

**REQUEST FOR APPROVAL**

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

**From:** **Shirley Willd Wagner**  
Branch Chief, Financial Resources Management Branch

**Request Date:** April 12, 2011

**Decision Subject:** Recycling Market Development Zone Loan for Jacobson Plastics, Inc. (Recycling Market Development Revolving Loan Subaccount, Fiscal Year 2010/11)

**Action By:** April 22, 2011

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**Summary of Request:**

Staff requests approval of a Recycling Market Development Zone (RMDZ) loan in the amount of \$293,374 to Jacobson Plastics, Inc., located in Long Beach, California (Long Beach RMDZ). Jacobson Plastics is a manufacturer of plastic injection-molded and rotational-molded products. The production process can utilize up to 50% plastic resins made from post consumer feedstock. The proposed RMDZ loan will be used to refinance an outstanding bank loan with Aurora Bank. This loan request meets the required eligibility criteria established in September 2008 to receive loan funding. The loan application was considered and approved by the Loan Committee on March 10, 2011. If approved, this loan will be funded from the Recycling Market Development Revolving Loan Subaccount, Fiscal Year 2010/11.

**Recommendation:**

Staff recommends approval of this RMDZ loan, subject to the conditions and directions specified below in "Deputy Director Action." The project is expected to continue both local and regional diversion efforts, as well as retain employment and local revenues.

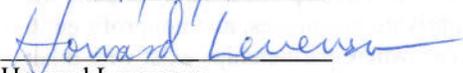
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**Deputy Director Action:**

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby approve the following Recycling Market Development Zone loan in the original principal amount shown next to the Borrower's name, subject to all terms and conditions contained in the loan agreement to be prepared by loan program staff in accordance with applicable regulations, and on such other terms and conditions as duly authorized staff in their sole discretion deems necessary or advisable:

Jacobson Plastics, Inc.....\$293,374

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:** 4/12/11  


Howard Levenson  
Deputy Director, Materials Management and Local Assistance Division

**Proposed Loan Project**

Jacobson Plastics, Inc. (JPI) is requesting a loan of \$293,374 from the RMDZ Loan Program. The proposed loan meets the established eligibility criteria as a project under the category of onerous debt refinancing. The proposed RMDZ loan will refinance the current outstanding balance of a previously sold RMDZ loan that is now held by Aurora Bank. JPI and Aurora Bank had initial discussions regarding modifying the current terms of the loan, but Aurora is unable to modify the loan, in part because it is subject to a Cease and Desist Order issued by the federal Office of Thrift Supervision and so has been under certain operating constraints.

Loan staff recommends approval of this loan because JPI's financial statements show that it has started to recover from the difficulties caused by the recent recession and has sufficient cash flow to repay the proposed loan. Since April 2010, business sales have increased substantially, due to the improving economy, the development of a new line of products, and the hiring of a new, very experienced Sales Manager, who should be an asset to the core management team. This is the third RMDZ loan application submitted to CalRecycle by JPI. Other approved RMDZ loans made to JPI include:

- In 2001, a loan of \$884,120 was approved to fund equipment, working capital, leasehold improvements and refinance onerous debt. The loan was sold in 2004 and the remaining outstanding balance from this loan is included in this new RMDZ loan request.
- In 1995, a loan of \$300,000 was approved to fund equipment and working capital. This loan was also sold in 2004 and has been paid in full.

While the loan may not directly lead to increased diversion, it will enable JPI to at least maintain the current level of diversion, and JPI is projecting increasing diversion in the future to 1400 tons per year. The company has 59 employees in payroll and hopes to add at least another 10 employees in anticipation of increased sales growth.

<b>Diversion Volumes</b>	<b>Current</b>	<b>Projected Increase</b>	<b>Total</b>
Tons per Year	900	500	1,400
Jobs Created	59	10	69

The Zone Administrator for the Long Beach RMDZ supports this project as it has the potential to continue and increase diversion of recyclables from local landfills, and to retain and create more jobs in the Los Angeles County/Long Beach region. This business contributes to the diversion of plastic waste from the local waste stream and will assist the City Long Beach in complying with the 50% disposal reduction mandate under the Integrated Waste Management Act, Assembly Bill 939.

**Loan Program and Project Eligibility**

The purpose of the RMDZ Loan Program is to provide low-interest loans to private businesses and not-for-profit organizations to increase diversion of non-hazardous solid waste from California landfills and to promote market demand for secondary and postconsumer materials. Funding for the Loan Program is authorized by Public Resources Code, Section 42023.1(f), which states: The department may expend the money in the subaccount to make loans to local governing bodies, private businesses, and nonprofit entities within recycling market development zones, or in areas outside zones where partnerships exist with other public entities to assist local jurisdictions to comply with Section 40051.

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

**Project Eligibility Criteria** for the RMDZ Loan Program were approved in September 2008. Staff reviewed the application and determined it is consistent with the established criteria.

**Interdivisional Reviews** were performed by various entities within CalRecycle. Their findings are indicated below:

- The Budgets Office confirmed there are sufficient monies allocated for Fiscal Year 2010/2011 to fully fund this loan.

<b>Fund Source</b>	<b>Amount Available</b>	<b>Amount to Fund Item</b>	<b>Amount Remaining</b>	<b>Line Item</b>
RMDZ Loan Sub Account, FY 2010/11	\$1,016,750*	\$293,374	\$723,376	Direct Loan

\*Estimated

- Legal Counsel for the RMDZ Loan Program was involved in staff discussions evaluating the merits and eligibility of the loan project prior to the Loan Committee meeting and has opined that this is an eligible project.
- Staff from the Permitting and Certification Division has reviewed the project and determined that the project does not require a Solid Waste Facilities Permit.
- Staff from the Local Assistance and Market Development Division has reviewed the project and determined that post consumer plastic feedstock is normally disposed in California landfills.
- Staff from the Statewide Technical and Analytical Resources Division has reviewed the project and, according to staff, JPI uses a proven technology that has been in existence since 1950. Rotational molding technology has continued to evolve and expand with products such as chemical and fuel storage tanks and containers of all sizes made from high density polyethylene or polypropylene and now with gasoline fuel tanks for applications in the automobile and aviation industries.

The **Loan Committee** met on March 10, 2011 and recommended that this loan be approved for funding.

**Applicant Profile**

Jacobson Plastics, Inc. is headquartered in the City of Long Beach and was founded in 1968 by Abraham Jacobson. Jeff Jacobson, Abraham's son, joined the company in 1978 and took over the business in 1980. He now serves as President of JPI. The company specializes in manufacturing injection-molded and rotational-molded plastic products using recycled plastic feedstock of up to approximately 50% in the production process. Typical feedstock used by Jacobson Plastics includes post consumer plastic resins/flakes for injection molding products and Linear Low Density Polyethylene resin ground into a mesh powder form for rotational molded products.

The company produces a wide variety of consumer and commercial products depending on the season and market demand. Examples of their products include recreational and janitorial equipment, automotive consoles, planter liners, plastic lids for dumpsters, 160 and 190 gallon commercial waste containers, floor polishers and plastic buckets used by janitorial firms, children's playground equipment, grease tubs for automobile service stations and chemical storage tanks in various sizes. The company has continued to spend money for research and development to develop new or upgrade existing products as well as to develop and design new molds.

End buyers for Jacobson Plastics products include the auto industry, auto parts retail stores, tire and accessory dealers, distributors of outdoor furniture, sporting goods dealers, hospitals, and buyers of underground tanks (water reservoirs) and above ground tanks for chemical storage.