

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 26, 2013**

Decision Subject: Recycling Market Development Zone Loan for Pre-Con Products
(Recycling Market Development Revolving Loan Subaccount, FY 2012/13)

Action By: **May 3, 2013**

Summary of Request: Staff requests approval of a Recycling Market Development Zone (RMDZ) loan in the amount of \$1,500,000 to Pre-Con Products (Pre-Con). The request is more fully described under *Applicant Profile*.

Recommendation: Staff recommends approval of a RMDZ loan to Pre-Con for \$1,500,000.

Fund Source: RMDZ Loan Subaccount	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
FY 2012/13	\$4,000,000	\$1,500,000	\$2,500,000	Direct Loan

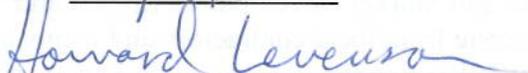
Deputy Director Action: On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve a Recycling Market Development Zone loan to Pre-Con, for \$1,500,000.

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 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.

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: 4/26/13



Howard Levenson
Deputy Director

Background and Findings

Statutory Authority

The Recycling Market Development Zone (RMDZ) Program was established by Senate Bill 1322 (Bergeson, Statutes 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. 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 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.

Process

General: 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: CalRecycle received one eligible application. 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 Ventura County RMDZ.
- The waste materials to be recycled are generated within California.
- The waste materials are normally disposed of in California landfills.
- The business has demonstrated the ability to repay and collateralize the loan.
- 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.
- Loan Staff conferred with the Local Assistance and Market Development Branch and determined that Pre-Con will get its waste concrete from local contractors and companies. The waste concrete was usually disposed in landfills.
- Loan Staff conferred with the Statewide Technical and Analytical Resources (STAR) Branch as to the reasonableness of the proposed equipment to be used for the project. Based

on STAR staff's opinion, Pre-Con's process is based on standard technologies used within the industry.

- Loan Staff conferred with the Waste Permitting, Compliance and Mitigation Division concerning applicable Solid Waste Facility Permits. Based on the information provided, Permits Staff concluded that the applicant is not required to obtain a solid waste facility permit, because the residual waste materials will be less than ten percent of the processed materials. The operation is thus considered to be a "recycling center" as described in Title 14, California Code of Regulations Section 17381.1; therefore, the operator is not subject to Transfer/Processing Regulatory requirements, except as specified in Section 17381.1.
- Legal Counsel for the RMDZ Loan Program was involved in staff discussions evaluating the merits and eligibility of the project prior to the Loan Committee meeting. Legal Counsel is not aware of any significant legal issues related to the loans.
- The Budget Office confirmed that sufficient monies are allocated for FY 2012/13.
- The Loan Committee met on February 26, 2013, and recommends approval of the loan.

Based on the above factors, and in consultation with the applicant, staff recommends approval of the loan to Pre-Con, for \$1,500,000. The applicant has been informed and agreed with the recommended amount and conditions.

Applicant Profile

Pre-Con Products

Use of Funds and Project Description: Located in Simi Valley, California, Ventura County RMDZ, Pre-Con proposes to use the \$1,500,000 RMDZ loan to refinance onerous debt, purchase equipment and finance site improvements. Pre-Con recently purchased a 6.6 acre undeveloped parcel adjacent to the company's current site at 240 West Los Angeles Avenue in Simi Valley. The additional land will increase the company's site from 10 acres to 16.6 acres and enable the company to expand into concrete recycling operations as well as provide extra storage for precast concrete products.

Founded in 1963 by Don Zarraonandia, Pre-Con manufactures and sells a variety of precast concrete products for use in the construction industry and is a provider of general construction services. Current ownership of the company is as follows: David Zarraonandia - President, Daniel Zarraonandia - Vice President/Treasurer, Kathy Brantingham - Executive Vice President, and Mary Beth Dunn. David and Daniel Zarraonandia are both industry veterans with a combined experience of over 50 years in the industry.

Diversion and Jobs: As a result of the RMDZ loan, Pre-Con is projected to divert 13,000 tons of construction and demolition debris annually. Pre-Con currently has 48 employees. The business is projected to create three new jobs.

