



AGENDA REPORT

TO: FRED BLACKWELL
CITY ADMINISTRATOR

FROM: Rachel Flynn

SUBJECT: Renewal of Oakland/Berkeley
Recycling Market Development Zone

DATE: March 17, 2014

City Administrator
Approval

Date

3/26/14

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council adopt:

A RESOLUTION OF THE CITY OF OAKLAND SUPPORTING RENEWAL OF THE OAKLAND/BERKELEY RECYCLING MARKET DEVELOPMENT ZONE

OUTCOME

Approval of the resolution renews the City of Oakland's partnership, started and maintained since 1993, with the neighboring city of Berkeley and CalRecycle, the state agency administering the Recycling Market Development Zone (RMDZ) program in 35 other zones throughout California. Approval will continue current activities as part of this program to offer local siting, permitting, and other technical assistance to qualifying recycling-based businesses, which in turn qualifies these businesses for access to statewide low interest financing, market assistance, and other assistance from CalRecycle. Redesignation of the Oakland/Berkeley RMDZ is an administrative action which incurs no new costs or requirements.

If the resolution is not approved, Oakland and its participating businesses would no longer participate or have access to the benefits of the RMDZ program.

BACKGROUND/LEGISLATIVE HISTORY

The Recycling Market Development Zone program was established by the passage of SB 2310 (Bergeson) in 1989, in tandem with AB 939 (Sher), which passed in the same year and required all California cities and counties to achieve a 50% landfill diversion rate by the year 2000. The goal of the RMDZ program was then and remains now to help establish California based markets

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for the increasing amount of recyclable material that would be removed from the waste stream. The first actual zones were established in 1992, with the Oakland/Berkeley zone being established in 1993. The statute that established the RMDZ program requires a renewal or redesignation of the zone every 10 years. The Oakland/Berkeley zone was redesignated in 2003, and is now due for redesignation again. Geographically, the RMDZ encompasses all of the industrial-owned lands of Oakland and Berkeley. Based on the number of industrially-zoned parcels, Oakland represents approximately 90% of the RMDZ. In this context, Oakland is the lead agency for the local RMDZ, although the City of Berkeley is also acting in parallel to renew its designation as a partner in the Oakland/Berkeley RMDZ.

Staff for the RMDZ is housed in the Department of Economic and Workforce Development, helping qualified firms to initiate and expand utilization of recycled materials in value-added processing and manufacturing. Participating companies work with staff to gain access to specialized low interest loans; obtain reliable supplies of recycled materials; receive siting, permitting, and marketing assistance; and other technical assistance.

City of Oakland legislation that relates to the RMDZ includes the 2006 adoption of the city's Zero Waste Strategic Plan, which establishes an approach aspiring to zero waste by 2020. Chapter 3 of the Zero Waste Strategic Plan is dedicated to the development of reuse and recycling infrastructure and local and regional market development. RMDZ staff also worked closely with Planning and Zoning staff in 2009, when zoning rules and standards for operation of recycling-based businesses were updated. RMDZ staff also consulted with Redevelopment staff regarding the planned move of major recycling businesses from West Oakland to the North Gateway of the Army Base. Because domestic processing and manufacturing of recyclable materials generally results in a net decrease of greenhouse gases, recycling market development is also an objective of the City's Energy and Climate Action Plan, adopted in early 2013.

In 2011, with the passage of AB 341 (Chesbro), which requires mandatory commercial recycling and establishes a new 75% recycling goal for the state of California by 2020, the importance of the state RMDZ network was magnified, since achieving the 75% goal will depend greatly on formation of enhanced in state infrastructure for recycling and composting. This urgency for recycling market development was amplified further recently when \$30 million of cap and trade monies were allocated to CalRecycle to support grants and loans for recycling and composting facility development.

ANALYSIS

Renewal of the Oakland/Berkeley RMDZ will not change its boundaries, budget, or day-to-day operations. Redesignation of the zone will merely affirm to the CIWMB that the zone's host cities wish to continue participating in this program, which is unique to the state of California.

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As stated briefly above, Oakland is a regional and international hub for collection, processing, and manufacturing utilizing recyclable materials collected throughout Northern California. The Port of Oakland is also a major locus for exports of recyclable materials to China and other Pacific Rim economies, with scrap metal and paper the top two exports by weight and number of containers, though not by dollar value.

