

**REQUEST FOR APPROVAL**

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

**From:**               **Shirley-Wildd Wagner**  
Branch Chief, Financial Resources Management Branch

**Request Date:**       September 20, 2012

**Decision Subject:**   Recycling Market Development Zone Loan for Agri Service, Inc.  
(Recycling Market Development Revolving Loan Subaccount, FY 2012/13)

**Action By:**           October 1, 2012

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**Summary of Request:** Staff requests approval of a Recycling Market Development Zone (RMDZ) loan in the amount of \$1,300,000 to Agri Service, Inc. The request is more fully described under *Applicant Profile*.

**Recommendation:** Staff recommends approval of a RMDZ loan to Agri Service, Inc. for \$1,300,000.

Fund Source: RMDZ Loan Subaccount	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
FY 2012/13	\$1,850,000	\$1,300,000	\$550,000	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 Agri Service, Inc. for \$1,300,000.

The approval is subject to:

1. The return by the proposed Borrowers 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 these loans, including but not limited to the preparation and execution of the Loan Agreement and other loan documents.

**Dated:** 9/26/12  


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

## **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. Since 1993, CalRecycle has approved and funded 176 loans totaling approximately \$125 million.

### 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 requesting \$1,300,000. 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 applicant.

For the recommended loan:

- The project is located within the boundaries of an 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 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.
- Loan Staff has conferred with the Local Assistance and Market Development Branch and determined that Agri Service, Inc. (ASI) accepts Oceanside's green waste and some green waste from neighboring cities. There is more than enough green waste and food waste to bring ASI to its expanded capacity.
- Loan Staff has conferred with the Statewide Technical and Analytical Resources Branch as to the reasonableness of the proposed equipment for the projects. Staff was of the opinion that as

with any new process, it will take a while for ASI to fine tune the proposed aerated compost system based on their unique feedstock and circumstances.

- Loan Staff has conferred with the Waste Permitting, Compliance and Mitigation Division concerning applicable Solid Waste Facility Permit. A revised permit, #37-AA-0907 was approved by CalRecycle on August 27, 2012.
- 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 has confirmed that sufficient monies are allocated for FY 2012/13.
- The Loan Committee met on August 9, 2012 and recommends approval of the loan.

Based on the above factors, and in consultation with the applicants, staff recommends approval of the loan to Agri Service, Inc. for \$1,300,000. The applicant has been informed and agreed with the recommended amount and conditions.

### **Applicant Profile**

#### Agri Service, Inc.

Use of Funds & Project Description: Located in the North San Diego RMDZ, Agri Service, Inc. (ASI), also known as El Corazon Compost Facility, proposes to use the \$1,300,000 RMDZ loan to finance equipment for an aerated windrow compost system.

ASI has operated a compost operation on approximately 15 acres in the City of Oceanside for over 15 years. ASI is relocating from the existing 15-acre northwestern section to a 13-acre southwestern section within a 465 acre contiguous parcel where they plan to build the aerated windrow compost system under a lease and operating agreement with the City of Oceanside. The real property is owned by the City of Oceanside.

Diversion and Jobs: As a result of the RMDZ loan, ASI is projected to divert an additional 27,344 tons and increase the diversion from the current 49,976 to 77,800 tons annually of green waste from local landfills. They also plan to create four new jobs as their number of employees is expected to grow from 18 to 22.

The efforts of this business will help North San Diego RMDZ comply with the 50% disposal reduction mandate under the Integrated Waste Management Act, Assembly Bill 939 (Sher, Chapter 1095, Statutes 1989) and the subsequent Assembly Bill 341 (Chesbro, Chapter 476, Statutes 2011) which has increased the recycling target to 75% by 2020.

