



# **Government and Community-Based Sources and Strategies for Financing Recycling Enterprises**

**Sponsored by:**

**The National Recycling Coalition's  
National Recycling Financing Initiative  
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## **Background**

In the late 1970's Steve Babinchak, a community oriented businessman from northeast Pennsylvania, started a plastics recycling company as a way to create living wage jobs for residents to counter balance the loss of mining and related jobs in the local economy. But banks and lending institutions told him that it was hopeless to raise investment capital for a plastic recycling business. Accordingly, he named his company St. Jude Polymer, after the patron saint of lost causes. Today, St. Jude Polymer is among the most sophisticated plastic recycling companies in the US, processing PET and HDPE and blending secondary and virgin resins into high value new products for the automobile and commercial transportation industries. The company has over 100 employees. Innovative ideas and products continue to emanate from the company.

The St. Jude Polymer experience typifies the experiences of numerous small companies and entrepreneurs who struggled to translate their ideas, hopes and dreams for recycling enterprises into reality. Recycling itself was a stepchild of the solid waste management industry, and new companies that processed materials and/or made new products were left outside the realm of traditional business and financial investment. As a result, financing for companies was an ad hoc, patchwork endeavor; finding resources in the nooks and crannies of the industry where possible. The government sector, directly or indirectly, became the financier of last resort for these firms, as documented in *Financing Mechanisms to Promote Recycling at the State and Local Level*.<sup>1</sup>

An array of resources was slowly but surely made available for investment. The broad range of innovative programming included bond issues, shared cost savings, container deposit residuals, litter taxes, rebates, state appropriations, solid waste fees, surcharges, tax credits and tax exemptions, oil overcharge funds, and environmental fine reimbursements. In all, 27 states and the federal government had special funding mechanisms. For more detail on government grant and loan programs for recycling businesses, see the National Recycling Coalition's *1998 Market Development Directory*.

The constituency for these programs was a unique amalgam of grass roots recycling programs, small businesses, environmental organizations and ad hoc citizens groups opposed to the siting of landfills and incinerators in their communities. Strong ties developed among these groups to convince state and local governments

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<sup>1</sup> Constance Leach, Institute for Local Self-Reliance, Washington, DC, 1985.

to take action. The businesses were unique in that they needed strong environmental regulations to increase the price of disposal to approach the true cost of disposal. In 1980, for example, solid waste could be landfilled in New Jersey for \$3 per ton. No recycling business could operate within this cost structure. Environmental and recycling groups that wanted stronger environmental controls were natural allies of these businesses. When grass roots recycling organizations formed the National Recycling Coalition in Fresno, Ca. it was no surprise that two private businessmen were the first to contribute money to the fledgling organization: Bill Forbes, CIRCO Glass and Murray Fox, Recycling Enterprise, Inc. Simultaneous to the formation of the NRC in 1980, grassroots recyclers and recycling business people developed the National Recycling Research Agenda, which analyzed federal agencies for their potential role and budgetary contributions for recycling programs.<sup>2</sup> Since then new federal programs such as urban and rural Empowerment Zones and Enterprise Communities have been created which offer additional funding options.<sup>3</sup>

At the same time, the businesses were a vital part of the citizen and environmental groups' strategy, which needed recycling businesses as viable alternatives to disposal for a vast portion of the materials in the solid waste stream. As billions of dollars were diverted from planned incinerators, the coalitions of citizens, environmental groups and businesses also succeeded in getting state and local funding mechanisms implemented.

By the mid-1980's an array of local, state, regional and national organizations began to conduct forums featuring businesses that wanted to locate in communities and take discarded materials for their processing and manufacturing technologies. These included the Institute for Local Self-Reliance, California Resource Recovery Association, City Council of Philadelphia, Los Angeles Office of Integrated Solid Waste Management and Los Angeles Office of Business Attraction, Hoosier Environmental Council, West Michigan Environmental Action Council, Atlantic States Legal Foundation, Citizens for Responsible Waste Management (Austin) and the City Council of Cleveland. These early efforts were ad hoc attempts to influence local decision-making. Cumulatively, they acted as a stimulus for permanent programs, which were soon to follow. Today, programs such as the Materials for the Future Foundation, New York State Office of Recycling and Economic Development, California Recycling Market Development Zones, Pennsylvania Landfill Surcharge Fund, North Carolina Division of Pollution Prevention and Environmental Assistance, the US EPA Jobs Through Recycling program and Recycling Investment Forum program, and the Office of Community Services (Department of Health and Human Resources), among others, have on-going,

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<sup>2</sup> See ILSR, National Recycling Research Agenda, National Science Foundation, Washington, DC, 1980.

<sup>3</sup> See Tax Incentives for Empowerment Zones and Other Distressed Communities, IRS, Department of the Treasury, Publication 954, March 1998.

coordinated programs to assist the financing of recycling businesses. Profiles of current programs of selected federal and state agencies are presented in Appendix D.

Private foundations have also emerged as sources of low interest loans for community-based non-profit enterprises. The Moriah Fund, based in Indianapolis, provided such a loan to Rehab Resource, Inc. for the purchase of a building to allow for the expansion of its rapidly expanding reuse enterprise.

