RECYCLING MARKET DEVELOPMENT ZONE LOAN PROGRAM EVALUATION

Report to the Legislature
May 1995

INTEGRATED
WASTE
MANAGEMENT
BOARD

State of California

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EXECUTIVE SUMMARY

California's Recycling Market Development Zone (RMDZ) loan program has created markets for recyclable materials in manufacturing new products. Authored by Senator Marian Bergeson's SB 2310 (*Stats. 1990, ch. 1543*), it has infused new capital into communities throughout the state and leveraged private funds to develop recycling-based industry. This report is to inform the Legislature about the loan program's success and the growing demand for the funds it offers.

Under current law, the RMDZ loan program will end on July 1, 1997. Public Resources Code section 42010(f) requires the California Integrated Waste Management Board (Board) to report to the Legislature on the performance of the loan program on or before March 31, 1996. In this report, the Board recommends legislative action this year to extend the loan program. This will provide the certainty and continuity needed to maintain its effectiveness as the principal RMDZ tool for promoting economic development. An extension of the loan program will help achieve the waste diversion goals of the California Integrated Waste Management Act of 1989 codifed pursuant to AB 939 and SB 1322 (*Stats. 1989, ch. 1095 and ch. 1096*).

A Partnership for Market Development

The California Integrated Waste Management Act of 1989 (the Act) mandates diversion of 50 percent of the solid waste disposed in landfills by the year 2000. Developing markets for these diverted materials—estimated at an additional 11 million tons per year by the year 2000—is essential to carrying out State and local responsibilities under the Act. Key elements in the Board's plan to develop such markets are the RMDZ and loan programs.

A truly cooperative partnership exists among the State, business, and local government for stimulating market development for recycled materials. Through the RMDZ program, low-interest loans and other incentives are available to businesses that establish recycled product manufacturing operations in zones designated by the Board and administered by local governments.

The loan program has been the cornerstone of a highly successful RMDZ program. It is the principal reason why 195 local jurisdictions—comprising 52 percent of the state's population—sought the Board's RMDZ designation to help them achieve their waste diversion and economic development goals. In February 1995, the Board designated the last 11 RMDZs, reaching its goal of designating 40 zones, a year ahead of schedule.

Highlights of the loan program over its first three years include:

- Approval of 45 loans committing $17.4 million of the $20 million transferred to the Loan Subaccount by the Board as of April 30, 1995. Of these, 26 loans, totaling $8.1 million, have been closed.

- $8.1 million in closed loans which leveraged $9.9 million in outside investments (including private funds and equity), for a total of $18 million.

- A growing demand for loan funds. Demand climbed 65 percent from 1993 to 1994.

- An expected 1.5 million tons per year added to the state's recycling-based manufacturing capacity. This is nearly 14 percent of the material that must be diverted after 1995 to meet California's 50 percent goal for the year 2000.

- Creation or retention of 607 jobs at a cost far below that of government industrial development bond programs.

Early in 1995, Renew America recognized the RMDZ program as one of the nation's leading programs that combine the attainment of economic development and environmental protection goals.

Funding Recycling Infrastructure

The loan program was created to provide capital to expand markets for recyclable materials. Private lenders generally have not backed recycling-based businesses. This is because lenders are unfamiliar with this business sector and its product markets. Considering the recycling industry's lack of credit history, private lenders are likely to stay away from the industry over the next several years and enter it cautiously and gradually in the future.

Continuation of the loan program will serve two critical functions. First, it will meet the timely need for credit and funding to strengthen markets for growing local waste diversion programs. Second, it will assist in meeting the need to build a credit history that will provide the private lending community the confidence necessary to lend to recycling-based businesses.

Bankers and others in the private lending community view the program's potential for competition with the private sector as minimal. The loan program complements, rather than competes with, the private sector by leveraging at least an equal amount of private funds invested in the projects to which it lends. Commercial and industrial lending in California exceeds $33 billion a year. By comparison, the loan program has made $17.4 million in loans in its first three years. Furthermore, the loan program seeks to fund businesses with limited private sector financing alternatives. Only 8 percent of total project costs to date have come from commercial lenders. The rest has come from the borrowers' equity and other sources. Many borrowers have said that they would not have been able to pursue their recycling projects if it were not for the RMDZ loan program.

A survey of local zone administrators reveals that the RMDZ program has been instrumental in stimulating local economic development. In addition to the capital enhancement afforded the zones, the RMDZ program has heightened awareness throughout the business community about the potential to establish local manufacturing capacity using recycled materials. It also has created linkages among waste collectors, processors, and manufacturers in the zones.

Loans in Demand

Demand for loan funds grew 65 percent from 1993 to 1994. In the first quarter of 1995, the Board received 23 applications, the highest rate since the program's inception. This was with only 29 RMDZs designated, some of which had only existed for a year. An even higher rate is expected in the future with all 40 zones designated. If this trend continues, the Board will receive 100 to 150 applications requesting from $29 million to $60 million in the 1995-96 fiscal year. Given current loan fund availability, the loan program will fall far short of meeting market demand.

Overall, the loan program has created jobs at a far lower cost per dollar invested than other government programs. Typically, government industrial development bond programs create one job for each $50,000 invested. The RMDZ loan program is creating one job for each $28,596 in loan funds.

Typical borrowers under this program are financially strong small business owners, with good cash flow, and a conservative debt structure. By enforcing a conservative ratio of collateral value to funds loaned, the program ensures repayment of loans as scheduled. The loan program mirrors private sector lending standards in this important area.

In summary, the loan program is succeeding as a catalyst for recycling-based economic development in California while contributing to waste diversion from landfills and to resource conservation. Extending the program beyond its existing sunset date will help to enhance the secondary materials manufacturing infrastructure within the state. It will expand the available financing pool more than five-fold to over $200 million, which is not currently available from private sources. It also will be a catalyst for continued job creation, waste diversion and private sector investment in secondary material industries.

Recommendations

Based on the analysis and findings in this report, the Board recommends that the Legislature:

1. Extend the Recycling Market Development Zone loan program sunset date from July 1, 1997, to July 1, 2006.

2. Extend funding for the loan program by continuing the annual transfer of $5 million from the Integrated Waste Management Account (IWMA) until July 1, 2000.

3. Continue the Recycling Market Development Revolving Loan Subaccount beyond the year 2000, based on an analysis of the IWMA fund condition and Board program needs.

4. Authorize the Board to participate in a pilot program with the California Capital Access Program (CalCAP), administered by the California Pollution Control Financing Authority, for an amount not to exceed $500,000. Require the Board to evaluate its participation in the program and report its findings to the Legislature by March 31, 1999.

INTRODUCTION

1.1 Purpose and Scope

This report analyzes the market development impact of the Recycling Market Development Zone (RMDZ) loans on recycling-based businesses, the loan portfolio, and projected demand for future loans. The report fulfills the requirement of Public Resources Code (PRC) section 42010 (f)[1] that the Board submit an evaluation of the loan program to the Legislature before the program sunsets on July 1, 1997.

1.2 Legislative History

The RMDZ program was created by SB 1322, Bergeson (*Stats. 1989, ch. 1096*). Under this legislation, local governing bodies can propose eligible parcels or property within their jurisdictions for designation as Recycling Market Development Zones (zones). Within zones designated by the Board, local agencies and the Board can provide incentives to businesses that use secondary materials from the waste stream as feedstock for manufacturing. This and subsequent related legislation appears in PRC sections 40506.1 and 42010-42023.

Public Resources Code section 42010, as provided by SB 2310, Bergeson (*Stats. 1990, ch. 1543*) allows the Board to make low-interest loans to private businesses and local governing bodies within the zones to help meet waste diversion mandates. The loan program is funded, on appropriation by the Legislature in the annual budget act, by the annual transfer of five million dollars ($5,000,000) from the Integrated Waste Management Account in the Integrated Waste Management Fund to a loan program subaccount. Current statute provides that the final transfer will occur on July 1, 1996. The program is scheduled to sunset on July 1, 1997.

