

## 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:** July 19, 2011

**Decision Subject:** Recycling Market Development Zone Loan for E. Vasquez Distributors, Inc. d.b.a. Oxnard Pallet Company  
(Recycling Market Development Revolving Loan Subaccount, FY 2011/12)

**Action By:** July 26, 2011

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**Summary of Request:**

Staff requests approval of a Recycling Market Development Zone (RMDZ) loan in the amount of \$145,000 to E. Vasquez Distributors, Inc. d.b.a. Oxnard Pallet Company, a family owned business located in the City of Ventura (Ventura County RMDZ). Core business activities include the manufacturing of new wooden pallets from recycled wood and reconditioning used wooden pallets. The owners plan to purchase a more technically advanced automated pallet production system that can make new pallets from recovered wood, as well as repair and restore used or damaged pallets. This loan project meets the required eligibility criteria established in September 2008 to receive loan funding.

The loan application was considered and recommended for approval by the Loan Committee on June 2, 2011. 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 Oxnard Pallet Company in the amount of \$145,000.

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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 FY 2011/12 Recycling Market Development Zone loan to E. Vasquez Distributors, Inc. d.b.a. Oxnard Pallet Company in the amount of \$145,000.

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: 7/19/11

Howard Levenson

**Howard Levenson**

Deputy Director, Materials Management and Local Assistance Division

## **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 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. 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 166 loans totaling approximately \$115.4 million.

### Criteria and Process:

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

E. Vasquez Distributors, Inc. d.b.a. Oxnard Pallet Company is requesting a loan of \$145,000 from the RMDZ Loan Program. The proposed loan will finance the purchase of a more technically advanced automated pallet production system that can make new pallets from recovered wood, as well as repair and restore used or damaged pallets. This system will be installed at their 12,000 square foot facility in Oxnard, California. The pallet production system will enable the Vasquez family to expand their product line, design and produce different types of wood pallets, as well as repair and restore damaged wooden pallets for resale.

The company currently employs 30 people. As a result of this proposed expansion project, two new jobs will be created and current diversion will increase by 4,000 tons per year (see table below).

<b>Diversion Volumes</b>	<b>Current</b>	<b>Projected Increase</b>	<b>Total</b>
Tons per Year	6,000	4,000	10,000
Jobs Created	30	2	32

The Zone Administrator for the Ventura County RMDZ supports this project as Oxnard Pallet Company has the potential to increase diversion of recyclables (waste wood) from local landfills and create more jobs in the Ventura County region. As a result of the proposed loan, the business is expected to divert approximately 10,000 tons per year of wood waste from the waste stream, thereby assisting the local jurisdiction's compliance with the 50% disposal reduction mandate under the Integrated Waste Management Act, Assembly Bill 939.

Interdivisional Reviews:

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 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	\$5,000,000	\$145,000	\$4,855,000	Direct Loan

- 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 Permitting and Certification Division has reviewed the project and has determined that the project does not require a Solid Waste Facilities Permit.
- Staff from the Local Assistance and Market Development Branch has reviewed the project and has determined that feedstock such as off-specification, and/or broken pallets are currently thrown away as refuse and landfilled.
- Staff from the Statewide Technical and Analytical Resources Branch has reviewed the project. They are not aware of any technology that in the near term, will supplant the use of pallets for transportation purposes.

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 June 2, 2011 and recommends this loan be approved for funding.

**Applicant Profile:**

E. Vasquez Distributors, Inc. d.b.a. Oxnard Pallet Company (<http://www.oxnardpalletco.com>) was started in 1993 by Elias and Beatrice Vasquez, as a hauler and broker of wooden pallets. Subsequently, they expanded into pallet manufacturing. In 2010, Oxnard Pallet Company bought and sold approximately 500,000 pallets. As part of their matching funds contribution and business expansion strategy, the business is in the process of installing a heat chamber to pretreat the wooden pallets against mold, invasive species of insects and plant diseases. According to the company owners, there are no other manufacturers of heat treated pallets in the Ventura County region. They anticipate an increasing demand for heat treated pallets from agricultural exporters/shippers and packagers from the region.

**Prior Loan Experience**

This is the first RMDZ loan application submitted by Oxnard Pallet Company.

Loan Type	Amount	Amount in	Amount	Fund Source
...	...	...	...	...