### **Recent Developments in Recycling Finance**

Revolving Loan Funds (RLFs) have been another large source of financing for community and economic development. Currently, with more than \$5 million in assets, RLFs help supply capital to businesses, such as recycling and reuse companies that otherwise find it difficult to obtain funding.<sup>4</sup>

Other agencies have emerged to help leverage capital for financing recycling companies. The Community Reinvestment Fund (CRF) based in Minneapolis, Minnesota, provides an innovative approach to risk management inherent in the recycling industry. CRF 'recycles' much needed investment dollars by buying loans from community development agencies and state agencies. The loan proceeds can immediately be utilized by the agencies for further development lending. CRF then pools the loans it purchases and issues bonds, backed by the loan pools, to private investors such as banks, insurance companies and pension funds. To date, CRF's groundbreaking program has purchased loans from the California State Integrated Solid Waste Management Board's Recycling Market Development Zone program, ACCION New York's micro-enterprise loan fund, and the Philadelphia Industrial Development Corporation's loan portfolio. CRF is actively working with agencies to design new investment products for innovative investment opportunities.

ShoreBank Pacific is a one-year old start-up bank initiated by the ShoreBank of Chicago. The Bank has made only a few loans to date but is currently working with the recycling sector to develop a loan program. The Bank targets its loans in the \$250,000 - \$400,000 per project range. However, the Bank will leverage its loans with its parent holding company, ShoreBank, and credit enhancement options with The Small Business Administration, state economic development agencies, and Metro Portland's recycling grants program. The Bank serves the states of Washington and Oregon; with future plans to serve the surrounding bio-region.

Materials for the Future Foundation (MFF) was formed in 1992 to provide loans and technical assistance to non-profit recycling businesses. In addition to loans, MFF has been an important coordinator for community-based deconstruction enterprises

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<sup>4</sup> See "The National Counting On Local Capital Institute -Building the RLF Industry (conference notice)", Sept. 1998, Corporation for Enterprise Development(CFED), Washington, D.C.

in the San Francisco/Oakland Bay Area. MFF also co-administrates with the Oakland Business Development Corporation, the Alameda County Recycling Board Loan Fund. This loan fund was created by citizen initiative and is financed by a countywide solid waste disposal surcharge.

The Cascadia Loan Fund is a non-profit agency that serves Oregon and Washington States and provides loans ranging from \$5,000 - \$150,000. The Fund focuses on all small businesses in its geographic region, but is sensitive to the recycling and environmental sector.

The Recycling Industries Reimbursement Credit (RIRC), sponsored by the Massachusetts Department of Environmental Protection, is the most recent innovation in recycling enterprise investment. The RIRC offers incentives (credits worth up to \$50,000) to companies that use recycled feedstock, for start-up or expansion of their processing. The RIRC places emphasis on those recycling businesses that use recycled materials with weak markets.

Finally, the Sustainable Jobs Corporation, is working to capitalize a \$10-15 million, community development fund to invest in recycling and reuse businesses that create jobs in economically distressed communities on the Eastern Seaboard. The fund, which will offer both equity and subordinated debt capital, is expected to make its first investments in 1999.

### **Recent Trends in Community Development and Small Business Financing**

In addition to the recycling related developments summarized above, there have been significant developments in the field of community development financing that have immediate relevance to the recycling industry and enterprises. Among the most important are the Community Reinvestment Act (CRA) and Community Development Finance Institutions (CDFI's).

The Community Reinvestment Act was passed as a result of intensive grass roots efforts to counteract the pernicious policy of banks to 'red line' economically distressed sectors of US cities. Bank officials literally drew a red line on the map around communities in which they refused to make home or businesses loan or investments, resulting in continuing and accelerated decay within these neighborhoods. The Act halted this practice and also required that banks respond to community ideas for investment in their neighborhoods. If the bank does not comply, ultimately communities can petition the federal government to revoke the bank's charter. Much more likely however, complaints by community organizations can disrupt a bank's merger plans. Larger banks are on a "merger spree" and therefore are keenly interested in obtaining and maintaining an 'Outstanding' evaluation of their CRA record. Even a 'Satisfactory' rating of a bank's CRA rating can mean problems for a bank seeking a merger, while ratings of 'Needs



Improvement' or 'Substantial Non-Compliance' can mean an outright rejection of a merger application.

Banks undergo CRA evaluations every two years by four federal agencies: Office of Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation and Office of Thrift Supervision. Advance notice of CRA exams increases opportunities for community groups to participate in the examination process.

The CRA process requires active communities, which meet regularly with local banks and present their priorities for investment. These priority areas may include investments in low and moderate-income housing, small businesses, environmental companies, and non-profit organizations that will benefit and create jobs in low-income communities. A suggested strategy for community organizations is as follows:

- request copies of the bank's CRA evaluations from the Department of Treasury to become familiar with its CRA activities to date and see if priority areas of concern are already included in the bank's program;
- request a meeting with the bank's CRA officer about 2 months prior to the due date of the bank's annual CRA evaluation to insure that the community's agenda is fresh in the bank officials' minds.
- request that recycling, composting and reuse businesses are a high priority and therefore will earn the bank CRA credit for loans and investments in this sector;
- be prepared to submit testimony to the Department of Treasury should the bank not be responsive to the community's requests.

Community groups can use the expertise of the National Community Reinvestment Association, Washington, D.C., to advise them on how to approach their local banks. NCRA is a trade association for community organizations involved in CRA. It can provide examples of bank/community CRA efforts from other cities and show community groups how they can work with banks to improve their bank's CRA evaluation.

