

# SAN LUIS OBISPO COUNTY ENGINEERING DEPARTMENT

COUNTY GOVERNMENT CENTER • ROOM 207 • SAN LUIS OBISPO, CALIFORNIA 93408

7/6/93

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AGENDA ITEM

( ) APPROVED ( ) DENIED  
( ) CONTINUED TO RECEIVED  
CITY MANAGER



ROADS  
TRANSIT  
FLOOD CONTROL  
WATER CONSERVATION  
COUNTY SURVEYOR  
SPECIAL DISTRICTS

June 29, 1993

JUN 30 1993  
OF PASO RC

Richard Ramirez, City Manager  
City of Paso Robles  
910 Park St  
Paso Robles CA 93446

Subject: Recycling Market Development Zone Low Interest Loan Workshop

Dear Richard:

Enclosed is some information about the California Integrated Waste Management Board (CIWMB) Recycling Market Development Zone program. As a state sponsored program it offers many benefits to designated jurisdictions. San Luis Obispo County has been designated as a part of the Central Coast Recycling Market Development Zone (CCRMDZ). At present the zone is made up of the unincorporated areas of San Luis Obispo, Monterey, San Benito and Santa Cruz Counties, and the cities of Watsonville and Hollister.

I have received many inquiries regarding the zone low-interest loan program. In order for everyone to understand the loan program (for businesses located in the zone) staff from the CIWMB will conduct a workshop on **Friday, July 9** beginning at **11:00 am in the smaller conference room at the San Luis Obispo County Library at Palm and Osos Streets** in San Luis Obispo.

There will be a general presentation about the zone loan program and the application process. Information about the low interest loans of up to \$1 million at 5% interest, investment tax credits on the purchase of equipment and the availability of recycled 'feedstock' will be included.

The presentation will be followed by one-on-one meetings with the CIWMB staff and each interested business. The individual meetings will be approximately 30-45 minutes. In order to meet with the staff each business must bring the following information:

- 3 years of personal financial statements
- 3 years of personal tax returns (Federal and state)
- 3 years of business financial statements
- 3 years of business tax returns (Federal & State)
- a business plan.

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Staff will review these items and discuss the loan program and how each business may 'fit' into it. The staff will discuss the requirements of loan eligibility and the time frame for awarding loans.

You are invited to attend and meet with the staff if you wish. Appointments for individual business meetings will be necessary in order to facilitate everyone. There are a limited number of appointments available so I encourage you to contact me to reserve a time as soon as possible.

I look forward to an informative and productive day with the Waste Board staff and hope you will be able to attend. This program offers great potential for business expansion and entrepreneurial ideas that can foster stronger recycling programs and stimulate local economic development.

Sincerely,

*Carmen V. Fejo for*

MARY WHITTLESEY  
Solid Waste Coordinator

Enclosures

File: Recycling Market Development Zone

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**CENTRAL COAST RECYCLING MARKET DEVELOPMENT ZONE  
SAN LUIS OBISPO COUNTY**

**LOW INTEREST LOAN PROGRAM**

**CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD**

The California Integrated Waste Management Board (CIWMB) sponsors a low interest loan program for eligible businesses located within the Central Coast Recycling Market Development Zone. Applications for loans are made to the CIWMB through the local Jurisdictional Zone Administrator, e.g., San Luis Obispo County Engineering Department.

Eligible businesses include those which process secondary (recycled) materials for direct end use, such as compost or manufacturing, and those which manufacture finished products from secondary materials.

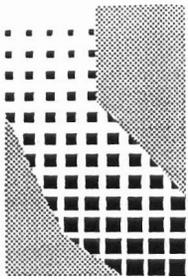
The CIWMB has \$5,000,000 per year available for loans statewide. Individual loans may be made for 50% of the cost of the project, up to a maximum of \$1,000,000. The loans can be used for fixed assets, working capital, real property, or to re-finance existing debt.

