



RECYCLING MARKET DEVELOPMENT ZONES

February 5, 2014

Howard Levenson
Deputy Director, CalRecycle
1001 "I" Street
Sacramento, CA 95814

**Re: CARMDZ Comments for 2/6/14 GHG
Grant and Loan Workshop**

Dear Howard:

As you know only too well, the California Association of RMDZs (CARMDZ) represents the 36 recycling market development zones throughout California, which partner with CalRecycle and innovative businesses and entrepreneurs to foster and grow markets for organics and the wide variety of materials being collected for recycling across the state. Since inception in 1993, the RMDZ loan program has provided nearly \$120 million in financing to over 170 different companies, establishing diversified market demand for recycled materials of all kinds.

More recently, since 2010 or so, CARMDZ – along with CalRecycle -- has stepped up its advocacy role for enhanced recycling market development in California, including co-founding of the Recycling BIN (Build Infrastructure Now) Coalition, a group of over 25 environmental and economic development trade associations and recycling-based processors and manufacturers. Central among the BIN Coalition's activities has been to establish the clear nexus between CalRecycle's 75% recycling goal and the parallel quest to aggressively cut greenhouse gases by the same year of 2020.

In this context, CARMDZ is very excited to be present today at this workshop in which we consider the great opportunity – and the challenge – presented by the infusion of \$30 million of cap and trade funded grants and loans aimed toward building expanded composting and recycling infrastructure across California. While it is clear that these investments won't only occur in the state's 36 RMDZs, we nevertheless stand ready to collaborate with CalRecycle, members of the BIN Coalition, and innovative environmental entrepreneurs to develop and expand this critical infrastructure for sustainability.

The RMDZ network offers many assets that can help CalRecycle to fulfill the promise and the responsibility of allocating funding for infrastructure designed to maximize closed loop recycling and greenhouse gas reduction, including:

- Coverage of more than half of the state by land area and population, including nearly all of the areas of California best-suited for industrial development;
- Existing partners in local government agencies who are willing and ready to help the best projects to navigate local siting and permitting processes
- Familiarity with the established delivery mechanism at CalRecycle, developed over 20 years, which has been used to recruit, screen, and finance value-added processing and manufacturing ventures, which is the same apparatus which will implement the GHG grants and loans

- Overlap of at least 16 of the 36 RMDZs with disadvantaged areas identified using EnviroScreen, where 10% of cap and trade dollars must be directly invested, with fully 25% of total impacts accruing to those communities.

Administrators in RMDZs are also sensitive to the fact that composting and recycling-based operations can present significant impacts in disadvantaged communities, and are used to encouraging project proponents to balance concerns about project impacts with environmental or economic benefits of such projects.

Even though the RMDZ program has built a legacy of market development by delivering specialized, low cost loans to over 170 composters, value-added processors, and manufacturers, we want to be very clear today that our members are more than willing to expand our repertoire to integrate large grants to develop such projects as well.

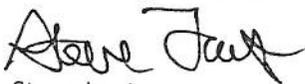
Understanding the emphasis on organics in the grant and loan program due to consistently high impact of such projects, we are nevertheless very grateful that other materials besides organics are proposed for eligibility for 25% of the grant funds, and thereticall all of the loan funds in the GHG reduction account. This level of diversification and flexibility should also bode well for entertaining a wider variety of projects, and for disbursing the maximum amount of funds in year one of the program.

In this spirit, we did wonder, for the non-organics category of grant funding, why eligibility for such grants is stated as “fiber, plastic, and glass”, whereas in the loan portion of the program, non-organics projects are allowed for those three material types as well as “other non-hazardous solid waste materials”. Given that the key benchmark will be GHG reduction potential and fiscal viability of proposed projects, it seems like the broader eligibility guideline proposed for the loan program might also be appropriate for the non-organics portion of the grant program as well.

Our final point for today is that, as urgently as we feel that it is for all of us to seize this opportunity afforded by the allocation of cap and trade funds to CalRecycle and its stakeholders, the formation of composting and recycling-based processing and manufacturing infrastructure is a long march, requiring a patient approach with time for siting, permitting, and to get the most effective projects in place. Like building a high speed rail system, building infrastructure for 75% recycling will take focused diligence and patience, and will take much longer than this first 12 month budget cycle. The good news is that we’ve been waiting for this opportunity for a long time, and we’re all excited to get down to work.

Congratulations to CalRecycle and those gathered here today; California’s 36 RMDZs look forward to productive collaboration with you on this noble quest for a more sustainable future.

In Solidarity for Successful AB 341/32 Implementation,



Steve Lautze
CARMDZ President



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Top 10 Reasons to Capitalize RMDZ Loan Fund With Cap and Trade Dollars in and Beyond 2014

1. The Recycling Market Development Zone (RMDZ) loan program sits at a strategic policy nexus, impacting both AB 32 and AB 341 mandates to lower GHGs and achieve 75% recycling by 2020.
2. Every RMDZ loan deal creates direct, relevant, lasting impact by reducing GHGs, increasing recycling, cutting energy use, and creating good paying jobs in California, with over \$100 million loaned since 1993 to over 170 California businesses, creating nearly 10,000 jobs.
3. Each RMDZ loan brings at least 25% matching funds from the borrower, naturally leveraging investment of C&T funds, with essentially all funds coming back (with interest) for reinvestment in similar projects within 7-10 years.
4. RMDZ loans are delivered using a flexible, market-oriented approach to greenhouse gas reduction, helping to build more sustainable economy.
5. The RMDZ loan program has a proven track record, with existing business recruitment and screening, and tested underwriting and financial controls in place.
6. RMDZs cover over half of California by territory and population, encompassing virtually all of the best areas for sustainable industrial development.
7. At least 16 -- over 40% -- of California's 36 RMDZs overlap with "disadvantaged areas" of California, where 10-25% of C&T funds must be invested.
8. RMDZ loan recipients often directly assist "covered entities" such as glass manufacturers, food processors, or landfill operators to reduce GHG emissions.
9. The RMDZ program enjoys broad support by both major political parties, based on its balance of job creation via private enterprise and environmental impact.
10. With access to GHG Fund capital, the RMDZ loan fund can return to loaning \$10 million per year or more, which it did 5 out of 8 years before 2007, but has not achieved since, due to limited funds available from CalRecycle's general fund.

Investing Cap and Trade dollars to re-capitalize and grow the RMDZ loan fund will directly address both the GHG reduction mandate of AB 32, and the 75% Recycling goal of AB 341.