There are at least 35 recycling-based businesses in Oakland which employ over 1200 individuals, from long established manufacturers such as American Brass & Iron (AB&I) and Owens Illinois to newer, leading edge firms such as DR3 (mattress recyclers) and Asphalt Shingle Recyclers. (*Attachment A* provides a more complete listing of recycling-based firms, and *Attachment B* is a recent article highlighting two of the more notable firms in the RMDZ).

It is important to note that the incentives of the RMDZ program, notably including its low interest loan programs, are accessible only to firms which engage in *value-added* processing or manufacturing, utilizing recyclable material generated in California. In this way, the RMDZ program seeks to create jobs and usable products locally and throughout California. Working with successful value-added recycling firms creates economic benefits that would be lost if the materials involved were either landfilled or exported. RMDZ incentives and technical assistance are not available to recycling collection firms that simply gather and densify material for export (although RMDZ staff does provide more routine economic development services to those businesses), and collection businesses sometimes interact with value-added processors and manufacturers.

By maintaining continuity of the Oakland/Berkeley RMDZ, the City of Oakland will remain in good position to have a more comprehensive approach to meeting city and state recycling goals as well as greenhouse gas reduction plans. Maintaining RMDZ status will keep appropriate Oakland businesses eligible for low interest RMDZ loans, as well as grants and loans flowing from Cap and Trade funds newly allocated to CalRecycle.

RMDZ staff will continue to screen businesses seeking to locate or expand in Oakland, always seeking to verify that such firms have sufficient financial capacity and professional operating standards. RMDZ staff is housed in the Economic Development Dept., and routinely works with Planning and Zoning colleagues to vet new and expanding firms to minimize their impacts.

PUBLIC OUTREACH/INTEREST

Because it constitutes an administrative act that does not change existing conditions or activities, this item did not require any additional public outreach other than the required posting on the City's website.

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COORDINATION

In preparing this item, Economic Development/RMDZ staff coordinated with Planning staff and the City Attorney regarding the CEQA issue (see CEQA section below for full discussion). Staff also consulted with Environmental Services Division staff, since the activities of the RMDZ in Oakland are very much dynamic with programs of the ESD including implementation of Zero Waste Strategic Plan and permitting notifications for major facilities. This report has been reviewed by the City Attorney's Office and by the Budget Office.

COST SUMMARY/IMPLICATIONS

Renewing the designation for the Oakland/Berkeley RMDZ does not incur any new costs. Administration of the RMDZ is included in the duties of the Green Business Specialist in the Economic Development Department, which is supported with enterprise funding from the Environmental Services Division of the Public Works Agency, and does not impact the General Fund. By maintaining ongoing status of the Oakland/Berkeley RMDZ, businesses in the city and even the city itself can retain specialized access to financial benefits via the low interest RMDZ loan program, and newer statewide grant and loan programs supported by Cap and Trade funds allocated to CalRecycle, which administers the RMDZ program.

SUSTAINABLE OPPORTUNITIES

Economic: Renewing the Oakland/Berkeley RMDZ engenders economic benefits for existing companies and residents they employ, as well as real future potential as the green economy grows and evolves.

Environmental: The RMDZ offers real and ongoing environmental benefits to the city based on its support of other major policy objectives such as implementation of the Zero Waste Strategic Plan and the Energy and Climate Action Plan. Such environmental gains will require high quality business practices by qualified recycling firms, screening for which is built into the city's zoning and performance standard, and as a customary practice of the RMDZ administrator.


Social Equity: To the extent that the recycling-based sector of Oakland's economy continues to expand and diversify, it should maintain and increase decent-paying employment in the process, with many of these jobs typically accessible to Oaklanders with less educational attainment. On the other hand, it is important that RMDZ and other staff insure that existing and new businesses meet the standard for environmental justice that is required as part of every RMDZ designation evaluated by CalRecycle.

CEQA

In accordance with the California Environmental Quality Act (CEQA), in 2003 when the City renewed the RMDZ program it prepared a Negative Declaration that found that renewal of the program would not result in any significant environmental impacts. Because renewal of the zone will not change the boundaries or day-to-day activities in the RMDZ, the 2003 Negative Declaration still applies to the current proposed renewal; no additional environmental review is necessary.