Loans are equity loans based on an equal match. Loan rates are 5% fixed with a 10 year maximum term. Loans can be subordinated.

Lending criteria are basically ability to repay and security on the loan amount. Applicants must demonstrate control of a site, e.g., a lease.

The CIWMB prefers to consult with potential applicants prior to their submitting an application. The CIWMB is very interested in making these loans and their loan officer can offer extensive assistance in analyzing an applicant's financial condition and needs and in working constructively to find a means of obtaining financing.

More information on the loan program can be obtained by calling the Integrated Waste Management Board (916-255-2200) or Mary Whittlesey, County of San Luis Obispo Recycling Market Development Zone Jurisdictional Administrator (805-781-55252).



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## BACKGROUND ON CIWMB MARKET DEVELOPMENT STRATEGY & EFFORTS

In 1990, the Governor and Legislature adopted SB 2310 (Chapter 1543, Statutes of 1990) authored by Sen. Marian Bergeson (R-Newport Beach), establishing the California Market Development Zone program. The purpose of the act is to stimulate the recycling of postconsumer waste materials generated in California.

In February 1993 the California Integrated Waste Management Board approved a Market Development Plan. The plan was developed in response to state statutes that require the Board to assure markets for recyclables by developing recommendations that address:

- procurement of recycled-content products by government and the private sector;
- financial assistance to the recycling industry; and
- the needs of manufacturers and local government in developing markets and use of recyclables.

### Recycling Market Development Zones

#### ZONES DEFINED

Recycling Market Development Zones (RMDZ) are contiguous parcels of property zoned for development for commercial, industrial, or manufacturing purposes. RMDZs can range from a one-acre parcel to an entire county and are areas in which the Board assists businesses in ventures that use postconsumer waste materials diverted from landfills to create products. By 1996 it is planned that 40 zones will be designated.

#### ZONES DESIGNATED: FIRST TWO CYCLES

The following are 12 RMDZs designated in June 1992, the first cycle: Contra Costa County, Glenn County, Ventura County, San Bernardino/Riverside Counties, Long Beach, Los Angeles, Oakland and Berkeley, Oroville, Porterville, Sacramento, San Diego, Merced/Atwater. The second cycle of RMDZs, announced in March 1993, are: Humboldt County, Southern Alameda County, the Central Coast, and the Greater San Joaquin Valley.

#### HOW ZONES ARE CHOSEN

Under the program, local communities, separately or in partnership, apply for a designation. Applications are evaluated on the basis of whether there is a steady supply of postconsumer waste or "feedstock" available, whether the zone designa-

tion would help attract new business or expand existing businesses, and whether the program will help the community meet its 25 percent diversion goal by 1995 and its 50 percent diversion goal by the year 2000, as required under state law.

## SELECTION PROCESS

Applicants must submit a proposed plan, identifying:

- specific postconsumer waste feedstocks that can provide for a steady flow of high quality recyclable materials;
- available financing options for businesses wishing to locate in the zones; and
- local government incentives, such as permit streamlining, waiving of permit fees, etc.

The Board gives preference to zones that will benefit more than one jurisdiction and that utilize technologies that add the highest economic value to secondary material. Also taken into consideration is the amount of landfill capacity remaining in the region.

## FINANCIAL BENEFITS

Zone designees and businesses locating within the zone may take advantage of the following benefits.

- **A recycling equipment tax credit:** The state issues a tax credit against an individual's or corporation's state tax liability. The credit is worth the lesser of 40 percent of the investment on qualified recycling equipment or \$250,000. It applies to equipment purchased before January, 1994, and must be used to manufacture finished products composed of not less than 50 percent secondary waste, of which 10 percent must be postconsumer waste from California.
- **Technical assistance and information sharing:** The Board provides zone designees and businesses with information on financing strategies and serves as a technical consultant, marketing the zones nationally and internationally and working in cooperation with other state economic development agencies.
- **Local tax breaks and other assistance:** Each zone has a package of assistance available. Some offer Small Business Administration loans, management assistance, and expedited permitting. Others offer low-interest loans for construction, expansion, and equipment purchase, reduction in electricity costs, reduction in business license fees, loan packaging, and industrial bonds. (The RMDZ law allows communities to suspend or relax building codes, zoning laws, and general plans in RMDZ areas and permits the elimination or reduction of construction taxes.)