1.3 Organization of Report

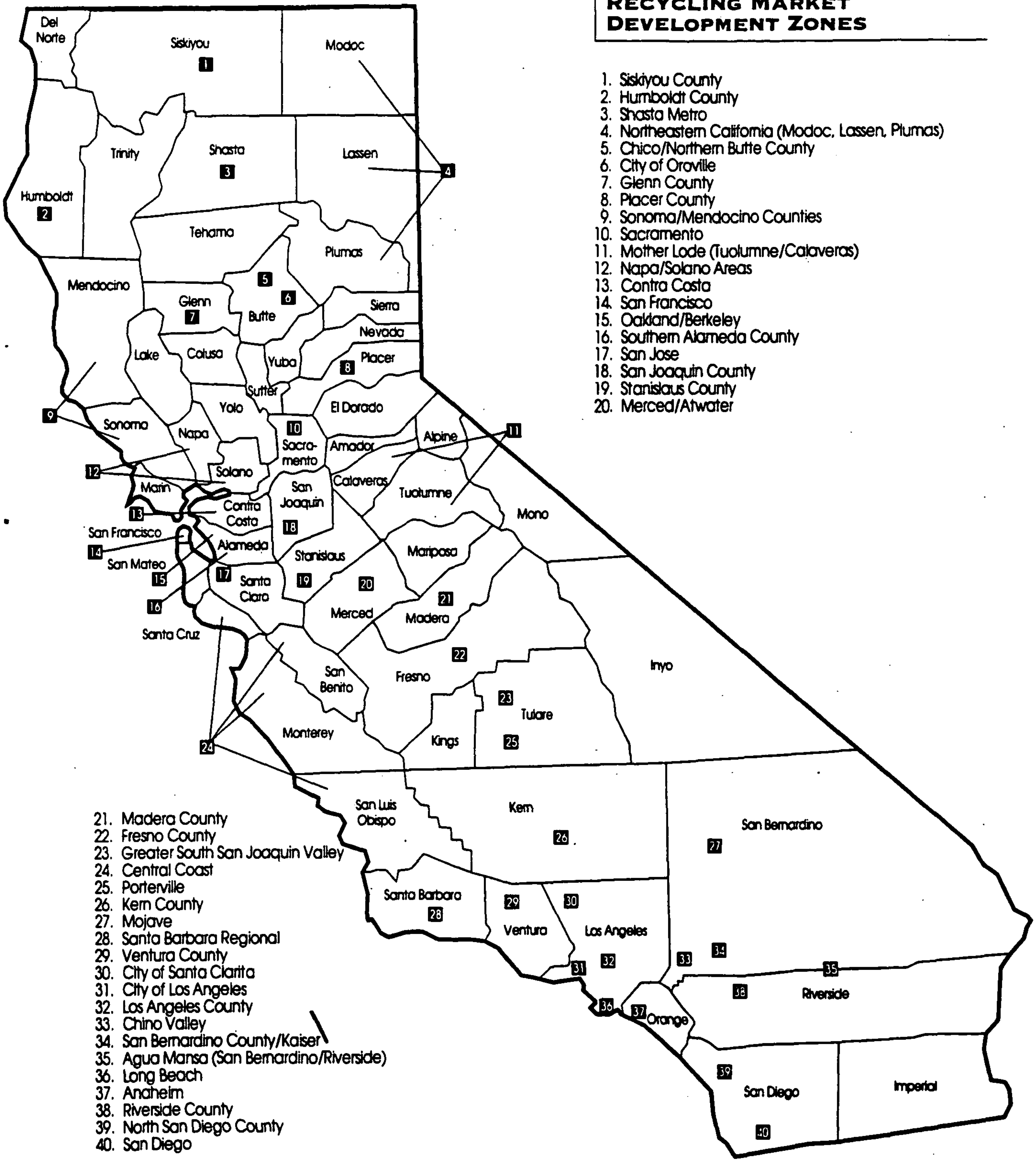
There are two main sections to this report. First is a comprehensive evaluation of the RMDZ loan program. It includes background information and an analysis of the program's impacts. The second section contains the Board's conclusions about the loan program and provides recommendations on its future.

The following evaluation includes the results of a survey of all businesses receiving RMDZ loans (as well as from businesses whose loans were approved by the Board prior to March 31, 1995, but which have not yet been funded). Local zone administrators also were interviewed, to assess the local economic benefits of the program. With this information and an analysis of the existing loan portfolio, the program's impact on waste diversion and economic development goals is evaluated. The section also presents a discussion of the projected future loan demand.

[1] Assembly Bill 1909, O'Connell *(Stats. 1993, ch. 733)*

FIGURE A
CALIFORNIA'S RECYCLING MARKET DEVELOPMENT ZONES

1. Siskiyou County
2. Humboldt County
3. Shasta Metro
4. Northeastern California (Modoc, Lassen, Plumas)
5. Chico/Northern Butte County
6. City of Oroville
7. Glenn County
8. Placer County
9. Sonoma/Mendocino Counties
10. Sacramento
11. Mother Lode (Tuolumne/Calaveras)
12. Napa/Solano Areas
13. Contra Costa
14. San Francisco
15. Oakland/Berkeley
16. Southern Alameda County
17. San Jose
18. San Joaquin County
19. Stanislaus County
20. Merced/Atwater



21. Madera County
22. Fresno County
23. Greater South San Joaquin Valley
24. Central Coast
25. Porterville
26. Kern County
27. Mojave
28. Santa Barbara Regional
29. Ventura County
30. City of Santa Clarita
31. City of Los Angeles
32. Los Angeles County
33. Chino Valley
34. San Bernardino County/Kaiser
35. Agua Mansa (San Bernardino/Riverside)
36. Long Beach
37. Anaheim
38. Riverside County
39. North San Diego County
40. San Diego

PROGRAM EVALUATION

2.1 Background

The RMDZ loan program was established to help finance expansion of market capacity for materials diverted from disposal in California. By law, California communities must reduce the amount of solid waste disposed in landfills by 25 percent by 1995, and 50 percent by the year 2000. One of the primary means of achieving this goal is to develop end-use markets for recyclables, benefiting both the environment and the economy. Environmental problems caused by solid waste disposal are reduced as the waste stream shrinks, and local economic development benefits are created. Through the zone program, California is leading the way in creating markets for recycled materials.

The RMDZ program helps communities meet waste diversion goals by helping local industries create needed markets for diverted materials. Zones are areas of commercial and industrial development targeted by local jurisdictions and the Board.

As shown in Figure A, the Board has designated 40 RMDZs, which are distributed throughout the State, in urban and rural areas. Altogether, 195 jurisdictions (cities and counties) are in RMDZs, and 52 percent of California's population is served directly by RMDZs. In concert with local governments, the Board is encouraging and aiding economic development strategies designed to promote recycling manufacturing businesses in the zones. Low-interest loans are the State's key incentive to encourage recycled product manufacturing in the zones.

The zones are modeled, in part, on the California Trade and Commerce Agency's Enterprise Zones Program and consist of specific geographic areas designated by the Board at the request of local governments. The zones were selected on a competitive basis in four cycles. Twelve zones were designated in 1992, five in 1993, twelve in 1994, and eleven in 1995. Each zone has a locally appointed zone administrator and other support staff who work in conjunction with, and are supported by, Board staff. Local zones complement State market development and business assistance efforts by offering additional services and incentives, such as, fast-track permitting, location incentives, and job training assistance.

Creating California markets for materials diverted from California landfills is the goal of the loan program. The program will accomplish this by providing loans as incentives to encourage financially viable businesses to expand their recycled materials manufacturing activities. This incentive is especially important because many recycling businesses have encountered difficulties in obtaining long-term credit. The RMDZ loan program has three main features:

- Funding up to 50 percent of project cost, with a maximum loan of $1,000,000, for machinery and equipment, working capital, land, and/or debt refinancing;

- Fixed, low-interest rates set semi-annually by the Board; and
- Loan terms up to 10 years.

Private businesses and non-profit organizations may borrow up to $1 million to create or convert manufacturing processes to use recycled materials. Local governments may borrow funds to expand necessary infrastructure to support recycling industries. Loans are made directly from the Recycling Market Development Revolving Loan Account, which is funded at $5 million annually on appropriation by the Legislature in the annual budget act.

Through the loan program, the Board encourages existing manufacturers to substitute secondary materials for primary materials, and promotes the development of new industries in California that use secondary materials.

2.2 Analysis

2.2.1 Loan program stimulates market development

Market demand is being created by the loan program for materials diverted from disposal in California. If local governments are to meet the 50 percent diversion mandate of the Act, an estimated additional 11 million tons annually of recyclables must be collected and reused by the year 2000. This is an amount in excess of today's industrial demand for secondary materials in California. Through the loan program, needed California-based industrial capacity is being built to use the additional materials being diverted from disposal. Current loans will provide the capacity to divert nearly 1.5 million tons annually.

