, reducing air pollution and odor emitted from the plant. In addition, the new facility will also utilize wet scrubbing technology also focused on limiting any fugitive odors from leaving the facility untreated.

Southwest Fresno - Community Overview

Southwest Fresno, one of Fresno’s most economically disadvantaged communities, is community of intertwined industrial and residential pockets. The community has a disproportionately high concentration of toxic and polluted sites including former landfills and industrial parcels adjacent to residential property. Approximately 95% of the Southwest Fresno residents are minorities, 24% live below the poverty line, and 15% are unemployed. For years, Fresno has been ranked at the top of the list of US Cities with the highest rates of extreme poverty. Residents of this Southwest Fresno community have struggled with securing investment for high quality development due to air pollution and proximity to other pollutants. The residents of Southwest Fresno have also long advocated for equitable consideration in citywide development and the implementations of improvements that will preserve the community’s assets as well as enhance the community’s image and quality.

At the forefront of the community’s rally for change is the relocation of the Plant. While the Plant does employ 43 people total (and 39 within the City of Fresno), it has also been a point of contention within the community and has proved to be a roadblock to attracting new types of non-industrial investment to Southwest Fresno.

Dollar Amount of Allocation Requested: \$10M Current Request.

\$45M of total allocation request. \$35M currently committed by CVNMTc and Northern California Community Loan Fund. The total budget, inclusive of City of Fresno infrastructure costs, is \$61.6M.

Project Timeline:

Funding Date: NMTC funding is November 2019

- City: Darling and the City have entered into a Disposition Agreement and Development Agreement (DADA), contingent upon receiving NMTC funding. The parties intend to bring an Amended DADA to City Council approval in July 2019.
- Land: Currently owned by City of Fresno. Land will be deeded to Darling following receipt of NMTC, entitlements and satisfaction of conditions in the DADA.
- Design: Design work on the Project is underway. Darling has completed initial drawings for the buildings that will be further updated by The Dupps Company and Darling's general contractor during Site Design. Construction ready drawings for all 4 buildings along with the schedule of values for all equipment will be completed by mid-October 2019. Important to note, Darling has completed the design and construction of four rendering facilities over the last three years plus major expansions at three of its rendering facilities (two of which are located in California). Darling is currently working on the design and construction of another rendering facility in the Midwest. These projects were of similar size and scope as the proposed Fresno Project.
- Bids: The Dupps Company has been selected as the conversion system equipment vendor. Interviews for a general contractor will take place the second week of March with a final selection made soon thereafter. The general contractor will be engaged for construction of the entire Project under one contract. The contract will be a GMP contract with a completion guarantee. Bids for construction and equipment will be final before end of October 2019.
- Permit: The Project requires multiple permits and approvals.
1. Darling and the City of Fresno are currently processing an EIR pursuant to CEQA (California Environmental Quality Act); the EIR is expected to be heard by the City Council in July 2019.
 2. The Air Permit will be initiated upon CEQA certification and will be received within 30-90 days – no later than end of October 2019.
 3. Permits for site work are projected no later than end of November 2019. Completion of site work will take approximately five months.
 4. Building permit will be pulled while site work is being completed and no later than April 2020. Construction ready drawings for the Project and the corresponding schedule of values for equipment will be complete before the NMTC transaction funds and the site work permit is pulled (November 2019).
- Financing: Darling is using an existing line of credit to finance the project. The line of credit is already in place.
- Construction: Construction will commence in November 2019 beginning with the site work which includes instillation of grading the site, installation of utilities, and construction of the foundation for all buildings. Construction of the buildings will begin May 2020,

starting with the conversion facility. The conversion building will use tilt up construction while the other buildings will be constructed out of concrete block and/or metal in accordance with Fresno ordinances. All buildings will be completed within four months. Upon completion of the conversion facility, equipment install will immediately begin. Construction, equipment installation, and commissioning will be completed within 20 months of pulling the Site Work permit.

Project Size:

The Project includes the construction of four new industrial buildings: conversion facility; truck shop; maintenance shop; and office building, with a total floor area of approximately 40,000 square feet. The total project budget, inclusive of City of Fresno financed land and infrastructure costs (recycled water supply, potable water well, gas lines, sewer, impact fees, off-sites) is \$61.6M.

Detailed Project Description:

Please provide a description of the project in the space below. You may attach additional information as necessary. If applicable, please describe the use of the real estate (office, retail, industrial, housing, community facility and the projected tenant mix).

The existing Plant is located on a 5.22-acre parcel in the southwest area of the City of Fresno. The Plant was constructed and began operation in 1956 as a slaughterhouse and beef packing company, with limited rendering operations. Rendering gradually expanded, packing operations phased out, and the conversion plant site was annexed to the City of Fresno in 1971. The Plant currently serves as a food processing byproduct conversion operation that collects and processes raw material (primarily beef fat, bone, and offal) into proteins and fats that can be beneficially used as ingredients in food, fertilizer, feed, and fuel.