The CDC Small Business Finance Corporation, created by Southern California banks is just one innovative model for community investments stimulated by the CRA to meet the unmet commercial needs of the region. It is designed to leverage existing state and federal programs available to small businesses; including the Small Business Administration, Service Corps of Retired Business Executives. Another innovative effort has been the Community Economic Development Lending Initiative, which provides loans to small businesses and community development

throughout California. The purpose of the program is to distribute risk and transaction costs and centralize financial expertise available to the community development sector.

Community Development Financial Institutions (CDFI) are another major effort by the Federal Treasury Department to enhance community development by improving access to capital for low-income communities. CDFI's act as 'market pioneers' by providing lending and other financial services that mainstream banks do not; help prove by demonstrating that low-income markets are viable, sound and worthy of investment; and form important partnerships with mainstream institutions by drawing the latter to the table to participate with CDFI projects. These impacts combine to convince mainstream banks to provide their own lending and investing.

The CDFI Fund and its programs were recently re-authorized by Congress. The Fund provides investment capital to approximately 350 CDFI's throughout the nation operating in urban and rural areas. Self Reliance Inc. (SRI) identified 26 CDFIs that have some interest in financing recycling or environmental businesses. See Appendix B for a list of these CDFIs.

SRI surveyed these 26 CDFIs in August of 1998. Of the 26 contacted, 11 prominent CDFI's and CDC's responded indicating their interest in financing recycling businesses. Ten of the 11 funds have made investments and loans to recycling companies. Seven of the 11 agencies are interested in investment and/or loan funds earmarked for recycling. Two are undecided and two are not interested in such earmarked funds. See Appendix C.

## **Empowerment Zones**

The Empowerment Zones and Enterprise Communities programs established by the Clinton Administration and Congress, and managed by HUD and USDA, is an important innovation for urban and rural economic development. Not only do zones and communities receive direct financial benefits, but proposals for projects from these designated areas receive high priority within other HUD and USDA programs.

The Atlanta Empowerment Zone was the first to develop an incentives package for a recycling company, Renewal Atlanta, Inc. This enterprise recycles commercial waste stream materials and has created numerous jobs for Empowerment Zone residents.

Jim Vitarello, of the Genral Accounting Office and a leading advocate for community development and financing in the federal government, sees the Empowerment Zone concept and community development finance as a “perfect match”.<sup>5</sup> By incorporating both financial and technical assistance to Zone Businesses through the novel ‘One Stop Capital Shop’ (OSCS), the program addresses the reality that most small businesses fail due to lack of management and technical skills, not necessarily lack of capital.

SBA’s Small Business Investment Companies (SBICs), Small Business Lending Companies (SBA7(a)), 504 Certified Development Companies, Small Business Development Centers and Business Information Centers, all of which are integrated by the OSCS, are needed in “order for both the zones and community development finance to become truly successful,” concludes Vitarello.

Empowerment Zone/Enterprise Community Benefits for rural and urban communities are summarized as follows:

### **EMPOWERMENT ZONE/ENTERPRISE COMMUNITY BENEFITS**

#### **Empowerment Zone Benefits**

- Tax exempt facility bonds for certain private business activities.
- \$40 million in Social Services Block Grant funds for each rural zone, and \$100 million for each urban zone.
- Special consideration in competition for federal funding.
- Cooperative relationship with the federal government to remove federal barriers to comprehensive economic, community, and human development.

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<sup>5</sup> See Vitarello, “Combining Empowerment Zones and Community Development Banking,” Memorandum 1994

- Employer wage credit for zone residents extended to employers doing business in zones—up to 20% of the first \$15,000 in wages and qualified costs.

#### Enterprise Zone Benefits

- Tax exempt facility bonds for certain private business activities.
- \$3 million in Social Services Block Grant funds.
- Special consideration in competition for federal funding.
- Cooperative relationship with the federal government to remove federal barriers to comprehensive economic, community, and human development.

#### **New Institution for Government Agency and Business Financing for Recycling**

A productivity bank is an innovative investment instrument that is applicable to the recycling industry. The bank provides low cost capital for productivity and efficiency improvements that have pay back periods that are too long to attract traditional investment. In the case of cities and counties, facilities managers may know that if they had the capital to buy efficient lighting fixtures they could save millions of dollars annually. Due to budget constraints investment funds are not available; hence the city continues to pay far more than necessary for energy. The productivity bank provides a way around these constraints.

The productivity bank concept can be extended beyond the government sector to serve small businesses. Low interest loans would allow small businesses to invest in process changes, material substitutions, and technologies that enable the firm to reduce waste and/or increase recycling of waste generated. Businesses may be reluctant to make these investments at market interest rates due to the long pay back time needed to recoup investments. As with a government productivity bank, low interest rates allow for immediate investments and results.

Several government productivity banks are currently in operation. The Philadelphia Productivity Bank started in 1992 and the Los Angeles County Quality Productivity Commission, started in 1981. These programs provide low interest loans to government departments for investment in improved productivity; defined as reduced costs and/or increased revenues. Investments have been made to automate tax revenue, computer information and fleet management systems and software. The Philadelphia Productivity Bank was financed by a \$20 million bond issue guaranteed by the state of Pennsylvania.

Other cities have taken similar approaches to productivity and efficiency programs including Portland's Innovations Loan Fund, Phoenix's Employee Suggestion Program, Milwaukee's Department of Public Works hazardous waste reduction

program. San Francisco, Chicago, San Diego, Atlanta, Toronto and Memphis have programs.<sup>6</sup>

Most recently, the Solid Waste Management Authority of Del Norte County, California, has recommended a productivity bank to serve government agencies and small businesses as part of its Zero Waste Plan. The recommendation calls for local banks to capitalize the bank through their CRA obligations.<sup>7</sup>

## **Barriers and Current Needs**

Based on interviews with leading community development specialists it is clear that availability of capital is an important but not the only pressing problem in the recycling business sector. Both lenders and recycling companies need additional business planning and technical assistance to address the unique financing challenges faced by recycling entrepreneurs.

