

Request for Approval

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

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

Request Date: October 11, 2018

Decision Subject: Approval of a Recycling Market Development Zone (RMDZ) Loan in the Amount of \$1,000,000 to Pinnpack Packaging, LLC (Pinnpack) (Recycling Market Development Revolving Loan Subaccount, Fiscal Year ~~2018–19~~ 2019–20)

Action By: October 16, 2018 (Revised November 20, 2019)

Summary of Request

Staff requests approval of a Recycling Market Development Zone Loan (RMDZ Loan) in the amount of \$1,000,000 to Pinnpack Packaging, LLC (Pinnpack). The request is more fully described under *Applicant Profile*.

Recommendation

Staff recommends approval of an RMDZ Loan to Pinnpack for \$1,000,000.

Table 1. Funding

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
RMDZ Loan Subaccount (FY 2018–19 <u>2019–20</u>)	\$8,000,000 <u>\$7,250,000</u>	\$1,000,000	\$7,000,000 <u>\$6,250,000</u>	Direct Loan

Deputy Director Action

On the basis of the information and analysis in this Request for Approval (RFA) and the findings set out herein, I hereby conditionally approve a RMDZ Loan award from the Recycling Market Development Zone Loan Program to Pinnpack Packaging, LLC for \$1,000,000.

This approval is subject to:

1. The return of a signed Loan Commitment Letter by the Applicant 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: December 4, 2019

Signed By: Matt Henigan for Howard Levenson

~~Howard Levenson~~ Matt Henigan
Deputy Director

Background and Findings

Statutory Authority

The Recycling Market Development Zone Loan Program (RMDZ Loan 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 California 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 Loan Program to encourage 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.

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 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.
- Waste Permitting, Compliance, and Mitigation Division, in consultation with the Local Enforcement Agency, advised that a Solid Waste Permit is not required for the project.
- The Ventura County RMDZ Administrator is aware of the project and confirmed that the project is located within the boundaries of the Ventura County RMDZ.
- The borrower stated that it has obtained all significant applicable permits required to operate the business and the equipment to be financed by the proposed loan.
- The Loan Committee met on October 11, 2018 and recommends approval based on the applicant's ability to repay and collateralize the loan.
- The Budget Office has confirmed that sufficient monies are allocated for Fiscal Year ~~2018-19~~ 2019-20.
- 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 RMDZ Loan to Pinnpack for \$1,000,000.

Applicant Profile

Pinnpack Packaging, LLC

Project Description and Use of Funds: Pinnpack is a finished product manufacturer of (food grade recycled content) thermoformed containers. A sister company, CarbonLite Industries LLC, supplies all of PinnPack's post-consumer plastic waste material (food grade recycled PET flake and pellet). Pinnpack is using the \$1,000,000 RMDZ loan to purchase a second chiller and pay for related chiller plant installation expenses (foundation construction, electrical, mechanical, engineering costs). The additional chiller is needed in order to properly cool the manufacturing equipment. The company has undergone an extensive re-structuring of its manufacturing layout, to provide them with the ability to increase product output. When the added chiller and related chiller plant are installed, an additional 1,000 TPY of rPET Flake/Pellets will be utilized (manufacturing output speed up). The total cost of the finished layout is \$5,137,999. Upon completion, CalRecycle will have funded \$3,000,000 in RMDZ loans to back the projects.

Loan History

Pinnpack received a RMDZ Loan from the RMDZ Loan Program for \$2,000,000 on May 16, 2017. Proceeds from loan #1 acquired equipment (Gravimetric material dosing machine, silos, conveying equipment, pipes, blowers, etc.) and funded its installation costs.

Table 2: Diversion and Jobs

	Before Loans	RMDZ Loan #1	RMDZ Loan #2	Total
Waste Diversion (TPY*)	3,000	Additional 3,000	Additional 1,000	7,000
Jobs	168	0	0	168

* Tons per year