

# Request for Approval

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

**From:** **Michelle Martin**  
Branch Chief, Financial Resources Management Branch

**Request Date:** June 21, 2018

**Decision Subject:** Recycling Market Development Zone Loan for American Tire Recycling LLC (Recycling Market Development Revolving Loan Subaccount, Fiscal Year 2018–19)

**Action By:** July 17, 2018

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## Summary of Request

Staff requests approval of a Recycling Market Development Zone (RMDZ) loan for \$1,500,000 to American Tire Recycling LLC (ATR). The request is more fully described under *Applicant Profile*.

## Recommendation

Staff recommends approval of a RMDZ loan to ATR for \$1,500,000.

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
RMDZ Loan Subaccount (FY 2018–19)	\$9,500,000	\$1,500,000	\$8,000,000	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 the Recycling Market Development Zone loan to ATR for \$1,500,000.

This approval is subject to:

1. The return by the Applicant 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.

3. The Applicant's signing of loan documents within the 90-day loan commitment period, which begins on approval of this RFA. The loan commitment period may be extended, for cause, for an additional 90 days. Extension of the loan commitment period beyond the second 90-day period shall occur only if agreed to by both CalRecycle and the Applicant.

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:** June 27, 2018

Signed By: Howard Levenson

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Howard Levenson  
Deputy Director

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## **Background and Findings**

### **Statutory Authority**

The Recycling Market Development Zone (RMDZ) Program was established by Senate Bill 2310 (Bergeson, Statutes of 1990, Chapter 1543), 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 RMDZ zones.

### **Program Background**

CalRecycle administers the RMDZ Revolving Loan Program to encourage recycling businesses located within designated RMDZ 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.

### **Process**

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

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 loan:

- The Local Assistance and Market Development branch confirmed the project eligibility.
- The Statewide Technical and Analytical Resources branch assessed the reasonableness of the equipment for the project.
- The Waste Permit, Compliance, and Mitigation branch has approved a Major Waste Facility Permit for ATR.
- The Merced County Regional RMDZ Administrator is aware of the project and confirmed that the project is located within the boundaries of the Merced County RMDZ.
- The Loan Committee met on June 14, 2018, and recommended approval of the loan.
- The Budget Office has confirmed that sufficient monies are allocated for
- FY 2018–19.
- Legal Counsel is not aware of any significant legal issues related to the loan.

Based on the above factors, and in consultation with the applicant, staff recommends approval of the loan to ATR for \$1,500,000.

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## Applicant Profile

### American Tire Recycling LLC

Use of Funds and Project Description: ATR will use the \$1,500,000 RMDZ loan to fund the purchase of tire crumb manufacturing equipment and real estate. The loan collateral includes equipment and machinery, accessory parts, transportation trucks, and hauling roll-off containers required to operate a Recycled Tire Rubber Processing Plant. ATR is acquiring the equipment and real estate to begin to produce its own tire crumb inventory for sale exclusively to American Pavement Systems, Inc. (APS).

This is the first RMDZ loan to ATR. ATR is related to APS, which has two outstanding RMDZ loans that are both in compliance and being paid as agreed. These loans financed equipment used for APS' asphalt chip seal application.

Diversion and Jobs: As a result of this RMDZ loan, ATR is projecting the following diversion and jobs:

Diversion & Jobs	Current Diversion	Projected Increase	Total
Tons per Year - Tires	0	8,000	8,000 *
Jobs Created	0	8	8 **

\* By FYE 12/31/2019 approximately 24,000 tons of recycled tires will be diverted annually.

\*\* By FYE 12/31/2019 approximately 16-20 new jobs will have been created.