

**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 10, 2012

**Decision Subject:**   Recycling Market Development Zone Loan for Carpet Collectors, LLC  
(Recycling Market Development Revolving Loan Subaccount, Fiscal Year  
2011/12)

**Action By:**           April 18, 2012

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**Summary of Request:**

Staff requests approval of a Recycling Market Development Zone (RMDZ) loan in the amount of \$1,986,000 to Carpet Collectors, LLC (CC). CC is a start-up company that collects and recycles carpet, recovering nylon and polypropylene fibers from the carpet material. It is located in the City of Sacramento (Sacramento Regional RMDZ).

This loan request meets the required eligibility criteria for recycling projects, as established in the March 2012 Project Eligibility Criteria. The proposed loan will finance the purchase of equipment to enable CC to increase current production.

The loan application was considered and recommended for approval by the Loan Committee on March 29, 2012. If approved, this loan will be funded from the Recycling Market Development Revolving Loan Subaccount, Fiscal Year (FY) 2011/12. Staff notes that there is satisfactory collateral to support this loan request.

**Recommendation:**

Staff recommends approval of a FY 2011/12 loan from the Recycling Market Development Revolving Loan Subaccount to CC in the amount of \$1,986,000. This project is anticipated to increase local diversion and add thirty new jobs.

**Budget Office:**

The Budget Office confirmed there are sufficient monies allocated for FY 2011/2012 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 2011/12	\$4,565,000	\$1,986,000	\$2,579,000	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 a FY 2011/12 Recycling Market Development Zone loan to Carpet Collectors, LLC in the amount of \$1,986,000.

This approval is subject to:

1. The return by the proposed Borrower 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 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.

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:** 4/16/12



**Howard Levenson**

Deputy Director, Materials Management and Local Assistance Division

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**Background and Findings**

Statutory Authority

Public Resources Code (PRC) Section 42023.1 (f) authorizes the Department of Resources Recycling and Recovery (CalRecycle) to approve RMDZ loans to eligible local governments, businesses and not-for-profit organizations located in designated zones.

Program Background

The RMDZ Program was established by Senate Bill 1322 (Bergeson, Statues of 1989, Chapter 1096) and codified in Public Resources Code sections 42010-42024. Program regulations are found in Title 14 of California Code of Regulations, sections 17901-17939.5. CalRecycle administers the

RMDZ Revolving Loan Program to encourage California-based 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. Since 1993, CalRecycle has approved and funded 168 loans totaling approximately \$116.0 million.

Criteria and 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, as determined by CalRecycle permit staff. The Loan Committee considers the financial soundness of the applicant and the terms of the proposed loan and recommends 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.

Proposed Loan Project

CC is requesting a loan of \$1,986,000 from the RMDZ Loan Program. The proposed loan will finance the purchase of equipment that will enable CC to increase current production. According to CC’s owner, the business currently diverts approximately 8,000 tons per year of post consumer carpets from California landfills annually.

The RMDZ loan would also help CC increase diversion of recyclable materials from the local waste stream. The owner estimates that acquiring the new equipment would enable them to more than triple his volume, up to 30,000 tons annually. The company currently has twenty-five employees. As a result of this proposed project, CC anticipates hiring thirty more employees and increasing current diversion by 22,000 tons per year (see table below).

<b>Diversion Volumes</b>	<b>Current</b>	<b>Projected Increase</b>	<b>Total</b>
Tons per Year	8,000	22,000	30,000
Jobs Created	25	30	55

The Zone Administrator for the Sacramento Regional RMDZ supports this project as CC has the potential to increase the diversion of recyclables (post-consumer carpet) from local landfills and create jobs in the Sacramento County region. As a result of the proposed loan, the business projects diversion of approximately 30,000 tons per year of post-consumer carpet from the waste stream. This will assist the local jurisdiction's compliance with the 50% disposal reduction mandate under the Integrated Waste Management Act, Assembly Bill 939.

Staff has visited the location on various occasions, most recently on April 13, 2011, and found the operation to be well organized and appropriately managed. Carpet was managed appropriately and stored inside the building.

### Interoffice Reviews

Interoffice reviews of the proposed loan project were performed by various entities within CalRecycle. Their findings are indicated below:

- 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. Legal Counsel is not aware of any significant legal issues related to this loan.
- Staff from the Waste Permitting, Compliance and Mitigation Division reviewed the proposed project and determined that it does not require a Solid Waste Facilities Permit. CC has obtained a Conditional Use Permit for the facility from the Sacramento Metropolitan Air Quality Management District (AQMD).
- Staff from the Local Assistance and Market Development Branch reviewed the proposed project and determined that the feedstock (post-consumer carpet) is currently disposed of in landfills.
- Staff from the Statewide Technical and Analytical Resources Branch reviewed the project and determined that the company proposes to purchase equipment that is standard in the manufacturing industry and appropriate for the proposed project.

The applicant has certified that the project complies with all local, state and federal laws, regulations, requirements and rules, including the California Environmental Quality Act.

### Loan Committee

The Loan Committee met on March 29, 2012, and recommends this loan be approved for funding.

### Applicant Profile

CC <http://www.carpetcollectors.com> was organized as a California-based Limited Liability Company in September 2010, by Ryan Bradford and Eric Nuttall. They began as a collector, supplying post-consumer carpets to a company that had set up recycling and export facilities in California. Their interest in carpet recycling began to evolve from their real estate rehab business, which generated a significant quantity of waste carpets. Mr. Bradford and Mr. Nuttall took the opportunity to expand their business from doing collection and distribution only to now include recycling and recovery of nylon and polypropylene from carpets. The carpet recycling operation began in March 2011.

### Prior Loan Experience

This is the first RMDZ loan application submitted by CC.