

**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:**     February 4, 2016

**Decision Subject:** Recycling Market Development Zone Loan for CarbonLite  
Industries LLC (Recycling Market Development Revolving Loan  
Subaccount, FY 2015–16)

**Action By:**           February 16, 2016

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**Summary of Request**

Staff requests approval of a Recycling Market Development Zone (RMDZ) loan in the amount of \$2,000,000 to CarbonLite Industries LLC (CarbonLite). The request is more fully described under *Applicant Profile*.

**Recommendation:** Staff recommends approval of a RMDZ loan to CarbonLite in the amount of \$2,000,000.

<b>Fund Source:</b>	<b>Amount Available</b>	<b>Amount to Fund Item</b>	<b>Amount Remaining</b>	<b>Line Item</b>
RMDZ Loan Subaccount (FY 2015–16)	\$7,456,920	\$2,000,000	\$5,456,920	Direct Loan

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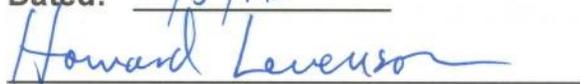
**Deputy Director Action**

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve a Recycling Market Development Zone loan to CarbonLite Industries LLC for \$2,000,000.

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, which begins on approval of this RFA. The loan commitment period may be extended, for cause, for an additional 90 days. Extension of the loan commitment period 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: 2/5/16  
  
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.

### 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.

### Process

The General Loan Criteria for the RMDZ Loan Program was approved by the former California Integrated Waste Management Board in September 2008 and the Project Eligibility Criteria was 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.

### 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 Riverside County RMDZ.
- The waste materials to be recycled are generated within California.
- The project meets the RMDZ Loan Program Project Eligibility Criteria.
- The business has demonstrated the ability to repay and collateralize the loans.
- 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 they have all applicable major permits to operate the business and equipment to be financed by the proposed 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 January 28, 2016 and recommends approval of the loan.

Based on the above factors, and in consultation with the applicant, staff recommends approval of the loan to CarbonLite for \$2,000,000.

### **Applicant Profile**

#### CarbonLite Industries LLC

Project Description and Use of Funds: CarbonLite is an intermediate processor of post-consumer plastic waste material. CarbonLite proposes to use the \$2,000,000 RMDZ loan to finance equipment for a new film wash line for their manufacturing facility in Riverside, California, within the Riverside RMDZ. The equipment will allow CarbonLite to further process caps and labels from its plastic bottle feedstock to create non-food grade pellets that will be sold to companies to create non-food grade plastic products.

#### Loan History

This is the first RMDZ loan request from CarbonLite.

#### Diversion and Jobs

As a result of the RMDZ loan, CarbonLite is projecting to divert an additional 2,000 tons of plastic material annually from California landfills and create 6 additional jobs.