Future private sector financing of recycling manufacturing is expected to grow as a direct result of the RMDZ loan program. Historically, private sector lenders have been unwilling to lend to recycling-based businesses because of unfamiliarity with the types of businesses, their equipment, and markets. In addition, the industry as a whole does not have a credit history. As the program's loan portfolio demonstrates the creditworthiness of recycling-based businesses and creates a historical data base for lenders to analyze, emphasis will shift from the State-sponsored loan program to the private lending sector. Until this occurs, a financing gap will exist for recycling-based businesses. The RMDZ loan program bridges this gap.

2.2.2 Diversion impacts are significant

Already, the loan program has stimulated development of market capacity for more than 14 percent of the 11 million annual tons of material that will need markets by the year 2000. Program diversion has reached almost 1.5 million tons annually thus far. Summary details on the 26 closed loans and 19 approved loans which have not yet closed are provided in Appendix 1.

The loan program has given priority to creating markets for paper, plastics, and organic or compostable materials. These three commodities are identified in the Board's *Market*

Development Plan as those most in need of State market assistance. Table 1 summarizes the loans by type of material diverted. The table shows that the Board has focused on paper and plastics projects in terms of number of loans made. In terms of tons diverted, emphasis has been on organics and inerts.

TABLE 1
Loans Analyzed by Material Diverted

Material Diverted	No. of Loans	Percent of Loans	Loan Amount	Percent of Loans ($)	Tons/yr Diverted	Percent of Diversion
Paper	6	13	$1,288,100	7	31,342	2
Plastic	12	27	6,223,270	36	33,484	2
Ferrous Metals	2	4	1,000,000	6	61,500	4
Organics	5	11	958,000	6	156,450	11
Inerts	3	7	1,000,000	6	96,000	7
Glass	2	4	226,000	1	7,650	1
Tires	3	7	2,100,000	12	33,275	2
Other *	3	7	350,000	2	1,878	0
Mixed materials	4	9	2,152,500	12	115,300	8
Subtotal	40	89	$15,297,870	88	536,879	37
Average			$382,447		13,422	
Inerts (large processors)**	5	11	$2,060,000	12	925,360	63
Total All	45	100	$17,357,870	100	1,462,239	100
Average All			$385,730		32,494	

* "Other" includes printer ribbons, textiles, and computer parts.

** > 100,000 TPY

For a profile of the diversion by individual loan, refer to Table 2.

2.2.3 Loan program produces economic benefits

Loans increase private investment

The loan program has brought increased investment to California communities. To date, the Board has approved 45 loans worth $17.4 million. For the 26 loans approved and closed as of March 31, 1995, the total public and private investment is $18,006,690.

The loan program is successfully encouraging private sector investment in reuse and recycling businesses. Under PRC section 42010(d), loans are limited to 50 percent of total project cost.

TABLE 2

Recycling Market Development Zone Loans

Loan Number	Applicant	Zone (From Fig. A)	Loan Amount	Tons Diverted (/yr)	Jobs Created
Funded Loans					
93-001	Fiberwood Incorporated	10	$150,000	20,000	21
93-004	Ecology Center	15	$480,000	19,000	5
93-005	The Sutta Co.	15	$210,500	8,000	6
93-008	Talco Plastics, Inc.	36	$850,000	7,500	50
93-012	Tigon Industries, Inc.	35	$500,000	17,100	18
93-013	Recycling Earth Products, Inc.	40	$500,000	65,000	40
93-016	McCoy Sanitary Supply Co., dba Amigo Bag & Lining	15	$60,000	924	21
93-017	Badger Forest Products, Inc.	15	$29,600	1,200	2
93-018	Schnitzer Steel Industries, Inc.	15	$750,000	60,000	5
93-020	Organic Recycling West, Inc.	40	$196,000	40,000	10
93-021	The Plactory, Inc.	24	$75,000	100	13
93-022	Coast Recycling North, Inc.	24	$150,000	7,300	8
93-024	Paul T. Beck Contractors (DKD Investment)	24	$335,000	244,000	4
93-029	Commercial Filter Recycling, Inc.	16	$250,000	1,500	10
93-033	Log World	38	$250,000	18,000	20
94-039	Marplast, Inc.	29	$200,000	225	21
94-040	Plastic Works, Inc.	15	$112,270	115	7
94-049	The Sutta Company, Inc.	15	$150,000	500	6
94-055	California Fiberloft, Inc.	31	$1,000,000	3,700	34
94-060	Productivity California, Inc.	32	$266,000	5,800	5
94-065	Exclusively Buff, Inc.	33	$225,000	38	4
94-071	California Grey Bears, Inc.	24	$48,000	390	0
94-074	Encore Ribbon, Inc.	9	$50,000	40	6
94-076	Oceanside Glasstile Company	39	$76,000	350	11
94-078	Hi Life Products, Inc.	33	$1,000,000	4,000	40
94-079	Simi Valley Base, Inc.	29	$200,000	6,000	2
TOTAL	26		$8,113,370	530,782	369
Projected Fundings					
93-023	Arcata Community Recycling Center, Inc.	2	$162,500	5,700	7
93-030	Eco Pave California	36	$850,000	200,000	7
93-031	Tri-City Economic Development Corporation	16	$510,000	4,800	18
94-044	Plastopan North America, Inc.	31	$1,000,000	720	30
94-064	Viking Container Company	17	$700,000	1,252	85
94-068	C and H Electronic Recovery, Inc.	17	$75,000	1,800	2
94-069	Markovits & Fox	17	$1,000,000	85,800	4
94-070	North Valley Recon, Inc.	7	$300,000	25,000	3
95-072	Filam National Plastics, Inc.	32	$1,000,000	400	10
94-077	American Soil Products, Inc.	15	$230,000	70,000	3
94-082	Remedial Environmental Marketing, Inc., dba REMCO	13	$400,000	261,360	12
95-085	Aldo's Landscaping	36	$175,000	120,000	3
95-086	Plastic Form, Inc.	31	$60,000	270	2
95-092	James L. Rossi, Inc., dba Rossi Transport Service	24	$162,000	1,450	1
95-094	Aqua Terra Recycling, Inc.	32	$300,000	100,000	8
95-097	Parco Recycling of California, Inc.	31	$1,000,000	15,000	25
95-099	Pacific Coast Retreaders, Inc.	15	$600,000	1,175	5
95-100	Talco Plastics, Inc.	36	$600,000	10,000	10
95-101	Cranford, Inc.	24	$120,000	27,000	3
TOTAL	19		$9,244,500	931,727	238
TOTAL	45		$17,357,870	1,462,509	607

The current investment ratio, based on the 26 approved loans funded to date,[1] is $1.22 of private investment for each $1.00 of State funds invested. This means that 55 percent of total project cost was private investment. Most of the matching funding (74%) was borrowers' equity. Private lenders (15%) and other sources (11%) provided the remainder.

Loans create/sustain jobs

The loan program results in employment as well as waste diversion. To date, the 26 closed loans are creating or retaining 369 jobs–an average of 14 jobs per funded project. The 19 loans approved but not yet closed are expected to create an additional 238 jobs. (See Appendix 1 for details regarding the employment impacts of the loan program.)

For the most part, the loan program has been responsible for creating jobs much more efficiently than is expected from government program investments. Typically, Industrial Development Bond programs create one job for each $50,000 of government funds invested. On average, the RMDZ loan program has created one job for each $28,596 in loan program funding. For the 26 closed loans, this cost is only $21, 987 per job.

- Of the 26 closed loans, companies involved in processing or manufacturing with plastic accounted for the highest number of jobs (162) at an average outlay from the program of $16,327.

- Inert materials processors created the second highest number of jobs (46); but the outlay per job was higher at $22,500.

Zones promote inter-business ties

Within RMDZs, businesses involved in collecting recyclables, processing materials, and manufacturing with recyclables are increasingly aware of the loan program. When asked what effect, if any, the loan program and participating businesses have had on other businesses, two-thirds of the zone administrators said that the primary benefit is a heightened interest in manufacturing with recycled materials. Businesses become interested in the program through discussions with other businesses, or in response to media coverage. This prompts them to explore ways to modify or expand operations to take advantage of the loan program. Twenty-one percent of zone administrators also report that haulers, processors, and manufacturers in their communities are beginning to link with each other through the RMDZ, and that potential users are talking to local collectors and processors about the waste stream.

Two examples follow of businesses that either received RMDZ loans or developed ties because of the zone program. The program has allowed companies, such as these, to begin processing

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1 Loans approved but not yet closed are not included in this analysis because total financing packages are not complete.

new materials, use recycled materials in product manufacturing, and expand to meet the growing demand for value-added recycled materials.

