

REQUEST FOR APPROVAL

To: Howard Levenson
Deputy Director, Materials Management and Local Assistance Division

From: Michelle Martin
Branch Chief, Financial Resources Management Branch

Request Date: October 30, 2015

Decision Subject: Recycling Market Development Zone Loan for St. Vincent de Paul Society of Lane County, Inc. (Recycling Market Development Revolving Loan Subaccount, FY 2015–16)

Action By: November 6, 2015

Summary of Request: Staff requests approval of a Recycling Market Development Zone (RMDZ) loan in the amount of \$549,000 to St. Vincent de Paul Society of Lane County, Inc. (SVDP). The loan will fund expansion of recycling operations at the SVDP facility in Woodland, which is in the Yolo County Recycling Market Development Zone. The request is more fully described under *Applicant Profile*, see page 3.

Recommendation: Staff recommends approval of a RMDZ loan to SVDP in the amount of \$549,000.

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
RMDZ Loan Subaccount (FY 2015–16)	\$8,005,920	\$549,000	\$7,456,920	Direct Loan

Deputy Director Action: On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve the Recycling Market Development Zone loan to St. Vincent de Paul Society of Lane County, Inc. for \$549,000.

This approval is subject to:

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 in accordance with applicable regulations, 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.

I further direct staff to conduct all acts necessary to fund this loan, including but not limited to the preparation and execution of the Loan Agreement and other loan documents.

Dated: 11/2/15

Howard Levenson
Deputy Director

Background and Findings

Statutory Authority

The Recycling Market Development Zone (RMDZ) Program was established by Senate Bill 2310 (Bergeson, Statutes of 1990, Chapter 1543), codified in Public Resources Code sections 42010-42024. Program regulations are found in Title 14 of California Code of Regulations, sections 17901-17939.5. Public Resources Code (PRC) Section 42023.1 (f) authorizes the Department of Resources Recycling and Recovery (CalRecycle) to approve RMDZ loans to eligible businesses and not-for-profit organizations located in designated zones.

Relative to this particular loan request, the Used Mattress Recovery and Recycling Act was established by Senate Bill 254 (Hancock and Correa), Statutes of 2013, Chapter 388), codified in Public Resources Code sections 42985-42994. A program goal is to strive for the maximum feasible level of recovery and recycling of used mattresses generated in support of the statewide goal that at least 75 percent of all solid waste be recycled by January 1, 2020.

Program Background

CalRecycle administers the RMDZ Revolving Loan Program to encourage recycling businesses located within designated zones to site new manufacturing facilities, expand existing operations and processing capabilities, and create additional markets for recycled-content products. This program provides direct, low-interest loans for the purchase of equipment and other related business costs.

Loan Process

General: The General Loan Criteria for the RMDZ Loan Program were approved by the former California Integrated Waste Management Board in September 2008, and the Project Eligibility Criteria were approved by CalRecycle in March 2012.

Loan applications are reviewed and evaluated in accordance with established procedures to ensure that the project meets current eligibility and underwriting criteria and that required permits have been obtained. The Loan Committee considers the financial soundness of the applicant and the terms of the proposed loan and recommends to CalRecycle that the loan request be either approved or declined. Upon conclusion of this process and Loan Committee's approval recommendation, CalRecycle senior management staff reviews the loan request and determines whether to make a commitment to approve and fund the loan.

SVDP Application Review: The application was reviewed for completeness and evaluated consistent with approved General and Project Eligibility Criteria and commercial loan industry practices, to determine an appropriate loan amount and structure that is being recommended for the loan:

- The project is located within the boundaries of the Yolo County RMDZ.
- The waste materials to be recycled are generated within California.
- The project meets the RMDZ Loan Program Project Eligibility Criteria as a recycling project that will produce recycled-content raw material/feedstock for use by other manufactures that further process the material.
- The local RMDZ Administrator supports the project, attested to the reasonableness of the employment and diversion projection of the project and has certified that the requested loan is compatible with their RMDZ's Action Plan and Objectives.
- The borrower has stated that it has obtained all applicable major permits to operate the business and equipment to be financed by the proposed loan.

- The business has demonstrated the ability to repay and collateralize the loan.
- Legal Counsel is not aware of any significant legal issues related to the loan.
- The Budget Office has confirmed that sufficient monies are allocated for FY 2015–16.
- The Loan Committee met on October 22, 2015, and recommends approval of the loan.

Based on the above factors, and in consultation with the applicant, staff recommends approval of the loan to SVDP for \$549,000.

Applicant Profile

St. Vincent de Paul Society of Lane County, Inc.

Use of Funds and Project Description: SVDP has recently begun operations at its second California Mattress Recycling facility. The second facility is located in Woodland, California, approximately 20 miles northwest of Sacramento. SVDP has similar operations located in Eugene, Oregon and Oakland, California. The business will be a primary processor of mattress waste material.

Mattresses are a nuisance in the waste stream because they take up lots of space in landfills and can create flammable air pockets. At the SVDP facilities, the mattresses and box springs are stripped of their component parts, including cotton, foam, wood and steel. When possible, the springs are retained and rebuilt into a new product, and the remaining commodities are baled and shipped out for recycling for use by other manufactures that further process the material. SVDP proposes to use the \$549,000 RMDZ loan to finance deconstruction equipment, balers, a forklift, trucks, trailers, and a tractor.

Loan/Grant History: This is the second loan application submitted by SVDP. The first loan application was for a \$250,000 loan for its Oakland mattress recycling facility in the year 2000. The loan payments were paid as agreed. The loan was sold to another lender in 2004 as part of a CalRecycle loan portfolio sale, with the proceeds used to increase available funds in the RMDZ Loan Sub Account.

Diversion and Jobs: As a result of the RMDZ loan, SVDP is projecting to increase diversion at this facility from 3,315 tons to 6,630 tons of material annually. The company is projecting employment for the facility will increase from 11 employees to 22 employees.

