

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:** September 4, 2012

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

**Action By:** September 7, 2012

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**Summary of Request:** Staff requests approval of a Recycling Market Development Zone (RMDZ) loan in the amount of \$1,150,000 to Santa Paula Materials, Inc. The request is more fully described under *Applicant Profile*.

**Recommendation:** Staff recommends approval of a RMDZ loan to Santa Paula Materials, Inc., for \$1,150,000.

Fund Source: RMDZ Loan Subaccount	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
FY 2012/13	\$3,000,000	\$1,150,000	\$1,850,000	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 Santa Paula Materials, Inc., for \$1,150,000.

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:** 9/5/12

  
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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 (CCR), 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 174 loans totaling approximately \$123 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 \$1,150,000. 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 concrete, asphalt, and/or mixed construction and demolition debris is usually, but not always, recycled. However, due to the type of material, their weight may have a negative impact on a jurisdiction's effort to achieve diversion goals. According to CalRecycle's [California 2008 Statewide Waste Characterization Study](#), inert and other account for 29.1% of California overall disposed waste stream.
- Loan Staff has conferred with the Statewide Technical and Analytical Resources Branch as to the reasonableness of the proposed equipment for the projects. While staff had no knowledge about specific equipment cited, the proposed equipment appears to be of the standard variety for this type of activity.
- Loan Staff has conferred with the Waste Permitting, Compliance and Mitigation Division concerning applicable Solid Waste Facility or Waste Tire Facility Permits. The project is considered an inert debris recycling center and is not subject to inert debris regulatory requirements provided it continues to meet Title 14 CCR, 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 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 applicant, staff recommends approval of the loan to Santa Paula Materials, Inc., for \$1,150,000. The applicant has been informed and agreed with the recommended amount and conditions.

### **Applicant Profile**

#### Santa Paula Materials, Inc.

Use of Funds and Project Description: Located in the Ventura County RMDZ, Santa Paula Materials, Inc., (SPM) proposes to use the \$1,150,000 RMDZ loan to finance equipment to develop and expand the recycling-related portion of the business. The range of SPM's products and services include both a recycling element and a virgin rock element. Currently, inventory includes a stockpile of more than 500,000 tons of unprocessed rock, gravel, and sand; and 5,000 tons of unprocessed recyclable asphalt and concrete. They also have 30,000 tons of stockpiled material that has been processed and is ready to be sold. Rock can be for both engineering applications and for landscape use.

This is the first loan request from SPM. SPM was formed in September 2011 and commenced operations in January 2012. The company is owned by Mile Grbic (85%), who has over 40 years experience in the industry, and Steve Bubalo (15%).

Diversion and Jobs: As a result of the RMDZ loan, SPM is projected to divert 50,000 tons annually of construction and demolition debris from local landfills and create four new jobs. There is potential for future increase to over 100,000 tons, similar to production of Vulcan Materials, a competitor in the area.