Firma, Inc. + Productivity California, Inc.

Firma, Inc. recovers plastic from all grades of commonly used wire. The company processes used wire covered in various plastics, rubber, and nylon insulation. Firma, Inc. reduces these items to their fundamental components, recycling more than 70 percent of the wire materials that would otherwise go to landfill. Recovered plastics are sold to Productivity California for feedstock.

Productivity California uses recycled plastics to make plastic nursery containers in its injection-molding operation. Since 1983, the company has developed innovative processes to clean and manufacture waste plastic into a finished product. Nearly 80 percent of its feedstock is plastic wire scrap and other recycled plastics. Productivity California is located in the Los Angeles County RMDZ and received financing to expand operations.

Plastopan Group + Talco Plastics + Envirothene, Inc.

Plastopan Group is widely recognized for its high quality injection-molded products, and for its leadership in plastics recycling. The company has manufactured and distributed worldwide over two million wheeled plastic refuse and recycling containers. Plastopan will provide plastic refuse containers to the City of Los Angeles, manufactured with 20 percent post-consumer recycled plastic resin. The company has established an injection-molding plant in the South Central area of Los Angeles, within the city's RMDZ. Financing was approved for working capital. Plastopan purchases feedstock from Talco Plastics and Envirothene.

Talco Plastics is establishing a 100 percent post-consumer plastics recycling plant in the Long Beach RMDZ. The company is considered a leader in the production of 50 different types of engineering-grade resins. This facility will manufacture 100 percent post-consumer resin from milk jugs, detergent bottles, and other containers, and from film plastics such as grocery bags, dry-cleaning bags, and stretch film. Financing was provided for machinery and equipment.

At its Chino plant, Envirothene, Inc. processes post-consumer plastic into pellets for use in recycled-content products. The company receives baled curbside-collected high density polyethylene plastic (HDPE) bottles and utilizes a pelletizing process that extrudes HDPE pellets for reuse in product manufacturing.

Section 2.2.4 The loan program offers specific local benefits

All 40 zone administrators were interviewed about the local benefits of being in a RMDZ and about the loan program in particular. This section summarizes their responses.

Loans are the main reason for forming a zone

The loan program was the primary factor in the community's decision to apply for zone designation, according to 80 percent of the zone administrators surveyed.[2] A number of zone administrators stressed that, for them, the loan program was the primary benefit or incentive of the program. Others emphasized that the loan program opens the door to other types of assistance for businesses.

The following is a typical comment. According to the administrator of the Contra Costa zone:

> *"It is hard for recycling businesses to justify to banks that this is a commodity and product other than garbage. The State financing program got the banks' attention and gave local businesses the ability to get private bank loans."*

Additional benefits or incentives are offered through the zones

When asked their communities' main reasons for forming a zone, the majority of zone administrators mentioned both economic development and waste diversion goals. They applied for designation, they said, to gain another tool for attracting business, creating job opportunities and supporting waste diversion efforts. Zone administrators ascribed various attributes to the zone concept. Several examples are listed below.

- RMDZs assist in business attraction, retention, expansion and job creation.
- They provide an additional incentive or tool for the community's existing economic development programs.
- Zones assist recycling market development and the ability to create local markets for recycled materials.
- They help meet the Integrated Waste Management Act's waste diversion requirements.

Other reasons expressed for forming a zone included: adding policy support for recycling economic development as a component of a community's emphasis on "green" industry; and contributing to the degree of cooperation among local jurisdictions.

While the loan program is the cornerstone of the RMDZs' economic development effort, all of the zones offer technical assistance or additional incentives to recycling businesses. Table 3 shows the range of assistance and incentives offered.

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2 Other survey results showed that 25 percent noted the State's help in marketing their area to businesses nationwide was important.

TABLE 3
Local Zone Assistance and Incentives

Type of Assistance	Percent of Zones*
Permit assistance/one-stop/ombudsman/fast track	58
Other financial assistance/loan fund/grants	53
Enterprise/Revitalization/Redevelopment Zones	53
Location incentives/reduced fees/taxes/etc.	38
Loan/business plan technical assistance	33
Site selection/zoning assistance	28
Feedstock assistance/materials exchange	28
Job training incentives/employment assistance	23
Information center/referrals/contacts	15

* Base=40

In addition to describing the more tangible incentives—one-stop permitting, job training incentives, and help with business plan development—zone administrators see themselves as advocates who usher businesses through permitting and start-up processes. In a number of cases, zone administrators have been instrumental in obtaining outside financing for businesses. For example, a recycled plastic products manufacturer in the Long Beach zone received a private loan, a Small Business Administration loan and assistance with Community Development Block Grant financing with zone assistance.

The loan program enhances outreach and business education efforts

Zone administrators responded that a number of other benefits arise from the loan program which are positive for both local governments and the State, although not necessarily tangible or easily documented. They mentioned as examples the positive press for recycling and government, improved regional networking (both among local jurisdictions and businesses) and, as a marketing tool, increased interest in their community or region.

A number of zone administrators believe that the loan program epitomizes the partnership of the State with local business and government that was conceived in the Integrated Waste Management Act. As the Contra Costa zone administrator stated, *"It is the one piece of activity where the State has come through with financial support to respond to a local mandate. It is the most positive of all the stuff in solid waste, and is the one area where we can replace the kinds of jobs (semi-skilled and unskilled manufacturing) we've been losing in this state and nation."*

Commenting on the benefits of bringing recycling as an issue to the forefront in his community, the Merced/Atwater zone administrator said, *"For us, the RMDZ is very positive in ways that probably are not measurable by the Board. We are currently expanding the zone county-wide and using the opportunity to bring recycling efforts to the forefront in a rural community, getting people thinking that it's smart to recycle and dumb to landfill. The RMDZ has increased the awareness level in rural areas very significantly. In developing businesses using recycled materials anywhere in the region, all RMDZs win."*

Zone administrators also mentioned that grants from the Board to support local zone activities were instrumental in increasing zone effectiveness. The Legislature appropriated additional funding for waste prevention and market development activities in AB 1220, Eastin (*Stats. 1993, ch. 656*), which was the Board's hallmark streamlining legislation. In fiscal year 1993-94, the Board allocated $725,000 of these monies for grants to support the individual RMDZs. Table 4 summarizes the types of outreach and business education activities planned with these funds.

TABLE 4
Local Zone Outreach and Business Education

Type of Outreach	**Percent of Zones***
Workshops/seminars	35
Promotion: ads, press, trade shows, fairs, etc.	35
RMDZ brochure/flyers/guides/newsletter	33
Presentations to business/community/conferences	30
Coordination with other organizations/programs (general)	28
Direct outreach to businesses	10

* Base=40

2.2.5 The loan program does not compete with private lending

The loan program's potential to compete with the private lending sector is negligible, given how little the loan program has to invest and how much private lending there is in California. Only $17.4 million in loans were issued as of April 30, 1995. Table 5 compares annual commercial lending activities in the state. It shows that the annual loan program lending level is only 0.01 percent of the total lending activity in the state.

TABLE 5
California Lending Activity

Source	Annual Loans	Percent
Private sector lending*	$33,208,000,000	96.78
Small Business Administration	$1,100,000,000	3.21
RMDZ loan program	$5,000,000	0.01

* Loans of California large commercial banks as of 3/22/95.

The competitive factor is further lessened when one considers that the RMDZ loan program targets its lending to recycling manufacturing businesses that have been unable to obtain financing from the private sector. Financial barriers have existed as the result of two factors: 1) a lack of knowledge in the private lending sector of the recycling industry, its equipment and markets; and 2) a lack of credit history for the recycling industry as a whole. To date, only 8 percent of total project costs have been financed by commercial lending. Also, some borrowers report that they would not have pursued their recycling projects if it were not for the availability of program loans. Furthermore, the program is structured such that when the private lending community is ready to embrace the recycling community, the loan program will have achieved its objective and will no longer be needed.

2.3 Analysis of Loan Portfolio

2.3.1 Loan process and security

A careful screening process assures loans are based on sound credit decisions and well-secured. Loan applications are reviewed in the field by RMDZ program loan officers who review the applications for creditworthiness. The loan applications are then reviewed in-house by a panel that ranks the loans against market development priority criteria established by the Board. At the same time loans are being reviewed for their potential secondary material market impact, the applications are reviewed by the Board's Permitting and Enforcement Division for potential permitting issues. The loans that fit the Board's market development criteria are analyzed in a formal credit report which is then subjected to Loan Committee review.