### **A. Capital Needs**

The need for capital, including research and development funding, is generally assumed to be the most pressing need identified for recycling businesses by government and small business recycling advocates. A recent study by the Lakota Institute documents that financial resources for community oriented research and development is a mere fraction of private sector research and development dollars.<sup>8</sup> Other recent studies provide analysis of capital needs specifically for the recycling industry.<sup>9</sup>

As a general strategy, recycling advocates should ally with CDC's, CDFI's and credit unions to increase the amount of capital available to the community and small business sectors; as this increases the pool of available capital for projects and enterprises.

There is a more direct reason for recycling advocates to work for a greater share of capital. As will be discussed below in greater detail, the financial community needs far more information and experience with the recycling business sector in

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<sup>6</sup> See Neil Seldman, *Municipal Productivity Programs and Their Potential Application to Washington, DC*, Institute for Local Self-Reliance, Washington, DC, March 1996; and , N. Friedman, *Preventing Pollution in Our Cities: A Compendium of Case Studies*, National Association of Counties, Washington, DC, 1995.

<sup>7</sup> To be published in September 1998.

<sup>8</sup> The Loka Institute, Amherst, MA, "Community-Based Research in the U.S." June 1998.

<sup>9</sup> See David Kirkpatrick, Michael Shore and Allan Rosen, "North Carolina Recycling Business Study," N.C. Recycling Business Assistance Center, 1996; and Pamela Jones, et al., "Tax Incentive and Loan Programs as Recycling Market Development Tools," Massachusetts Recycling Coalition, 1997.

order for decision-makers to have confidence in this sector. One alternative is for CDFI's to develop their own expertise in this field. The problem is that the expertise needed varies widely. Specifically, an officer expert in the plastic industry will not have the needed expertise for evaluating companies in the paper, organics or metals industries. North Carolina Self-Help Fund is one community-based lender with a respected track record in the recycling sector loan and investment field; having made approximately \$3 million in loans to 13 processing and re-manufacturing companies. Bob Schall, Fund Administrator, points out that until an agency reaches \$10 million in its loan pool, it is difficult to support staff with the needed expertise to operate efficiently. Some funds have expanded their scope from recycling to environmental investments in general in order to attract a larger capital pool for loans and investments. The North Carolina Self-Help Fund itself is striving toward a \$10 million capital pool, which may take another 3 to 5 years. An increase in the availability of funds for such agencies would allow them to hire, train and retain trained loan officers.

## B. Non-Capital Needs

Human capital and business planning expertise are as critical as investment capital for the future development of recycling enterprises. The recycling sector has unusual cash flows, marketing challenges, new technologies and regulatory uncertainty, which remain unfamiliar to the mainstream investment community. All these factors increase the perceived risk for loans requested by recycling companies.

Many recycling projects are too small for a traditional lender to focus staff time and attention. Traditional lending institutions prefer landfills, transfer stations and incinerators, which are capital intensive investments, with guaranteed sources of material and revenue streams. Non-traditional lenders are generally passive in the recycling field because they do not have the staff capacity to devote to recycling enterprises which have relatively small capital needs, yet whose loans are just as labor intensive to evaluate and service.

Another limitation is the circumstances dictated by the history of recycling's evolution in the U.S. Most often the government agency responsible for investment and policy decisions in the recycling field are solid waste management agencies, with no tradition or skill base in finance and economic development. Until the early 1990's, it was rare when solid waste officials and economic development officials knew about or talked with each other. Entire areas of concern for recycling investment decisions are based on internal process changes to develop less wasteful and toxic inputs. Neither solid waste or economic development officials were capable of the engineering and systems analysis required for sound investment decisions.

One antidote for this dilemma was developed in the San Francisco Bay Area. California Organized Investment Network (COIN) is a clearinghouse of information for environmental investments developed by the California Department of Insurance.

Educational services and linkage programs have led some community development finance experts to conclude that capital is not the main problem facing the recycling sector. "We can pretty much figure out where and how to get capital for our investments" states Adina Abramowitz of the National Community Capital Association. Some agencies are actually awash with cash. "More critical at this time is the need for information, training and experiences for community development finance officials in order for them to become more familiar with recycling enterprises and their unique needs, risks and potentials."

Community development finance experts observed the overlapping concerns among recycling companies and CDFI's. The companies by definition are rooted to communities where they derive their raw materials. The CDFI's policy goals are supported rooted businesses, committed to communities. CDFI's focus on place-based enterprises that help long-term development needs in urban and rural areas. "Thus, there is a natural fit between recycling and community development financing agencies that want to create jobs and viable businesses in their target areas," concludes Janney Carpenter of ShoreBank Environmental Services. "These groups are natural allies".

Alternative sources of expertise do exist to help make the linkages between traditional sources of investment capital and recycling businesses. The National Recycling Coalition, the Institute for Local Self-Reliance, the Environmental Capital Network, Materials for the Future Foundation, state and regional market development agencies and other recycling trade associations all have recycling industry experts on staff and in some cases provide direct business planning assistance and outreach to investors. Bridges need to be built between these organizations and the financial community.