For questions regarding this report, please contact Steve Lautze, Green Business Specialist and RMDZ Administrator, Economic Development Department, slautze@oaklandnet.com or 510-238-4973 .

Respectfully submitted,



Rachel Flynn, Acting Director
Department of Economic and Workforce Development

Prepared by:
Steve Lautze, RMDZ Administrator
Economic Development Division

Attachments:

- Attachment A: List of Oakland recycling-based firms
- Attachment B: Recent article about two Oakland RMDZ firms

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ATTACHMENT A

Oakland Recycling and Reuse Companies

April, 2014

| Company Name | Employees | Description |
|---------------------------------|-----------|---|
| AB&I Foundry | 195 | Recycles cast iron and casting sand; makes pipe, other products |
| Owens Brockway | 200+ | Glass bottle/jar mfr. here since 1937; union labor |
| Schnitzer Steel * | 100+ | Publicly traded metals recycler/mfr. processes ~50K tons/month |
| Custom Alloy Scrap Sales | 100 | Major processor/remanufacturer of (mainly) non-ferrous metal |
| St. Vincent de Paul of Al.Co. * | 80 | Reused household goods, clothes; food rescue |
| California Waste Solutions | 50+ | 2 recycling processing plants in West Oakland; City contractor for residential recycling collection (northern half of City) |
| Sutta Company * | 50+ | W. Oakland paper recycler, 2nd plant in Oakland, CA |
| Pacific Paper Tube * | 36 | 100% recycled paper tubes & other products |
| Standard Iron and Metal | 35 | Metals recycling operation; relocated from 66th Ave. area |
| Gallagher and Burk | 35 | Regional reprocessor/manufacturer of asphalt for roads, etc. |
| Concrete Works | 33 | Architectural concrete design/production with recycled content |
| Aaron Metals | 30 | Metals recycler bounded by residents; can't expand |
| Super Link Plastic Inc | 30 | Major regional plastics reclaimer and export broker |
| Goodwill Industries | 25 | Regional processing for reused household items, clothing |
| Universal Waste Management | 20 | Collection/processing of electronic and other regulated wastes |
| E.B. Depot for Creative Reuse * | 20 | Reclaimed items become art supplies, furniture, etc. |
| Containers Unlimited | 18 | Barrel, bag, container washing and reuse |
| DR3* | 17 | Reuse/recycling of >10,000 mattresses per month |
| Commercial Waste & Recycling | 15 | Independent processor of construction/demo materials |
| Asphalt Shingle Recyclers | 5 | CW&R spinoff pioneering asphalt shingle to road patch market |
| Inner City Recycling | 15 | Concrete and asphalt recycling, supplying construction firms |
| Joinery Structures | 15 | Custom builder using salvaged urban trees |
| John Lewis Glass * | 15 | Glass casting/drilling to make commercial & fine art pieces |
| Shred Works | 14 | Document destruction firm relocated here in 2006 |
| National Recycling * | 16 | Major paper recycler; 2 plants: West & East Oakland |
| Lakeside Metals | 15 | Long time metals recycler, now surrounded by residential/lofts |
| CiviCorps | 15 | Youth training program; collects recyclables from small biz's |
| The Reuse People * | 10 | Bldg. deconstruction and used construction material sales |
| Oakland Technology Exchange | 10 | Digital divide hero refurbishes, redistributes used computers |
| ReThink Green | 8 | Carpet collection, export, and recycling R&D. |
| C&K Salvage * | 3 | 2nd generation company salvages, mills large timbers |
| Mannequin Madness | 3 | Recovery and reuse/resale of store mannequins |

* Indicates recipient of loan or grant via RMDZ or StopWaste funds

LOCAL GREEN BUSINESS SPOTLIGHT

A Zero Waste Economy

Oakland Provides Regional Infrastructure for Zero Waste

BY STEVE LAUTZE

Combine the City of Oakland's policy commitment to Zero Waste by 2020 with the three dozen or so recycling-based businesses located in Oakland, and you have a hub of recycling activity unrivaled in Northern California. In fact, Oakland anchors one of California's 35 Recycling Market Development Zones,

offering low interest financing and other incentives for value-added processing and manufacturing with recycled materials.