The Loan Committee, appointed by the Board, is comprised of seven individuals who are well-placed in the private and public sector lending community. The loans undergo a complete credit review by the committee. Those applications that are approved by the Loan Committee must then be approved by the Board's Market Development Committee, and finally, by the Board itself at a regularly scheduled business meeting.

The result of this careful screening process is a portfolio of well-secured loans. Security for the 26 closed loans includes a mixture of machinery and equipment, accounts receivable, inventory, real property and cash. Collateral of $12,110,000 secures the 26 closed loans, which total $8,113,000.

2.3.2 Loan collateralization is conservative

Liquidation analyses are performed to determine the level of Board protection required for each loan. Assets pledged as security are then discounted (through liquidation factors) to determine quick sale value. The average "liquidation collateral coverage ratio" for the 26 closed loans was 1.66:1.00. This ratio is calculated by multiplying the cost of items in which the Board has a collateral security interest by an expected liquidation factor and dividing the result by the amount of the loan. The loan program's liquidation factors, shown in Table 6, are based upon standards generally accepted in the lending industry.

TABLE 6
Liquidation Factors by Security Type

Type of Security	Liquidation Factor
New machinery and equipment	50% of cost
Used machinery and equipment	30% of cost
Accounts receivable	80% of current balance
Inventory	30% of cost
Real property	80% of cost
Cash and letters of credit	100%

2.3.3 The program loans to businesses likely to succeed

The typical borrower is a small business with good cash flow, a conservative debt structure and a financially strong owner. This profile adds to the Board's security because it describes borrowers who are highly likely to repay loans as scheduled. To the extent the program finances start-up projects, borrower profiles reflect substantially higher guarantor net worth ($7.2 million), stronger collateral coverage (1.88:1.00), and lower debt-to-equity (1.52:1.00) ratios.

Table 7 describes the existing loan portfolio using common financial measures. Means are adjusted to filter borrowers with widely variant financial characteristics.

2.4 Projected Loan Demand

The number of loan applications received rose 65 percent from 1993 to 1994. Twenty-three applications were received in the first quarter of calendar year 1995 (the latest quarter for which data are available), the highest number of applications since the inception of the program. Funding requests for the 23 applications exceeded $7 million. Figure B illustrates the upward trend in loan applications over the life of the program.

TABLE 7

Loan Portfolio Characteristics

Financial Measures	Mean Borrower Value	Borrowers Included
Annual sales for existing businesses[1]	$2,551,680	19
Cash flow coverage ratio[2]	3.25 to 1.00	20
Collateral coverage liquidation ratio	1.66 to 1.00	26
Projected debt-to-equity ratio[3]	1.72 to 1.00	26
Net worth of business[4]	$503,336	24
Net worth of guarantors[5]	$3,246,925	21

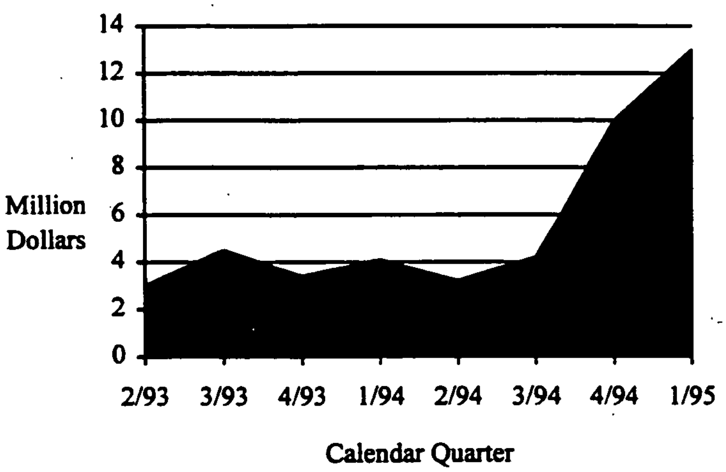
1 Excludes start-up businesses and one high-sales-volume borrower.
2 Excludes start-up businesses.
3 After completion of project financing.
4 Excludes one high net worth business.
5 Excludes nonprofit borrowers.

Using the January 1995 application rate to project demand, total demand for fiscal year 1995-96 should be 92 applications for approximately $28.7 million. Zone administrators estimate that the Board might receive as many as 209 loan applications, worth $56.5 million, within the next twelve months. Regardless of the method used to project loan demand, when contrasted to anticipated loan fund availability, the program will fall far short of actual loan demand before the fiscal year ends.

2.5 New Financing Mechanisms

The largest gap between demand and loan fund availability is projected to occur in fiscal years 1995-96 and 1996-97, when the loan fund will generate approximately $9.5 million annually. Annual loan demand during this period is expected to be approximately $29 million. The Board has been reviewing alternative financial mechanisms that would leverage loan funds to meet this demand. One mechanism currently under review is the sale of loans in the secondary money market. Pursuant to PRC section 40506.1, the Board has legislative authority to sell its loans and has been developing this alternative for the past year. The Board also has considered participation in the existing Capital Access Program (CalCAP) administered by the California Pollution Control Financing Authority (CPCFA). The Board's participation in the CalCAP program would require authorizing legislation.

FIGURE B
RMDZ Loan Demand



2.5.1 CalCAP

Eligible small businesses that do not qualify for conventional loans may qualify to borrow from participating banks under CalCAP lending rules. Here, the borrower pays to the bank a standard loan fee, a risk-adjusted interest rate (currently ranging between Prime + 3.5% and Prime + 6.5% depending on loan/line size), plus a 2 percent CalCAP fee paid into a reserve account. A 2 percent CalCAP fee also is paid by the bank. The State matches both bank and borrower contributions for an additional 4 percent. Thus a total of 8 percent is paid into a loan loss reserve account. The State owns the loan loss reserve account which can only be used by the banks to cover losses on loans insured under the CalCAP program.

CalCAP eligibility as currently defined by the State (separate from bank credit guidelines) is straightforward:

- At least 25 percent of a business' activities must fall within an eligible Standard Industrial Classification (SIC) code. SIC Codes are business categories established by the federal Office of Management and Budget (or RMDZ criteria);

- A business must have fewer than 500 employees;
- The business must be located in, and the loan proceeds must be used in California.

Historically, commercial lenders have used loan guidelines and priced loans so their total portfolio losses do not exceed 2 percent. The 8 percent reserve allows a bank to take more risk, but the bank is still at risk for any losses which exceed the reserve account. State exposure to risk is limited to its initial up-front contribution of 4 percent.

Two features of CalCAP insure that it is beneficial from the Board's perspective:

1. Market forces in the form of price competition prevent lenders from doing conventional loans under the program. Borrowers will only pay the extra expense of CalCAP loans if they cannot qualify for less expensive and less risky conventional loans.

2. Loan loss reserves can only be used by a lender through actual loan losses. Thus, banks have an incentive to build a loan portfolio that truly approaches the 8 percent loss rate.

RMDZ loan program fund leveraging is the principle advantage of participation in CalCAP. A $500,000 set-aside could achieve $12.5 million (based on the 4% State contribution rate) in insured lending, if the banks offer the CalCAP option to recycling businesses.

2.6 Analysis of alternatives

Under current law, the recycling market development loan program will sunset on July 1, 1997, three years before local governments must meet the 50 percent waste diversion goal. Recycling Market Development Zones, which retain their designation for 10 years, will lose one of the state's principal tools for market development when the loan program sunsets. In the interest of maximizing the market development benefits of the loan program, the Board considered the potential of extending the sunset date, continuing the annual allocation from the IWMA, and continuing the loan program.

The Board's analysis is summarized in the following four scenarios, which suggest alternatives regarding the RMDZ loan program's future. These alternatives are summarized in Table 8. Detailed analyses of the alternatives appear in Appendix 2. Projected program benefits are based on experience gained from the 45 loans approved as of April 30, 1995.

Alternative 1 - No change. Under this option, the loan program will sunset on July 1, 1997. At that time, the program likely will have loaned a total of $38 million ($30 million in annual allocations plus loan repayments and other fund transfers). These loans should result in diversion of 2.2 million tons annually, creation or retention of 1,359 jobs, and total capital investment of $84 million. As current law requires (PRC section 42010 (g)), the Integrated Waste Management Account (IWMA) will be replenished by proceeds from repayment of loans outstanding as of July 1, 1997. With the final loan repayment, which likely will occur in 2003,[1] the IWMA will recover $32 million. This is a 6.7 percent return on the $30 million total of annual allocations for the program.[2]

Alternative 2 - Fund the RMDZ loan program by continuing the $5 million annual allocation from the IWMA until July 1, 2000, and authorize loans to be made until that date. This sunset date corresponds to the Integrated Waste Management Act goal of 50 percent waste diversion by the year 2000.