The Plant currently employs 43 people and processes as much as 850,000 pounds of material daily. The Plant's major raw materials are sourced from local companies such as Cargill and Harris Ranch Beef. Most raw materials are shipped from within 200+ miles of the existing Plant.

The new \$61.6M Project will relocate the Plant from its current location just southwest of downtown to a new 20-acre industrial zoned site near the Fresno-Clovis Wastewater Treatment Plant. The Project will enable Darling to expand its current permitted processing limits from 850,000 pounds per day to a minimum of 10 million pounds per week and increase full time employment by 20 to 30 people. Products produced at the new facility will include: ingredients for food, fertilizer, feed, and fuel. The new facility will enable Darling to process more raw material from local raw material suppliers (approximately 1.75 million lbs/week). This material is currently transported to other plants outside of the area, resulting in significant transport charges for local raw material suppliers. It is estimated that Darling's raw material suppliers will save approximately \$1.1 million/year in transportation expenses because of the expanded capacity.

Property street address including ZIP code:

Current Address:

795 W Belgravia Ave
Fresno, CA 93706

New Address:

Cornelia Ave and West Jensen Ave:
Fresno, CA 93706

The site of the Project is located within the City of Fresno municipal jurisdiction boundaries, but at a location that is removed from other urban and residential uses; the site is located just east of the Fresno-Clovis Wastewater Treatment Plant within a large island of incorporated, City-owned property.

Census tract: 06019001900

Verified NMTC qualified location: Yes. High Distress

24.1% Poverty Rate; 74.6% AMI; 14.9% Unemployment Rate

Opportunity Zone

Part II: Borrowing Entity/QALICB Qualification

1. Are any of the following businesses conducted by the borrower or at the subject real estate: massage parlor; hot tub facility; suntan facility; country club; racetrack or other facility used for gambling; store whose principal purpose is the sale of alcoholic beverages for consumption off premises; development or holding of intangibles for sale; private or commercial golf course? **No**
2. Do any of the revenues of the borrowing entity come from the rental of residential property (apartments or live/work units)? **No**
3. What entity type is the borrowing entity (corporation/LLC/partnership)? **Corporation**
4. Is the borrowing entity a Special Purpose Entity comprising only the subject real estate, as distinct from an operating business? **No**
5. Does the borrowing entity have multiple locations? **Yes.** QALICB will be POB. The POBs assets and all operations occur at the Project site.
6. Does or will the borrowing entity have employees? **Yes, the POB will have employees**
 - If yes, number: **43 currently. The POB will have 50 – 60 by year 3**
 - Where do the employees work? **100% of the POB work will be at Project location**
7. Do 100% of the entity's revenues come from activities performed at the subject location?
The POB revenues will come from activities performed at the Project site.
8. Does the borrowing entity own or lease tangible property such as inventory, equipment, vehicles?

The POB will have Inventory, Equipment and Vehicles. 100% are used at subject site.

9. Does the borrowing entity have collectibles not held for sale in the ordinary course of business (e.g., antiques or artwork) or nonqualified financial property? **No**

Part III: Financial Structure

Please provide (attach) the following:

- Detailed sources and uses, include construction budget if applicable - Attached
 - Financial statements (audited, if applicable) for the past 3 fiscal periods and a current interim financial statement for the operating company; and
 - Detailed annual ten year pro forma.
- 1. What other sources of financing (non-NMTC, including dollar amounts) are part of the capital structure of the project?**

Please provide the type (see options below), amount, source and status (see options below) of the other project financing.

Type	Amount	Source	Status
City contribution of land, utilities, off sites	\$4,940,000	City of Fresno	July 2019 Approval
Manufacturer's Partial Exemption	\$1,578,121	State of CA	Pending
Darling – Credit Facility	\$40,832,775	Darling	Funded
NMTC Subsidy	\$14,215,500	NMTC Allocation	Seeking \$10M. \$35M Committed.
Total	\$61,566,396		

2. How is the NMTC subsidy essential to the project's success?

Community Residents and the City of Fresno have been working with Darling for over 5 years to find a solution, relocating Darling out of Southwest (residential) Fresno without negatively impacting the operations of the business. The cost of relocation and high cost of construction have made it difficult for Darling to finance the relocation of the Plant without funding assistance. The existing Plant nor the expanded operations will generate sufficient income to absorb the cost of relocation without significant negative consequences to the balance sheet and operations of the Plant. The NMTC subsidy provides the gap financing required to move the Project forward. The total development cost inclusive of construction and public improvements (e.g. recycled water supply line, potable water well, PG&E gas line, methane gas line, and off-site road improvements) is anticipated to be \$61.6M.