Oakland's recycling businesses collectively employ over 1,200 people, making recycling a cornerstone of Oakland's growing green economy and helping cement its reputation

as one of the most sustainable cities in the United States.

Although a large amount of recyclable material passes through the Port of Oakland on its way to manufacturers in China and other parts of Asia, thousands of tons are processed right here, including hard-to-recycle materials like mattresses and asphalt shingles.

DR3: Recycling Your Mattress So You Can Sleep Easier

Have you ever wondered what happens to your old mattress when you buy a new one? If it stays out of the landfill, chances are that it finds its way to DR3 Recycling, the country's largest mattress and boxspring recycling operation in East Oakland.

Founded in 2000, DR3 Recycling processes over 10,000 mattresses each month. They employ 17 people and reuse or recycle over 90 percent of the materials from processed mattresses.

"The polyurethane foam and padded covering of the mattresses are primarily made into commercial or residential carpet pad," said plant manager Robert Jaco. "Cotton is recycled into packing materials or insulation. Steel springs are decoupled from the wooden frames, and go back to the steel industry, while the wood from the boxsprings is either used as mulch or compost, or burned as fuel."

Operated by St. Vincent de Paul of Lane County, Oregon, DR3—which stands for Divert, Reduce Reuse, Recycle—was launched with major grants from StopWaste of Alameda County and the San Francisco Department of the Environment. The venture also obtained a \$250,000 loan through the Oakland/Berkeley Recycling Market Development Zone.

DR3 is now self-sufficient, earning its revenue from han-



DR3 workers separate and recycle over 90 percent of material from more than 10,000 mattresses per month.

dling fees, rebuilding and reselling the highest quality mattresses, and selling recycled commodity materials.

"The best use of this material is reuse," said Terry McDonald, Executive Director of Saint Vincent de Paul of Lane County. Using mattresses "again preserves the embodied energy of the product and allows lower income families

to access affordable but usable bedding."

Recycling isn't just about keeping materials out of the landfill, according to McDonald, but also about how the materials circulate through the economy.

"Recycling of mattress components is key to creating jobs and new enterprises," he said.

Asphalt Shingle Recyclers: Transforming Shingles from Roof to Roadway

Another local company on the zero-waste frontier just completed its first full year of operation. Asphalt Shingle Recyclers, LLC (ASR) is a spinoff of founder Josh Fookes's original business in Oakland, Commercial Waste and Recycling. Fookes got the idea to create Asphalt Shingle Recyclers when he saw so much roofing material being carted off to the landfill.



Josh Fookes

ASR, which bills itself as providing roof-to-road recycling, accepts and processes clean, separated loads of composite asphalt roofing shingles removed from residential buildings. The company sorts and cleans the old shingles and processes them into dry, granular asphalt

that is shipped to other East Bay manufacturers to make "hot mix asphalt" used to build or patch roads throughout the region.

The company's location, just north of the Oakland Coliseum, is no accident.

"Oakland is central to the Bay Area and major transportation options," said Fookes. "It is also home to thousands of residential properties with 1 to 4 units, which are typically roofed with asphalt shingles."



Scrap shingles become recycled asphalt for roads, reducing landfilling, GHGs, and cost.

lots and private roads. Demand is strong and may grow in 2014, when CalTrans is expected to allow—and eventually may require—use of recycled material in public projects. This would be a welcome development for Oakland and other cities that are trying to maximize recycling from construction sites, in pursuit of the statewide goal of 75 percent recycling by 2020.

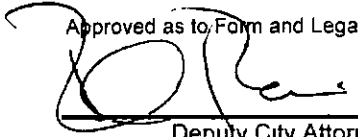
Backed by an even more aggressive policy commitment to zero waste by 2020, the City of Oakland is "progressive in the way it approaches waste management," said Fookes. "We were approved for both of our facilities by identifying appropriately zoned sites, and then meeting specific performance standards for recycling businesses that Oakland developed back in 2009. Oakland recognizes the need for infrastructure to facilitate the true recycling of our waste materials," he said.