As of July 1, 2000, the program likely will have loaned a total of $86 million against $45 million in annual allocations plus loan repayments and other fund transfers. These loans should result in diversion of 3.9 million tons annually, creation or retention of over 3,000 jobs, and total capital investment of $191 million. This is a 76 percent increase in the level of economic and market development over Alternative 1; yet, the total of annual allocations is only 50 percent higher.

Under Alternative 2, the IWMA will be replenished by proceeds from repayment of loans outstanding as of July 1, 2000. With the final loan repayment, which likely will occur in 2006, the IWMA will recover $57 million. This is a 26.7 percent return on the $45 million total of annual allocations under this option.

Alternative 3 - Fund the RMDZ loan program with a $5 million annual allocation from the IWMA until July 1, 2006, and authorize loans to be made until that date. This sunset allows those zones that received final designation in 1996 to have access to the loan program for their full 10 year existence.

As of July 1, 2006, the program likely will have loaned a total of $270 million against $75 million in annual allocations plus loan repayments and other fund transfers. These loans should result in diversion of 10.4 million tons annually, creation or retention of over 10,000 jobs, and total capital investment of $600 million. This represents a 365 percent increase over the level of economic and market development which would occur in Alternative 1; the amount of allocation is 150 percent higher.

Under Alternative 3, the IWMA will be replenished by proceeds from repayment of loans outstanding as of July 1, 2006. With the final loan repayment, which likely will occur in 2012,

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[1] The analysis of all four alternatives assumes the average loan term is 6 years beginning with fiscal year 1995-96.
[2] The amount available for loans is actually different than the total from the annual allocations. Funds were added from the California Tire Recycling Management Fund ($1.35 million) and from an allocation of AB 1220 funds ($660,000). These additions were offset by a reversion of funds ($124,000) to the General Fund in fiscal year 1993-94 and funding of various contracts and administrative overhead for the loan program.

TABLE 8

Loan Program Alternatives

Alternative	Total of Annual Allocations ($ million)	Total Loans Issued ($ million)	Waste Diversion (TPY)	Total Jobs Created/ Retained	Total Investment ($ million)	Change from Alternative 1 (percent)	Final Repayment Year
1 ~~No~~ Change. Allocations and loans end 7/1/1997	$30	$38	2,241,000	1,359	$84	n/a	2003
2 Allocations and loans continue until 7/1/2000	45	86	3,943,000	3,009	191	76	2006
3 Allocations and loans continue until 7/1/2006	75	270	10,412,000	10,076	600	365	2012
4 Allocations continue until 7/1/2000; loans until 7/1/2006	45	214	8,447,000	7,979	476	277	2012

the IWMA will recover $122 million. This is a 62.7 percent return on the $75 million total of annual allocations under this option.

Alternative 4 - Fund the RMDZ loans with a $5 million annual allocation from the IWMA until July 1, 2000 and authorize loans until July 1, 2006. Under this alternative, loans could be made after July 1, 2000 from loan repayments and any other fund transfers that may occur (e.g., from the California Tire Recycling Management Fund), based on an analysis of IWMA fund condition and Board program needs. This sunset allows those zones that received final designation in 1996 to have access to the loan program for the full 10 years that they are RMDZs but limits the amount of funding provided from the IWMA.

As of July 1, 2006, the program likely will have loaned a total of $214 million out of $45 million in annual allocations plus loan repayments and other fund transfers. These loans should result in diversion of over 8.4 million tons annually, creation or retention of almost 8,000 jobs, and total capital investment of $476 million. This represents a 277 percent increase over the level of economic and market development which would occur under Alternative 1; the amount of allocation is only 50 percent higher.

Under Alternative 4, the IWMA will be replenished by proceeds from repayment of loans outstanding as of July 1, 2006. With the final loan repayment, which likely will occur in 2012, the IWMA will recover $81 million. This is an 80 percent return on the $45 million total of annual allocations under this option.

CONCLUSIONS AND RECOMMENDATIONS

3.1 Conclusions

Increased lending activity will add greatly to the effectiveness of the program and its impact on achieving California's waste diversion goals. The loan program will have originated approximately $38 million in loans by the program's existing sunset date of July 1, 1997. Of the alternatives suggested in Section 2.6 of the report, Alternative 4 offers the greatest return on the total investment of IWMA funds in the loan program. This option extends the yearly allocation of $5 million to July 1, 2000, and authorizes loans until a new sunset date of July 1, 2006. Under this alternative, the cumulative loan total could climb to $214 million, an increase of 463 percent. Job creation, waste diverted and the infusion of outside investment all would increase in response. This extension will significantly increase State support of the recycling market infrastructure needed to meet the waste diversion goal.

3.2 Recommendations

The following recommendations are made as a result of this program evaluation:

1. Extend the Recycling Market Development Zone loan program sunset date from July 1, 1997, to July 1, 2006.

2. Extend funding for the loan program by continuing the annual transfer of $5 million from the Integrated Waste Management Account (IWMA) until July 1, 2000.

3. Continue the Recycling Market Development Revolving Loan Subaccount beyond the year 2000, based on an analysis of the IWMA fund condition and Board program needs.

4. Authorize the Board to participate in a pilot program with the California Capital Access Program (CalCAP), administered by the California Pollution Control Financing Authority, for an amount not to exceed $500,000. Require the Board to evaluate its participation in the program and report its findings to the Legislature by March 31, 1999.

APPENDIX 1

Recycling Market Development Zone Loan Program

Funded Loans
and
Projected Closings

Recycling Market Development Zone Loan Program
Funded Loans

RMDZ	Applicant	Address	RMDZ Loan Amount	Projected Annual Tons Diverted	Projected Jobs Created
Agua Mansa	Tigon Industries, Inc.	3660 Placentia Lane, Riverside, CA 92501	$500,000	17,100	18
	1		$500,000	17,100	18
Central Coast	The Plactory, Inc.	986 Tower Place, Santa Cruz, CA 95062	$75,000	100	13
	Coast Recycling North, Inc.	14201A Del Monte Blvd, P.O. Box 870, Marina, CA 93933	$150,000	7,300	8
	Paul T Beck Contractors (DKD Investment)	389 San Juan Grade Road, Salinas, CA 93906	$335,000	244,000	4
	California Grey Bears, Inc.	2710 Chanticleer Ave., Santa Cruz, CA 95065	$48,000	390	0
	4		$608,000	251,790	25
Chino & Chino Hills	Exclusively Buff, Inc.	13921 Magnolia Ave. Chino, CA 91710	$225,000	38	4
	Hi Life Products, Inc.	13940 Magnolia Ave., Chino, CA 91710	$1,000,000	4,000	40
	2		$1,225,000	4,038	44
City of Los Angeles	California Fiberloft, Inc.	2167 East 25th. Street L.A.; CA 90058	$1,000,000	3,700	34
	1		$1,000,000	3,700	34
City of San Diego	Recycling Earth Products, Inc.	1025 Service Place Ste 209, Vista, CA 92084	$500,000	65,000	40
	Organic Recycling West, Inc.	4751 Wilshire Bld, #209, Los Angeles, CA 90010	$196,000	40,000	10
	2		$696,000	105,000	50

Recycling Market Development Zone Loan Program
Funded Loans

County of Los Angeles	Productivity California, Inc.	9001 Rayo Avenue South Gate, CA 90280	$266,000	5,800	5
	1		$266,000	5,800	5
Long Beach	Talco Plastics, Inc.	11650 Burke St., Whittier, CA 90606	$850,000	7,500	50
	1		$850,000	7,500	50
Mendocino & Sonoma Counties	Encore Ribbon, Inc.	1320 Industrial Ave.; Ste. C Petaluma, CA 94952	$50,000	40	6
	1		$50,000	40	6
North San Diego County	Oceanside Glasstile Company	3235 Tyler Street Carlsbad, CA 92008	$76,000	350	11
	1		$76,000	350	11
Oakland/ Berkeley	The Sutta Co.	3211 Wood Street, Oakland, CA 94608	$210,500	8,000	6
	Badger Forest Products, Inc.	7307 "J" Edgewater Drive, Oakland, CA 94621	$29,600	1,200	2
	Ecology Center	760A Gilman Street, Berkeley, CA 94710	$480,000	19,000	5
	McCoy Sanitary Supply Co., dba Amigo Ba & Lining Co.	1220 47th Avenue, Oakland, CA 94601	$60,000	924	21
	Schnitzer Steel Industries, Inc.	P.O. Box 747, Oakland, CA 94604	$750,000	60,000	5
	Plastic Works, Inc.	1380 Ashby Avenue, Berkeley, CA 94710	$112,270	115	7
	The Sutta Company, Inc.	3211 Wood Street, Oakland, CA 94608	$150,000	500	6
	7		$1,792,370	89,739	52