## BOARD LOAN PROGRAM

The Board has earmarked \$10 million in funds for loans to businesses in RMDZs in 1993; \$5 million will be available next year.

Thirteen applications were submitted in the first quarter of 1993 for a total of \$8,761,750 in requests from businesses in Glenn County (two applications); Oroville (one application); Merced/Atwater (one application); Oakland/Berkeley (three applications); Contra Costa County (two applications); Sacramento (one application); Ventura County (two applications); and San Diego (two applications).

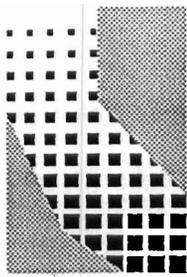
Loan requests ranged from \$171,250 to \$1 million. Materials targeted were: old newsprint, HDPE and unsorted plastic, crumb rubber, mixed paper, asphalt, LDPE, green/yard waste, and drywall/gypsum. An estimated 900-1,000 jobs could be created if these loans were made, according to figures submitted by applicants.

## TARGET MATERIALS

The postconsumer waste feedstocks targeted under this program include (but are not limited to) tin, plastics, tires, yard waste, mixed paper, corrugated cardboard, old newsprint, glass, and ferrous metals. The program encourages innovative uses of materials.

Some examples that illustrate potential uses are:

<b>Material</b>	<b>Possible Uses</b>
old newsprint	tissue, molded pulp containers, such as egg cartons, animal bedding, kitty litter
mixed paper	insulation, wallboard,
old mattress frames	new bedding
ground glass	paving applications
used tires	erosion control, as artificial reefs, in the production of roadbeds
yard waste	compost, soil amendments
plastic	traffic cones, lumber, and a variety of other products



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## MOST FREQUENTLY ASKED QUESTIONS ABOUT MARKET DEVELOPMENT

### **Q: What is market development of recyclables?**

**A:** Market development is the creation and development of markets for products made in part from "secondary" materials diverted from the waste stream for recycling. Once separated from the waste stream, recycled materials are available for use in a variety of products that when manufactured are referred to as recycled-content products.

### **Q: Why do we need market development in California?**

**A:** Even with increasing interest in recycling, California's current recycling rate is only about 12 percent overall. If California cities and counties meet the mandate of AB 939 (a 25-percent reduction in the amount of material going to landfills by 1995 and a 50-percent reduction by the year 2000) an additional 15 million tons of recyclables will be available for reuse or recycling by the year 2000.

Market development is necessary to assure both a healthy market for collected recyclables — making recycling economically feasible in the state — and to create jobs and help reindustrialize California.

### **Q: What potential is there for market development in California today?**

**A:** The California Integrated Waste Management Board (CIWMB) estimates that 20,000 jobs could be created in California's manufacturing sector, along with another 25,000 jobs in sorting and processing, and tens of thousands more in multiplier effects. The CIWMB's work in market development today centers on 16 designated recycling market development zones and a market development plan.

### **Q: What is a Recycling Market Development Zone?**

**A:** A Recycling Market Development Zone (RMDZ) is an area set aside in a community or in a group of communities designed to attract business that will turn 'secondary' goods from the waste stream into recycled products. Businesses located within a zone benefit from streamlined regulation, access to low-cost state loans, and the technical expertise of the CIWMB. Twelve zones were designated in 1992 and 4 more zones were designated on March 31, 1993. A total of 40 zones are expected to be designated.

### **Q: Have these zones been successful in other parts of the country?**

**A:** To our knowledge, California's RMDZs are the first in the nation. At a time when California's economy is staggering from the recession, these zones offer entrepreneurs and manufacturers the market information needed to make facility location and expansion decisions.