## **Next Steps in Linking Community Development and Small Business Financing**

Based on feedback from interviews with community finance institutions and experts in the field, the following areas should be explored and developed as part of a comprehensive strategy to increase the availability of capital and financial expertise to small and non-profit recycling businesses:

### **A. Education/Public Awareness Efforts**

Information, education and training for financial officers is a critical need for the recycling industry. To many, recycling is a field laden with confusion and lack of hard experience, despite the accomplishments in the recycling industry in the last two decades. Many analysts are completely unaware of the development history. Further, recycling has built in drawbacks from the investment perspective. Recycling relies on regulations by local, state and federal governments. Regulations, such as 'flow control' can change quickly and dramatically. Markets for some materials, especially paper, have witnessed wide fluctuations in the past decade. In 1989 newsprint prices fell to zero; in 1996 they rose to \$200 per ton. Since then they have stabilized at \$20 per ton which has been the traditional value for newsprint. Contracts are available to insulate cities and businesses from these fluctuations, but these have to be presented to investors. Plastic prices have also fluctuated. Here investors are concerned about the derivative nature of the secondary plastics market. Recycled plastic prices are a step-child to the virgin industry's investment in capacity worldwide. Regulations such as bottle bills and bans can reinforce prices. But, again, investors are hesitant to rely on regulations that can change from year to year.

Recommendations for actions are:

- Maintain and enhance investor forums such as those coordinated by KirkWorks, Northeast Recycling Council, Materials for the Future Foundation and the Environmental Capital Network.
- Integrate private sector and state agency contacts and information into a combined database; disseminate this database through electronic and traditional media.
- Conduct outreach workshops and small group sessions through existing networks of CDC's (National Congress for Community Economic Development, Corporation for Enterprise Development, Center for Community Change), CDFI's (National Community Capital Association, Coalition of Community Development Finance Institutions, Community Development Financial Institutions Fund, National Community Reinvestment Association, Association of Community Development Credit



Unions), Federal Empowerment Zones/Enterprise Communities (HUD and USDA offices), state agencies (California, New York, Pennsylvania, North Carolina, Arizona), and private environmentally oriented investment funds (Calvert Group, AFL-CIO Business and Housing Trust Funds, union pension funds, San Francisco Venture Capital Group, Community Development Venture Capital Alliance).<sup>10</sup>

- Conduct a working forum for NRC, Community Reinvestment Association, the National Congress for Community Economic Development and similar agencies to develop standardized investment products, including subordinated investment instruments that can be co-marketed to allow larger capital markets to invest.
- Publish and disseminate case studies of investment forum successes, including model application forms required of companies, which want to participate in these forums.
- Publish and disseminate other timely booklets pertaining to financing recycling businesses.
- Establish a training program for financial managers, state and local economic development officials and entrepreneurs.
- Establish a 'peer match' program modeled after EPA's recycling peer match program for local officials.

#### B. Increase Levels of Capital Available for Community Development Finance Organizations

If educational efforts are successful there will be increased applications for recycling enterprise loans.

Recommended actions are:

- Join and work with agencies that monitor and lobby for increased levels of capital for community development finance; including expansion of CRA to non-bank financial institutions, increase in allocation to the CDFI Fund.

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<sup>10</sup> On behalf of NRC, SRI initiated talks with Adina Abramowitz, National Community Capital Association, Cliff Rosenthal, Association of Community Development Credit Unions, and Josh Silver of the National Community Reinvestment Association with regard to participating in each organization's annual conferences and special jointly sponsored forums on a regular basis. New York City, Philadelphia, Washington, DC have been suggested sites for special forums. Annual conferences are held throughout the US.

- Approach foundations to solicit program related investment through capitalizing CDFI's (See MFF National Recycling Financing Initiative Report)

#### C. Recycling Infrastructure Trust Fund

The federally sponsored Housing Development Trust Fund has been responsible for leveraging private capital for the construction of low and moderate income housing in the past decade. Individuals can invest in the fund and benefit from tax credits while their investment earns modest rates of return. A similar trust fund for government recycling infrastructure, which would allow individuals to invest their savings in local government recycling infrastructure projects.

Recycling is among the most popular environmental activities in the US, with 150 million citizens participating in recycling activity on a regular basis. Millions of Americans would flock to an investment opportunity that allows this activity to increase. The Trust could be managed as a National Recycling Productivity Bank in order for Local Government to support recycling, reuse and waste reduction.

Recommended action is:

- Develop a Recycling Infrastructure Investment Trust to be co-managed by the U.S. EPA, U.S. Conference of Mayors, National League of Cities and National Association of Counties.

#### D. National Solid Waste Disposal Surcharge

Surcharges on solid waste going to landfills have been established on a statewide (Pennsylvania), county (Boulder County) and city (Champaign-Urbana) basis. Funds collected from solid waste tipped in all public and private landfills in the jurisdiction are used to finance recycling infrastructure and business investments. A national solid waste disposal surcharge ranging from \$.50 per ton for non-hazardous municipal solid waste to \$1.00 per ton for hazardous materials (batteries, florescent lights, household cleaners) within the municipal solid waste stream would generate over \$100 million annually on a national basis. The funds could be managed by a national Productivity Bank for Small Businesses that increase waste reduction, recycling and reuse.

Recommended action is:

- Develop a policy statement in support of a national solid waste disposal surcharge for all landfills and incinerator facilities.

#### E. Productivity Banks for Government Infrastructure Projects and Small Businesses

Recommendation is:

- Develop business plans for a productivity bank that serve local government agencies and departments and small businesses.