Recycling Market Development Zone Loan Program
Funded Loans

Riverside County	LogWorld	53800 Polk Street, Coachella, CA 92236	$250,000	18,000	20
	1		**$250,000**	**18,000**	**20**
Sacramento	Fiberwood Incorporated	5854 88th Street, Sacramento, CA 95826	$150,000	20,000	21
	1		**$150,000**	**20,000**	**21**
Southern Alameda County	Commercial Filter Recycling, Inc.	1000 E. Slauson Ave., Los Angeles, CA 90011	$250,000	1,500	10
	1		**$250,000**	**1,500**	**10**
Ventura County	Marplast, Inc.	5380 Gabbert Road, Moorpark, CA 93021	$200,000	225	21
	Simi Valley Base, Inc.	5142 B Commerce Moorpark, CA 93021	$200,000	6,000	2
	2		**$400,000**	**6,225**	**23**
	26		**$8,113,370**	**530,782**	**369**

Recycling Market Development Zone Loan Program Projected Fundings

Projected Closings

RMDZ	Applicant	Address	RMDZ Loan Amount	Projected Annual Tons Diverted	Projected Jobs Created
Central Coast	James L. Rossi, Inc., dba Rossi Transport Service	P.O. Box 120 Templeton, CA 93465	$162,000	1,450	1
	Cranford, Inc.	P O Box 7597 Spreckles, CA 93962	$120,000	27,000	3
2			$282,000	28,450	4
City of Los Angeles	Plastopan North America, Inc.	812 East 59th Street, Los Angeles, CA 90001	$1,000,000	720	30
	Plastic Form, Inc.	9775 Glen Oaks Blvd. Sun Valley, CA 91352	$60,000	270	2
	Parco Recycling of California, Inc.	P.O. Box 428 Maysville, KY 41056	$1,000,000	15,000	25
3			$2,060,000	15,990	57
City of San Jose	Viking Container Company	620 Quinn Road San Jose, CA 95108	$700,000	1,252	85
	C and H Electronic Recovery, Inc.	482 South Abbott Ave. Milpitas, CA 95035	$75,000	1,800	2
	Markovits & Fox	1633 Oakland Road San Jose, CA 95161	$1,000,000	85,800	4
3			$1,775,000	88,852	91
Contra Costa County	Remedial Environmental Marketing, Inc., dba REMCO	2717 Goodrick Ave., Richmond, Ca. 94801	$400,000	261,360	12
1			$400,000	261,360	12
County of Los Angeles	Filam National Plastics, Inc.	13984 S. Orange Ave. Paramount, CA 90723	$1,000,000	400	10
	Aqua Terra Recycling, Inc.	1815 Wright Ave. LaVerne, CA 91750	$300,000	100,000	8
2			$1,300,000	100,400	18

Recycling Market Development Zone Loan Program Projected Fundings

Projected Closings

RMDZ	Applicant	Address	RMDZ Loan Amount	Projected Annual Tons Diverted	Projected Jobs Created
Glenn County	North Valley Recon, Inc.	PO Box 636 Orland, CA 95963	$300,000	25,000	3
1			$300,000	25,000	3
Humboldt County	Arcata Community Recycling Center, Inc.	1380 Ninth Street, Arcata, CA 95521	$162,500	5,700	7
1			$162,500	5,700	7
Long Beach	Eco Pave California	6150 Paramount Blvd., Long Beach, CA 90805	$850,000	200,000	7
	Aldo's Landscaping	1344 Temple AVe. Long Beach, CA 90804	$175,000	120,000	3
	Talco Plastics, Inc.	11650 Burke Street, Whittier, CA 90606	$600,000	10,000	10
3			$1,625,000	330,000	20
Oakland/Berkeley	Pacific Coast Retreaders, Inc.	1260 57th Avenue; Oakland, CA 94621	$600,000	1,175	5
0	American Soil Products, Inc.	2222 Third St. Berkeley, CA 94710	$230,000	70,000	3
2			$830,000	71,175	8
Southern Alameda County	Tri-City Economic Development Corporation	33300 Central Avenue, Union City, CA 94587	$510,000	4,800	18
1			$510,000	4,800	18
19			$9,244,500	931,727	238

APPENDIX 2

Recycling Market Development Zone Loan Program

Analysis of Alternatives

Alternative #1

Revolving Loan Program

(Current Situation, Sunset Program on June 30, 1997, Repayment to IWMA Beg. 1997/98)

	000 omitted	1993/94	1994/95	1995/96	1996/97	Totals
Balance from Previous Year		$9,933 *	$9,430	$1,252	$0	
IWMA Transfers & Misc.		$5,660	$5,000	$5,000	$5,000	$30,593
IWMA Repayment from July 1, 1997 through June 30, 2003						($32,493)
Principal Repayment		$22	$480	$2,536	$4,335	$35,492
Interest, Points, and Fees on RMDZ Loans		$169	$554	$1,193	$1,762	$7,705
RMDZ Administrative Costs		($706)	($812)	($981)	($750)	($3,249)
Available to Lend		$15,078	$14,652	$9,000	$10,347	
Annual Results						
Loans Approved		**$5,648**	**$13,400**	**$9,000**	**$10,000**	**$38,048**
Tons Diverted **		755	819	316	351	
Jobs Created ***		261	386	337	375	
Outside Investment Stimulated		$6,891	$16,348	$10,980	$12,200	
Balance Forward		$9,430	$1,252	$0	$347	
Cumulative Results						
Loans Approved		**$5,648**	**$19,048**	**$28,048**	**$38,048**	
Tons Diverted **		755	1,574	1,890	2,241	
Jobs Created ***		261	647	984	1,359	
Outside Investment Stimulated		$6,891	$23,239	$34,219	$46,419	
Assumptions:						
CIWMB Interest Rate	4.50%					
CIWMB Interest Rate (as of 7-1-95)	6.00%					
CIWMB Loan Fee	3%					
CIWMB Loan Fee (as of 7-1-95)	3%					
CIWMB Application Fee	$300					
CIWMB Average Loan Size	$385,730					
Average Loan Term	7					
Average Loan Term (as of 7-1-95)	6					
Dollars per Ton of Material Diverted **	$28.48					
Dollars per Job Created	$26,698					
Outside Investment (In Addition to Loan Dollars)	122%					

Actual figures through 1994/95, projected thereafter using assumptions

* 1993/94 Balance from Previous Year includes IWMA transfers for 1991/92 and 1992/93, $33,000 in interest earnings, less $100,000 in contract costs for 1991/92 and 1992/93.

** Figures exclude large inert and soil processors over 200,000 tons per year approved after 1994/95

*** Jobs are reflected in single units as opposed to thousands

Alternative #2

Revolving Loan Program

(Transfers through 1999/00, Sunset Program on June 30, 2000, Repayment to IWMA Beg. 2000/01)

	000 omitted	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	Totals
Balance from Previous Year		$9,933 *	$9,430	$1,252	$0	$347	$233	$5	
IWMA Transfers & Misc.		$5,660	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	#VALUE!
IWMA Repayments from July 1, 2000 through June 30, 2006									($57,496)
Principal Repayment		$22	$480	$2,536	$4,335	$6,208	$8,623	$11,614	$84,435
Interest, Points, and Fees on RMDZ Loans		$169	$554	$1,193	$1,762	$2,268	$2,829	$3,411	$18,805
RMDZ Administrative Costs		($706)	($812)	($981)	($750)	($590)	($680)	($770)	($5,289)
Available to Lend		$15,078	$14,652	$9,000	$10,347	$13,233	$16,005	$19,260	
Annual Results									
Loans Approved		$5,648	$13,400	$9,000	$10,000	$13,000	$16,000	$19,000	$86,048
Tons Diverted **		755	819	316	351	456	562	683	
Jobs Created ***		261	386	337	375	487	599	564	
Outside Investment Stimulated		$6,891	$16,348	$10,980	$12,200	$15,860	$19,520	$23,180	
Cumulative Results									
Loans Approved		$5,648	$19,048	$28,048	$38,048	$51,048	$67,048	$86,048	
Tons Diverted **		755	1,574	1,890	2,241	2,698	3,259	3,943	
Jobs Created ***		261	647	984	1,359	1,846	2,445	3,009	
Outside Investment Stimulated		$6,891	$23,239	$34,219	$46,419	$62,279	$81,799	$104,979	
Assumptions (Actual Amounts):									
CIWMB Interest Rate	4.50%								
CIWMB Interest Rate (as of 7-1-95)	6.00%								
CIWMB Loan Fee	3%								
CIWMB Loan Fee (as of 7-1-95)	3%								
CIWMB Application Fee	$300								
CIWMB Average Loan Size	$385,730								
Average Loan Term	7								
Average Loan Term (as of 7-1-95)	6								
Dollars per Ton of Material Diverted **	$28.48								
Dollars per Job Created	$26,698								
Outside Investment (In Addition to Loan Dollars)	122%								

Actual figures through 1994/95, projected thereafter using assumptions

* 1993/94 Balance from Previous Year includes IWMA transfers for 1991/92 and 1992/93, $33,000 in interest earnings, less $100,000 in contract costs for 1991/92 and 1992/93.