**Q: Where does the Board derive its authority to establish these zones?**

**A:** The Governor and Legislature recognized that sustaining waste diversion at the required levels would require expanded markets. A bill authored by Sen. Marion Burgeson (D-Orange County) set up this unique program. The Board was charged with overseeing this effort.

**Q: What is the CIWMB Market Development Plan?**

**A:** The Market Development Plan provides a blueprint for creating a recycling industry in California. It was prepared in response to a legislative statute that directs the CIWMB to assure markets for recyclables. To meet this mandate, the Board is developing recommendations for specified issues relating to procurement of recycled-content materials, financial assistance, and the needs of manufacturers and local governments.

**Q: Don't markets for recycled materials already exist?**

**A:** There are strong markets for certain materials, such as aluminum and glass. However, paper, plastic and cardboard markets are subject to a host of forces that keep prices low and unstable. Market Development Zones will provide an outlet for these and other types of materials. At the local level, it is hoped that these efforts will ensure stable markets and stable prices.

**Q: What financial assistance will be available for market development of recyclables?**

**A:** The CIWMB estimates that the manufacturing capacity needed to consume California's recyclable materials can be developed within the state at a capital investment of roughly \$300 million/year for each of the next seven years (in equipment and leasehold services) from private and public sources. In March 1993 the Board reviewed 13 applications for loans in the first round of applications for the year. A total of \$10 million will be available in loans in 1993 for qualified businesses; \$5 million will be available in 1994.

**Q: How can the public and private sector work together to create market opportunities for recycled-content products?**

**A:** Market development occurs primarily as a result of private sector activity, with demand for secondary materials usually determined by the traditional equation of supply and demand. Key factors involved often are: assuring the quality of materials during and after collection and processing; manufacturers' specifications, end-use consumer demand, and local and state public policy decisions regarding recycling.

**Q: Why does the government need to be involved in market development?**

**A:** It will take a coordinated effort of government and industry to ensure a healthy market for recyclables in the state and meet the mandates of AB 939. General barriers to market development have been identified as:

- lack of consistent supplies of sufficient quality;
- high costs of using secondary materials because of collection, transportation and processing costs;
- manufacturer and consumer wariness of products made from secondary materials; and
- financial barriers, such as difficulties in obtaining credit.
- lack of reliable market information;

**Q: What are the designated zones and how many will there be?**

**A:** The first 12 zones chosen, designated in June 1992, were: Contra Costa County, Glenn County, Ventura County, San Bernardino/Riverside Counties, Long Beach, Los Angeles, Oakland and Berkeley, Oroville, Porterville, Sacramento, San Diego, Merced/Atwater. The second cycle of RMDZs, announced March 31, 1993, are: Humboldt County, Southern Alameda County, the Central Coast, and the Greater South San Joaquin Valley.

A total of 40 zones will be designated by 1996. Designation extends for 10 years.

**Q: How were the current zones designated?**

**A:** CIWMB staff worked with zone applicants prior to the application deadline, providing technical assistance, as well as "teambuilding" at the local level, and in brainstorming sessions.

Applicants were subjected to a technical review to determine whether their plan could be implemented and had the ability to succeed. Once the technical review scoring was completed, a substantive review was conducted in which each of the applicants was scored for consistency with the Statewide Objectives for Market Development. The objectives are as follows:

- to select zones that have the greatest regional effect and distribute them geographically to stimulate statewide market development;
- to select zones that utilize technologies that add highest economic value to secondary materials; and

to make selections that will extend regional landfill capacity.

**Q: What incentives are local communities providing to business?**

**A:** Local communities are encouraged to relax or suspend local building codes, zoning laws, and general plans and eliminate or reduce construction taxes within the zones, as provided by law. Communities are also encouraged to expand infrastructure to serve recycling businesses and to increase the amounts of recycled feedstock available to industry.