3. What value will the tax credits bring to the project? (Include specifics for increased community impacts, project enhancements or improved credit underwriting.)

Without NMTC Investment the relocation of the Plant will not occur, the \$61.6M investment will not be made, and the battle for environmental justice within Southwest Fresno wage on. NMTC investment will result in the following:

- Preserve 43 full-time employees while also adding 20 – 30 new full-time employees.
- Relocate industrial business away from a residential neighborhood into an industrial zone.
- Increase opportunities for business between Darling and other large, local employers such as Cargill and Harris Ranch which directly/indirectly employ 2,200+ local full-time employees
- Allow Darling to process a greater volume of raw material from local businesses, thereby reducing those businesses' freight expenses by approximately \$1.1 million/year.
- Process control improvements which will allow Darling to evaporate 48,000 lbs of water/hour versus 29,000 lbs/hour, making the conversion process more efficient.
- Best Available Control Technology (BACT) per the Air District. Darling has proposed a system that will capture odor at the point of generation and deliver it to a thermal oxidizer. In addition, certain processing spaces will utilize wet scrubbing technology to limit any fugitive odors from leaving the facility untreated.

Part IV: Community Impact Questionnaire

Community Impact

Describe and specifically quantify the positive community impact based on the NMTC Program's objectives: job creation or retention; increased wages or wealth creation for residents of low-income communities; assisting businesses owned by low-income persons or providing goods or services to residents of low-income communities; assisting minority or women-owned businesses or businesses that provide childcare, health care, educational or other benefits. Address the following questions and provide any supplemental information that would be helpful in evaluating the community impact.

1. Describe the Project Sponsor's experience in revitalization projects beyond the subject project? Do they have a track record of being a first mover in revitalizing communities? Are they likely to do other revitalization deals?

N/A

2. Is this project part of a larger, comprehensive revitalization plan sponsored by local government planners and/or local economic development groups?

Yes, the revitalization of (South) West Fresno is a priority for the City of Fresno and the specific purpose for the City's successful Transformative Climate Communities' (TCC) \$70M grant award from the State of California. The community input for project selection was unprecedented for the City and resulted in a near unanimous approval for the final funding list. In 2017 the City of Fresno, in collaboration with the TCC partners, developed a comprehensive investment plan Transform Fresno designed to help establish Southwest Fresno as a place where people live, play, work and learn (see "Exhibit I" – insert plan as exhibit). The plan is projected to bring \$177.5M of investment to the community over a 5-year period. The Plant's relocation

and the expansion of operations will create additional opportunities for economic development investment, specifically in Southwest Fresno and also throughout the greater Fresno MSA.

- a. If so, is this one of the first projects in that plan (catalytic) as distinct from a project identified due to the success of other trailblazing projects in the neighborhood?
- b. This project is the first project located at the City's Regional Wastewater Reclamation Facility that will act as a vital job creator near the Southwest quadrant of the City. In addition, the removal of the existing facility as part of the project will remove an intensive industrial facility from the interior of the plan boundaries of the Southwest Fresno Specific Plan, which has been an impediment to reinvestment in the area. Removal of the existing facility will open the door to essential job creating uses such as office, and commercial development that will act as a catalyst for reinvestment in residential development and establishment of essential services for the residents of Southwest Fresno. This reinvestment is essential for improving the quality of life for the area's residents and in preserving the character of Southwest Fresno as a location where residents can comfortably live, work, play, and learn.
- c. Does the project have explicit government subsidies as a part of its capital or operating plan (i.e. grants or tax abatements) that demonstrate the commitment of the governmental unit?

The City of Fresno and Darling have approved a DADA detailing the general framework for the public-private partnership and responsibilities associated with the relocation project. The parties intend for an amended DADA to be adopted in July 2019. The City of Fresno is providing the following incentives to assist with the relocation of the Darling Plant: (1) convey sufficient acreage of real property adjacent to the City's Waste Water Treatment Plant for development of a new conversion site; (2) obtain all land entitlements and environmental clearances necessary for the new site; (3) facilitate the construction of PG&E, methane gas, and water utilities to the new site; (4) construct a new municipal well for the new site; (5) provide real and personal property tax rebates associated with the new site for a period of thirty years; (6) provide sales tax rebates for equipment purchased for initial installation at the new site; (7) waive City fees (impact, entitlement, and building) related to construction and development of the new site; and (8) expedite the issuance of City permits required for the construction and development of the new conversion plant.