** Figures exclude large inert and soil processors over 200,000 tons per year approved after 1994/95

*** Jobs are reflected in single units as opposed to thousands

Alternative #3

Revolving Loan Program

(Transfers through 2005/06, Sunset Program on June 30, 2006, Repayment to IWMA Beg. 2006/07)

	000 omitted	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	Totals
Balance from Previous Year		$9,933 *	$9,430	$1,252	$0	$347	$233	$5	$260	$273	$272	$263	$386	$290	
IWMA Transfers & Misc.		$5,660	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	#VALUE!
IWMA Repayments from July 1, 2006 through June 30, 2012															($121,984)
Principal Repayment		$22	$480	$2,536	$4,335	$6,208	$8,623	$11,614	$15,441	$17,407	$18,836	$21,895	$25,064	$28,386	$160,847
Interest, Points, and Fees on RMDZ Loans		$169	$554	$1,193	$1,762	$2,268	$2,829	$3,411	$3,977	$4,572	$5,194	$5,873	$6,606	$7,384	$45,793
RMDZ Administrative Costs		($706)	($812)	($981)	($750)	($590)	($680)	($770)	($905)	($980)	($1,040)	($1,145)	($1,265)	($1,385)	($12,009)
Available to Lend		$15,078	$14,652	$9,000	$10,347	$13,233	$16,005	$19,260	$23,773	$26,272	$28,263	$31,886	$35,790	$39,675	
Annual Results															
Loans Approved		$5,648	$13,400	$9,000	$10,000	$13,000	$16,000	$19,000	$23,500	$26,000	$28,000	$31,500	$35,500	$39,500	$270,048
Tons Diverted **		755	819	316	351	456	562	683	825	913	983	1,106	1,246	1,396	
Jobs Created ***		261	386	337	375	487	599	564	880	974	1,049	1,180	1,330	1,656	
Outside Investment Stimulated		$6,891	$16,348	$10,980	$12,200	$15,860	$19,520	$23,180	$28,670	$31,720	$34,160	$38,430	$43,310	$48,190	
Cumulative Results															
Loans Approved		$5,648	$19,048	$28,048	$38,048	$51,048	$67,048	$86,048	$109,548	$135,548	$163,548	$195,048	$230,548	$270,048	
Tons Diverted **		755	1,574	1,890	2,241	2,698	3,259	3,943	4,768	5,681	6,664	7,770	9,016	10,412	
Jobs Created ***		261	647	984	1,359	1,846	2,445	3,009	3,889	4,863	5,911	7,091	8,421	10,076	
Outside Investment Stimulated		$6,891	$23,239	$34,219	$46,419	$62,279	$81,799	$104,979	$133,649	$165,369	$199,529	$237,959	$281,269	$329,459	
Assumptions (Actual Amounts):															
CIWMB Interest Rate	4.50%														
CIWMB Interest Rate (as of 7-1-95)	6.00%														
CIWMB Loan Fee	3%														
CIWMB Loan Fee (as of 7-1-95)	3%														
CIWMB Application Fee	$300														
CIWMB Average Loan Size	$385,730														
Average Loan Term	7														
Average Loan Term (as of 7-1-95)	6														
Dollars per Ton of Material Diverted **	$28.48														
Dollars per Job Created	$26,698														
Outside Investment (In Addition to Loan Dollars)	122%														

Actual figures through 1994/95, projected thereafter using assumptions

* 1993/94 Balance from Previous Year includes IWMA transfers for 1991/92 and 1992/93, $33,000 in interest earnings, less $100,000 in contract costs for 1991/92 and 1992/93.

** Figures exclude large inert and soil processors over 200,000 tons per year after 1994/95

*** Jobs are reflected in single units as opposed to thousands

Alternative #4

Revolving Loan Program

(Transfers through 1999/00, Sunset Program on June 30, 2006, Repayment to IWMA Beg. 2006/07)

	000 omitted	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	Totals
Balance from Previous Year		$9,933 *	$9,430	$1,252	$0	$347	$234	$6	$261	$41	$432	$364	$157	$92	
IWMA Transfers & Misc.		$5,660	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$0	$0	$0	$0	$0	$0	#VALUE!
IWMA Repayments from July 1, 2006 through June 30, 2012															($81,224)
Principal Repayment		$22	$480	$2,536	$4,335	$6,208	$8,623	$11,614	$14,785	$16,723	$17,069	$18,197	$19,606	$20,685	$140,881
Interest, Points, and Fees on RMDZ Loans		$169	$554	$1,193	$1,762	$2,268	$2,829	$3,411	$3,735	$3,954	$4,178	$4,456	$4,734	$5,011	$38,256
RMDZ Administrative Costs		($706)	($812)	($981)	($750)	($590)	($680)	($770)	($740)	($785)	($815)	($860)	($905)	($943)	($10,337)
Available to Lend		$15,078	$14,652	$9,000	$10,347	$13,234	$16,006	$19,261	$18,041	$19,932	$20,864	$22,157	$23,592	$24,845	
Annual Results															
Loans Approved		$5,648	$13,400	$9,000	$10,000	$13,000	$16,000	$19,000	$18,000	$19,500	$20,500	$22,000	$23,500	$24,750	$214,298
Tons Diverted **		755	819	316	351	456	562	683	632	685	720	772	825	870	
Jobs Created ***		261	386	337	375	487	599	564	674	730	768	824	880	1,094	
Outside Investment Stimulated		$6,891	$16,348	$10,980	$12,200	$15,860	$19,520	$23,180	$21,960	$23,790	$25,010	$26,840	$28,670	$30,195	
Cumulative Results															
Loans Approved		$5,648	$19,048	$28,048	$38,048	$51,048	$67,048	$86,048	$104,048	$123,548	$144,048	$166,048	$189,548	$214,298	
Tons Diverted **		755	1,574	1,890	2,241	2,698	3,259	3,943	4,575	5,259	5,979	6,752	7,577	8,447	
Jobs Created *,**		261	647	984	1,359	1,846	2,445	3,009	3,683	4,413	5,181	6,005	6,885	7,979	
Outside Investment Stimulated		$6,891	$23,239	$34,219	$46,419	$62,279	$81,799	$104,979	$126,939	$150,729	$175,739	$202,579	$231,249	$261,444	
Assumptions (Actual Amounts):															
CIWMB Interest Rate	4.50%														
CIWMB Interest Rate (as of 7-1-95)	6.00%														
CIWMB Loan Fee	3%														
CIWMB Loan Fee (as of 7-1-95)	3%														
CIWMB Application Fee	$300														
CIWMB Average Loan Size	$385,730														
Average Loan Term	7														
Average Loan Term (as of 7-1-95)	6														
Dollars per Ton of Material Diverted **	$28.48														
Dollars per Job Created	$26,698														
Outside Investment (In Addition to Loan Dollars)	122%														

Actual results through 1994/95, projected thereafter using assumptions

* 1993/94 Balance from Previous Year includes IWMA transfers for 1991/92 and 1992/93; $33,000 in interest earnings, less $100,000 in contract costs for 1991/92 and 1992/93.

** Figures exclude large inert and soil processors over 200,000 tons per year approved after 1994/95

*** Jobs are reflected in single units as opposed to thousands

For More Information

Please contact the California Integrated Waste Management Board (CIWMB) Recycling Market Development Zone (RMDZ) Loan Program Staff at (916) 255-2708.

Credits

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