Every ton of recycled asphalt used by ASR's customers to repair or build new roads saves money and reduces environmental and climate impacts, since it directly displaces asphalt made from virgin petroleum. ASR's recycled asphalt is currently used for projects on private property such as parking

Steve Lautze works on Green Business Development in the Office of Economic Development, and also administers the Oakland/Berkeley Recycling Market Development Zone (RMDZ). He can be reached at slautze@oaklandnet.com or 510-238-4973.

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OAKLAND

2014 MAR 27 PM 12:48

Approved as to Form and Legality

Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

A RESOLUTION APPROVING RENEWAL OF THE OAKLAND/BERKELEY RECYCLING MARKET DEVELOPMENT ZONE

WHEREAS, California Public Resources Code Section 42010 provides for the establishment of the Recycling Market Development Zone (RMDZ) program throughout the State to provide incentives to stimulate development of post-consumer and secondary materials markets for recyclables; and

WHEREAS, the Oakland/Berkeley RMDZ includes designated and contiguous portions of the cities of Oakland and Berkeley; and

WHEREAS, all California cities and counties must meet a 50 percent reduction in landfill waste disposal as mandated in the California Integrated Waste Management Act; and

WHEREAS, in 2011, the state of California adopted a 75% recycling goal by 2020; and

WHEREAS, the City of Oakland developed and adopted a Zero Waste Strategic Plan in 2006 which seeks to approach zero waste by 2020; and

WHEREAS, the Oakland/Berkeley RMDZ is dedicated to establishing, sustaining and expanding recycling-based manufacturing businesses, which is essential for market development and to assist local jurisdictions to meeting the established landfill reduction goals; and

WHEREAS, Oakland is home to over 35 recycling-based businesses employing approximately 1,200 individuals, many of them Oakland residents; and

WHEREAS, expanded local and regional utilization of recycled materials for value-added, onshore processing and manufacturing creates employment and reduces generation of greenhouse gases, in line with the City's Energy and Climate Action Plan adopted in 2013; and

WHEREAS, the Oakland/Berkeley RMDZ designation will expire on April 28, 2014 unless re-

designated by the California Dept. of Resources Recycling and Recovery (CalRecycle); and

WHEREAS, the City of Oakland still desires that its existing and new recycling-based manufacturing businesses locating within the region be eligible for the technical and financial incentives associated with the RMDZ program; and

WHEREAS, renewal of the Oakland/Berkeley RMDZ will not change its boundaries, budget, or day-to-day operations; and

WHEREAS, the renewal of the Oakland/Berkeley RMDZ is still necessary to facilitate local and regional planning, coordination, support of existing recycling-based manufacturing businesses, as well as attract private sector recycling business investments to the region; and

WHEREAS, the current and proposed waste management practices and conditions are favorable to the development of post-consumer and secondary waste materials markets; and

WHEREAS, the California Legislature has defined environmental justice as "the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies" 9Government Code Section 65040.12(e)), and has directed the California Environmental Protection Agency to conduct its programs, policies, and activities that substantially affect human health or the environment in a manner that ensures the fair treatment of people of all races, cultures, and income levels, including minority populations and low-income populations of the state 9Public Resources Code section 71110(a)); and

WHEREAS, in accordance with the California Environmental Quality Act (CEQA), as the lead agency for the zone, the City of Oakland prepared, filed and adopted a Negative Declaration when the RMDZ was renewed in 2003 that found that the project would not present a significant impact on the environment; and

WHEREAS, the City of Oakland, on the basis of the entire record before it, finds and adopts the 2003 Negative Declaration as it still applies to the current renewal, and

WHEREAS, California Environmental Quality Act Guidelines Section 15162 precludes the preparation of an environmental impact report when a negative declaration was previously adopted, except under certain specific circumstances not applicable here; now, therefore, be it

RESOLVED: That the City of Oakland approves the renewal of the Oakland/Berkeley Recycling Market Development Zone, which includes Oakland and Berkeley, and authorizes the submittal of a Recycling Market Development Zone renewal application to CalRecycle; and be it

FURTHER RESOLVED: That the City of Oakland agrees to administer the RMDZ program in a manner that seeks to ensure the fair treatment of people of all races, cultures and incomes, including but not limited to soliciting public participation in all communities within the RMDZ.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF and PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST. _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California