## **Appendix A**

### **Contact List**

Adina Abramowitz - National Community Capital Association -  
Philadelphia, PA (215)-923-4754

Frank Altman - Community Reinvestment Fund - Minneapolis, MN  
(612)-338-3959

Janney Carpenter - ShoreBank Environmental Services - Boulder, CO (303)-  
722-9838

Michael Grunning - California Organized Investment Network - Sacramento,  
CA (916)-492-3525

John Haines - ShoreBank Pacific - Portland, OR (503)-916-1552

Cliff Rosenthal - Federation of Community Development Credit Unions -  
New York, NY 1-800-437-8711

Richard Saul - Office of Community Services / Health and Human Resources  
- Washington, DC. (202)-401-9341

Robert Schall - North Carolina Self-Help Venture Fund - (919)-956-4400

Joshua Silver - National Community Reinvestment Coalition - Washington,  
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James Vitarello - General Accounting Office, formerly US Department of  
Treasury, Office of the Comptroller - Washington, DC (202)-332-4455

Nick Smith - Community Development Venture Capital Alliance -Duluth,  
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## **Appendix B**

### List of Prominent CDC's and CDFI's

#### Alternatives Federal Credit Union

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Bill Myers: Manager

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Fax: 607-277-6391

#### Bear Paw Development Corp. of Northern Montana

P.O. Box 1549 Federal Building, Room 209 Havre, MT 59501

Phone: 406-265-9226

#### Boston Community Capital

30 Germania Street Jamaica Plain, MA 02130

DeWitt Jones: Executive Director

Phone: 617-522-6768

Fax: 617-522-7786

#### Cascadia Revolving Fund

119 First Avenue, South, Suite 100 Seattle, WA 98104

Shaw Canala: Executive Director

Phone: 206-447-9226

Fax: 206-682-4804

#### Coastal Enterprises, Inc.

P.O. Box 268, Wiscasset, ME 04578

Carla Dickstein: Senior Development Officer

Phone: 207-882-7552

Fax: 207-882-7308

#### Community Loan Fund of SW Pennsylvania

425 8<sup>th</sup> Avenue, Suite 201 Pittsburgh, PA 15219

Mark Peterson: Executive Director

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Fax: 412-201-2451

#### Cooperative Business Assistance Corporation

433 Market Street, Suite 201 Camden, NJ 08102

Michael Diemer: Executive Director

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#### Cooperative Fund of New England

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Bill Bey: President  
Phone: 715-357-3334  
Fax: 715-357-6233

LEAF (Local Enterprise Assistance Fund)  
20 Park Plaza, Suite 1127  
Boston, MA 02116  
Susan Clare: Executive Director  
Phone: 617 542-5363  
Fax: 617-338-2788

Los Angeles Local Development Corporation  
1055 West 7<sup>th</sup> Street, Suite 1620 Los Angeles, CA 90017  
Phone: 213-362-9113

Montana Community Development Corporation  
127 North Higgins Missoula, MT 59802  
Rosalie Cates: Director  
Phone: 106-543-3550  
Fax: 106-721-4584

New Hampshire Community Loan Fund  
7 Wall Street Concord, NH 03301  
Julie Eades: President  
Phone: 503-224-6669  
Fax: 603-225-6425

New Jersey Community Loan Fund

P.O. Box 1655 Trenton, NJ 08607

Anne Li: Executive Director

Phone: 609-989-7766

Fax: 609-393-9015

New Mexico Community Development Loan Fund

P.O. Box 705 Albuquerque, NM 87103

Vangia Gabaldon, Executive Director

Phone 505-243-3196

Fax: 505-243-8803

Nonprofit Facilities Fund

70 West 36<sup>th</sup> Street, 11<sup>th</sup> Floor New York, NY 10018

Clara Miller: Executive Director

Phone: 212-268-6710

Northcountry Cooperative Development Fund

1219 University Avenue, SE Minneapolis, MN 65414

Margaret Lund: Managing Director

Phone: 612-331-9103

Fax: 612-331-9145

Northeast Entrepreneur Fund

820 Ninth Street North Virginia, MN 65792

Mary Mathews: President

Phone: 218-749-4191

Fax: 218-749-5213

Northland Foundation

202 West Superior Street, Suite 610 Duluth, MN 55802

John Elden: Loan Program Manager

Phone: 218-723-4040

Fax: 218-723-4048

Oakland Business Development Corporation

519 17<sup>th</sup> Street, Suite 100 Oakland, CA 94612

Phone: 510-763-4297

Ohio Community Development Finance Fund

42 E Gay Street, Suite 100 Columbus, Ohio 43215

Phone: 614-221-1114

Santa Cruz Community Credit Union

P.O. Box 1677 Santa Cruz, CA 95051-1677

Bill Leland: Community Development/Marketing Specialist

Phone: 408-425-7708

Fax: 408-425-4824

Self-Help Venture Fund

P.O. Box 3619 Durham, NC 27702-3619

Robert Schall: President

Phone: 919-956-4400

Fax: 919-956-4600

Vermont Community Loan Fund

P.O. Box 827 Montpelier, VT 05602

Meg Pond - Loan Officer

Phone: 801-223-1448

Fax: 802-223-1455



## **Appendix C**

### **Survey Results of Prominent CDC's and CDFI's Contacted**

ALL DATA PROVIDED BY THE SURVEYED CDC or CDFI.

