

Request For Approval

To: **Zoe Heller**
Deputy Director, Materials Management and Local Assistance Division

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

Request Date: **September 29, 2022**

Decision Subject: Approval of a Recycling Market Development Zone (RMDZ) Loan in the amount of \$5,000,000 for Peninsula Plastics Recycling, Inc. (Recycling Market Development Revolving Loan Subaccount, FY 2022–23)

Action By: October 7, 2022

Summary of Request

Staff requests approval of a Recycling Market Development Zone (RMDZ) Loan in the amount of \$5,000,000 for Peninsula Plastics Recycling, Inc.

Funding

The FY 2022-23 Budget Act allocated \$50,634,000 to the RMDZ SubAccount for the Program.

Table 1. Funding

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
RMDZ Loan Subaccount (FY 2022–23)	\$40,634,000	\$5,000,000	\$35,634,000	Local Assistance / Direct Loan
TOTAL	\$40,634,000	\$5,000,000	\$35,634,000	

Background and Findings

Statutory Authority

The RMDZ Loan Program was established by Senate Bill 2310 (Bergeson, Statutes of 1990, Chapter 1543) and is codified in Public Resources Code sections 42010-42024. Public Resources Code (PRC) Section 42023.1 (f) authorizes the California Department of Resources Recycling and Recovery (CalRecycle) to approve RMDZ loans to eligible private businesses, nonprofit organizations, and local governing bodies within recycling market development zones or in areas outside zones where making the loan will benefit a local jurisdiction or assist a local jurisdiction in complying with Section 40051. Regulations are contained in Title 14 of California Code of Regulations, sections 17901-17939.5.

Program Background

CalRecycle administers the RMDZ Loan Program to encourage recycling businesses to site new manufacturing facilities and expand existing operations to create additional markets for recycled-content products. This program provides direct, low-interest loans for the purchase of equipment and other related business costs.

Criteria and Process

The RMDZ Loan Program Eligibility Criteria was approved by CalRecycle on December 27, 2021. 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.

Below is a summary of the proposed project.

- Peninsula Plastics Recycling, Inc. was started in 2008 as an intermediate manufacturer to recycle waste polyethylene terephthalate (PET) plastic bottles to make Food and Drug Administration (FDA) approved pellets for sale to final product manufacturers that make new PET plastic beverage containers.
- Peninsula Plastics Recycling, Inc. will use the \$5,000,000 in RMDZ loan proceeds to purchase new additional equipment, for their existing facility in Turlock, CA. The additional equipment will remove a greater number of contaminants from the PET bales to improve the quality of the PET pellets that can be recycled into beverage bottles.
- The RMDZ Administrator is aware of the project and confirmed that the project is located within the boundaries of the Stanislaus County RMDZ.
- Diversion and Jobs

Diversion & Jobs	Current	Projected Increase	Total
Tons per Year	20,000	10,000	30,000
Jobs Created	46	14	60

Recommendation

Staff recommends approval of a RMDZ Loan to Peninsula Plastics Recycling, Inc. for \$5,000,000.

Deputy Director Action

On the basis of information and analysis in this Request for Approval (RFA) and the findings set out herein, I hereby conditionally approve the loan award for the RMDZ Loan Program.

to Peninsula Plastics Recycling, Inc. for \$5,000,000. The proposed loan award is subject to the following conditions:

1. 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.
2. The Applicant's signing of loan documents within 90-days of approval of this RFA. The loan signature period may be extended, for cause, for an additional 90 days. Extension of the loan signature period beyond the second 90-day period shall occur only if agreed to by both CalRecycle and the Applicant.
3. Satisfactory evidence that no material adverse change in the project or the applicant's or guarantor's financial condition has occurred after the date(s) of the most recent financial statements and/or project information supplied to CalRecycle.

Zoe Heller
Deputy Director

Dated