

Request for Action

To: **Zoe Heller**
Deputy Director, Circular Economy Division

From: **Scott Beckner**
Manager, Business Assistance and Market Development Section

Request Date: **October 1, 2023**

Decision Subject: Approval of a Recycling Market Development Zone (RMDZ) Loan in the amount of \$3,500,000 for Pinnpack Capital Holdings, a Delaware LLC (Recycling Market Development Revolving Loan Subaccount, Fiscal Year 2023–24)

Action By: November 3, 2023

Summary of Request:

Staff requests approval of a Recycling Market Development Zone (RMDZ) Loan in the amount of \$3,500,000 for Pinnpack Capital Holdings, a Delaware Limited Liability Corporation.

Funding

The FY 2023–24 Budget Act allocated \$0 to the RMDZ Sub Account for the Program.

Table 1. Funding

Fund Source	Program	Account	Amount Available	Amount to Fund Item	Amount Remaining
RMDZ Loan Sub Account (FY 2023–24)	370000030	5432000	\$ 21,000,000	\$3,500,000	\$ 17,500,000
		Total	\$21,000,000	\$3,500,000	\$ 17,500,000

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 in September 2023. 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 the Loan Committee's approval recommendation, CalRecycle's 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.

- Pinnpack Capital Holdings, LLC has been in business since 2021 and uses rPET Flake (sourced from bottles and thermoformed clamshells) in the production of food-grade packaging of numerous size and shapes, which are in turn recyclable.
- Pinnpack is requesting \$3,500,000 in RMDZ loan funds to acquire a co-extruder and pay for related improvements to manufacture food-grade thermoform packaging with up to 80 percent rPET material from recycled bottle and thermoform flake.
- The RMDZ Administrator is aware of the project and confirmed that the project is located within the boundaries of the Ventura County RMDZ.

Table 2. Diversion and Jobs

Diversion & Jobs	Current	Projected Increase	Total
Tons per Year rBottle Flake	2,000	2,008	4,008
Tons per Year rThermoform Flake	0	1,822	1,822
Jobs Created	183	-23	160

Recommendation

Staff recommends the approval of an RMDZ Loan to Pinnpack Capital Holdings for \$3,500,000.

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 the loan award for the RMDZ Loan Program to Pinnpack Capital Holdings \$3,500,000. The proposed loan award is subject to the following conditions:

1. All terms and conditions contained in the Loan Agreement and other loan documents are 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 financial condition has occurred after the date(s) of the most recent financial statements and/or project information supplied to CalRecycle.
4. Prior to disbursement, the Applicant must provide satisfactory evidence that all significant applicable permits have been obtained for the project being funded by the loan.

Zoe Heller

Zoe Heller
Deputy Director
Circular Economy Division

Nov 9, 2023

Dated