na: no data available

#### Coastal Enterprises, Inc.

P.O. Box 268, Wiscasset, ME 04578

Phone: 207-882-7552

Fax: 207-882-7308

Contact: Carla Dickstein -Senior development officer

*Has or is willing to make loans to recycling and reuse companies:* Yes

*Previous loans made to recycling and reuse companies:* Pallet recycling, and an organic compost fertilizer company using fish waste

*Proposals received from recycling and reuse companies:* A few non-described proposals received

*Interested in getting information and possibly earmarked funds for recycling and reuse loans:* Yes

*Has received Community Reinvestment Act dollars:* Yes

*The largest source(s) of funding:* Federal grants (SBA, HUD, and USDA)

*Key barriers to making loans to recycling and reuses companies:* Same as other proposals

*Type of investment provided:* Equity and loans

*Comments:* A few years ago Coastal Enterprises initialized the "Green Fund," which makes funds available to all green industries.

#### Cooperative Business Assistance Corporation

433 Market Street, Suite 201, Camden, NJ 08102

Phone: 609-966-8181

Fax: 609-966-0036

Contact: Michael Diemer - Executive Director

*Has or is willing to make loans to recycling and reuse companies:* Yes

*Previous loans made to recycling and reuse companies:* None

*Proposals received from recycling and reuse companies:* None

*Interested in getting information and possibly earmarked funds for recycling and reuse loans:* Yes

*Has received Community Reinvestment Act dollars:* na

*The largest source(s) of funding:* Debt fund

*Key barriers to making loans to recycling and reuses companies:* na

*Type of investment provided:* Loans

Cooperative Fund of New England

P.O. Box 412, Hartford, CT 06141-0412

Phone: 910-395-6008

Contact: Rebecca Dunn - Executive Director

*Has or is willing to make loans to recycling and reuse companies:* Yes, if nonprofit or cooperative.

*Previous loans made to recycling and reuse companies:* Not specifically recycling, but organic farming.

*Proposals received from recycling and reuse companies:* Partial proposal from a tire recycling business.

*Interested in getting information and possibly earmarked funds for recycling and reuse loans:* Do not use earmarked dollars.

*Has received Community Reinvestment Act dollars:* No

*The largest source(s) of funding:* Religious organizations, individuals.

*Key barriers to making loans to recycling and reuses companies:* None, Eligible companies must be either cooperative, nonprofit or employee owned.

*Type of investment provided:* Loans

Delaware Valley Community Reinvestment Fund

718 Arch Street, Suite 300 North, Philadelphia, PA 19106-1591

Phone: 215-925-1130  
Fax: 215-923-4764  
Contact: Jeremy Nowak - Executive Director

*Has or is willing to make loans to recycling and reuse companies:* Yes

*Previous loans made to recycling and reuse companies:* na

*Proposals received from recycling and reuse companies:* 4 - 5 per year

*Interested in getting information and possibly earmarked funds for recycling and reuse loans:* Yes

*Has received Community Reinvestment Act dollars:* Some, but not predominate source of funding

*The largest source(s) of funding:* Internal- 800 investors (70% interest revenue)

*Key barriers to making loans to recycling and reuses companies:* Twenty percent of recycling/reuse proposals are serious. Product prices and markets are not developed for recycling/reuse.

*Type of investment provided:* Equity investment and loans

*Comments:* The Delaware Valley Community Reinvestment Fund does not rely upon Government agencies. It has a strong internal source of funding.

Impact Seven, Inc.  
651 Garfield Street, Almena, WI 54805  
Phone: 715-357-3334  
Fax: 715-357-6233  
Contact: Bill Bay - President

*Has or is willing to make loans to recycling and reuse companies:* Yes

*Previous loans made to recycling and reuse companies:* Venture capital in process with oil re-manufacturing company; Approximately four previous loans made, including one to an oil recycler /oil burner manufacturer 20 years ago

*Proposals received from recycling and reuse companies:* 1 - 2 per year

*Interested in getting information and possibly earmarked funds for recycling and reuse loans:* Yes

*Has received Community Reinvestment Act dollars:* No

*The largest source(s) of funding:* Internal funding is predominant; Modest venture capital pool

*Key barriers to making loans to recycling and reuses companies:* na

*Type of investment provided:* Equity investment and loans

*Comments:* Most proposals made to Impact Seven, Inc. are not interested in equity investment. Also Impact Seven does not have enough capacity to do venture capital. Impact Seven, Inc. has previously received small grants from such programs as CBD and Energy Tax Credit. Impact Seven would like to see more target capital devoted to localities for recycling/reuse companies.

New Jersey Community Loan Fund

P.O. Box 1655 Trenton, NJ 08607

Phone: 609-989-7766

Fax: 609-393-9015

Contact: Anne Li - Executive Director

*Has or is willing to make loans to recycling and reuse companies:* Yes

*Previous loans made to recycling and reuse companies:* Has made one loan to a recycling and reuse company in the past

*Proposals received from recycling and reuse companies:* Recently received another proposal from recycling/reuse company

*Interested in getting information and possibly earmarked funds for recycling and reuse loans:* No, funding for recycling and reuse companies would come out of general fund

*Has received Community Reinvestment Act dollars:* Yes

*The largest source(s) of funding:* Investors (mostly banks)

*Key barriers to making loans to recycling and reuses companies:* No different then other loans

*Type of investment provided:* Loans

*Comments:* Two loan pools (90% general pool and 10% small business and specialty pool)

New Mexico Community Development Loan Fund

P.O. Box 705, Albuquerque, NM 87103

Phone 505-243-3196

Fax: 505-243-8803

Contact: David Provost

*Has or is willing to make loans to recycling and reuse companies:* Yes

*Previous loans made to recycling and reuse companies:* Loan to individual recycling organization that recycles hardboard and paper

*Proposals received from recycling and reuse companies:* No

*Interested in getting information and possibly earmarked funds for recycling and reuse loans:* Yes

*Has received Community Reinvestment Act dollars:* Yes, mostly in the form of loans.