The total value City of Fresno contributions totals \$26,380,000:

- Land - \$440,000
- Recycled water supply line - \$600,000
- Recycled water service commitment (30 years) - \$600,000
- Potable Water Well - \$1,500,000
- PG&E Gas Line - \$1,700,000
- Methane Gas Line - \$250,000
- Methane gas service (30 years) - \$15,000,000
- Impact Fees/Capacity Charges/Entitlement processing - \$450,000

- Property tax rebate (30 years) - \$3,240,000
- Sales tax rebate (equipment) - \$1,500,000
- Off-site road improvements - \$ 1,000,000
- Sewer line - \$1,000,000

Job Creation/Retention and Salaries

1. 50 Construction Jobs
2. 43 full time employees retained including positions in plant operations (15), fleet drivers (23), and administrative professionals (5)
3. Jobs Created: 20 full time

Estimated Annual Total Wages, Salaries and Benefits:

4. Jobs Created: 20 full time jobs with annual salaries between \$40,000- \$94,500.
5. Jobs Maintained: 43 full-time with average annual salaries between \$46,000 and \$62,000 annually.
6. **Will the project provide jobs that include any of the following benefits? (Please provide specific information and examples.)**

Offer health benefits: Darling offers full-time employees who work a minimum of 30 hours/week and have been employed by the company for at least 60 days the choice of three PPO health plans with varying deductibles. All plans provide for preventive care, inpatient/outpatient, emergency, chiropractic, and mental health and substance abuse coverage. In addition, lab and x-ray services are covered.

Other benefits include: dental and vision care coverage, flexible spending accounts, short-term and long-term disability, basic term life and AD&D insurance, supplemental term life insurance, supplemental accidental death and dismemberment insurance, an employee assistance program, and a legal reference program.

Offer a retirement plan: Darling offers a 401(k) savings plans for both salaried and hourly employees with an employer match of 25% of the first 6% contributed by an employee.

Offer advanced educational, skills and/or technical training: Darling offers an Educational Assistance Program to full-time regular employees who have completed a minimum of one year of service. In addition, Darling offers specialized training through programs such as Darling University and Darling Leadership Academy which provide high performing management employees with exposure to advanced training in specialty topics by Darling leadership. Darling also partners with Xavier University for professional training. Topical and departmental training is also offered in many areas.

Provide opportunities for further career advancement: Darling has a company philosophy of promoting from within the organization.

7. **Is the project creating new jobs that can be filled by residents of the project's specific or neighboring low-income community as distinct from importing workers from other communities?**

Yes, many of the existing workers (who will transfer to the new location) are residents of Fresno and/or its surrounding communities. Darling will endeavor to hire the majority of new jobs from the surrounding community.

8. **Will the project result in greater demand for local goods and services, resulting in indirect job creation for residents of the low-income community? If so, describe the impact.**

The Project will allow Darling to continue servicing other local businesses including packers, restaurants, food service establishments, butchers, and grocers in the production of animal- and vegetable-derived fats and proteins for use as ingredients in food, feed, fertilizer, and fuel. In particular, it will allow Darling to serve two large, local employers (Cargill and Harris Ranch) that rely on Darling to process their byproducts in a timely and environmentally-friendly manner. The indirect impact being increased direct and indirect employment of Darling vendors and subcontractors.

The Project will also allow Darling to process a greater volume of raw material from local businesses which are currently forced to truck their volumes to other communities where they can be rendered, thereby reducing those businesses' freight costs.

9. **Will the project provide vital community services to residents of the low-income community (grocery store where one does not exist, day care for workers in the area, cultural venue, etc.)?**

N/A

10. **Does the project provide space for locally owned, minority or women-owned businesses or non-profit tenants? Is there an explicit set-aside for such tenants?**

N/A

11. **Does the project create environmentally sustainable outcomes through green building concepts, location near mass transit, use of innovative technology, adaptive reuse of existing building or materials, etc.? Will the building be LEED certified, or does the project qualify or meet other environmental certification/standards?**

The project is designed to meet LED standards and will include energy efficient lighting. The proposed odor abatement system will meet a Best Available Control Technology (BACT) standard per the Air District rules. Darling has proposed a system that will capture odor at the point of generation and deliver it to a thermal oxidizer. In addition, certain processing spaces

will utilize wet scrubbing technology to limit any fugitive odors from leaving the facility untreated.

The City of Fresno's planning document has already taken steps forward to address the air and pollution challenges impacting Southwest Fresno. Step 1 was the securing of the Transformative Climate Communities grant. The City of Fresno was awarded (from the Strategic Growth Council) \$70 million for projects that reduce greenhouse gas (GHG) emissions through the development and implementation of neighborhood-level transformative climate community plans that include multiple, coordinated GHG emissions reduction projects that provide local economic, environmental, and health benefits to disadvantaged communities. A new community college, park, trail and several other improvements are included in the grant award specifically for this community. The Darling relocation project will work in conjunction with these investments to enhance the community's quality of life.

12. Would you be willing to enter into a "Community Covenant" in your loan documents evidencing your commitment to abide by the community impact objectives you agree to as part of an NMTC Transaction?

Yes.