*The largest source(s) of funding:* Government; Ford foundation

*Key barriers to making loans to recycling and reuses companies:* Evaluated on the same basis as other loans

*Type of investment provided:* Loans

Northcountry Cooperative Development Fund

1219 University Avenue, SE, Minneapolis, MN 65414

Phone: 612-331-9103

Fax: 612-331-9145

Contact: Margaret Lund - Managing Director

*Has or is willing to make loans to recycling and reuse companies:* Yes (if the company is a cooperative)

*Previous loans made to recycling and reuse companies:* None

*Proposals received from recycling and reuse companies:* None

*Interested in getting information and possibly earmarked funds for recycling and reuse loans:* Yes

*Has received Community Reinvestment Act dollars:* No

*The largest source(s) of funding:* Cooperatives; National Cooperative Bank; Other organizations

*Key barriers to making loans to recycling and reuses companies:* Companies have to be a cooperative and secure. Business plans tend to be the inadequate and recycling / reuse markets are risky.

*Type of investment provided:* Loans

Northland Foundation

202 West Superior Street, Suite 610, Duluth, MN 55802

Phone: 218-723-4040

Fax: 218-723-4048

Contact: John Elden - Loan Program Manager

*Has or is willing to make loans to recycling and reuse companies:* Yes

*Previous loans made to recycling and reuse companies:* Once made a loan to a company that uses wood sugar (a byproduct of the pulp industry)

*Proposals received from recycling and reuse companies:* No recent proposals received

*Interested in getting information and possibly earmarked funds for recycling and reuse loans:* Yes

*Has received Community Reinvestment Act dollars:* No

*The largest source(s) of funding:* Government funding

*Key barriers to making loans to recycling and reuses companies:* No real difference from other loans

*Type of investment provided:* Loans

Vermont Community Loan Fund

P.O. Box 827, Montpelier, VT 05602

Phone: 802-223-1448

Fax: 802-223-1455

Contact: Meg Pond - Loan Officer

*Has or is willing to make loans to recycling and reuse companies:* Yes

*Previous loans made to recycling and reuse companies:* Currently has a commitment to make \$150,000 loan to a community action organization for acquisition and construction of a recycling / reuse facility that will include recycling of traditional recyclables, as well as clothes and food. The facility will also offer social services. The Institute for Community Economics (ICE) will match the loan.

*Proposals received from recycling and reuse companies:* This current loan is the only loan to a recycling and reuse company

*Interested in getting information and possibly earmarked funds for recycling and reuse loans:* Interested in getting information but not certain about earmarked funds

*Has received Community Reinvestment Act dollars:* No

*The largest source(s) of funding:* Private investors

*Key barriers to making loans to recycling and reuses companies:* New-ness

*Type of investment provided:* Loans are only provided from the Building Community Fund. Loans and possible equity are provided from the Enterprise Fund.

*Comments:* The Vermont Community Loan Fund has two funds. The first is the Building Community Fund and the second is the Enterprise Fund. The recycling/reuse loan mentioned above will be funded out of the Building

## **Appendix D**

Profiles of Government Programs Which Leverage Capital and Resources for Recycling Businesses (Federal, State, Local)

ALL DATA PROVIDED BY THE PROFILED AGENCY

## United States Department of Defense

400 Army Navy Drive, Suite 200

Arlington, VA 22202-2884

[phone] (703) 604-6020

[fax] (703) 604-5843

Web Page: [HTTP://www.dod.gov](http://www.dod.gov)

Contact: Paul Dempsey

### Highlighted Program: Deconstruction Education Program

Description: The Department of Defense offers education as a means to reduce the overall costs of defunct military bases sold to communities. The Department of Defense offers closed military bases to the communities where they are located, and demolishes only those military facilities that are of health and safety concerns. The community attempting to purchase the base is then responsible for demolishing the remaining structures. The community can opt to pay the military to deconstruct the buildings, but costs are often high. These high deconstruction costs can make the closed military base too expensive for communities to purchase. As an alternative, the DOD offers deconstruction education so that the communities are able to demolish the remaining structures themselves at much lower costs.

Type of Assistance: The DOD offers education on deconstruction to communities as a means of demolition cost reduction.

Eligibility: This program is only useful to those communities that have military bases. Eligible communities are those with military bases that are soon to be closed.

Application Process: The DOD selects military base closures, and offers the Deconstruction Education Program to the communities where bases have been selected to be closed.

#### Example: *Fort Benjamin Harris (Indianapolis, Indiana)*

A few years ago the City of Indianapolis purchased Fort Benjamin Harris from the Department of Defense. The costs of deconstructing the base by the military would have been approximately \$15 per square foot. The city saved approximately \$10 per square foot by performing the deconstruction itself, using techniques provided by the DOD's deconstruction education program. The final deconstruction costs of approximately \$4 per square foot made the city's purchase of the base economically possible.



Comments: This program is useful to some communities and deconstruction companies.

United States Department of Energy  
Denver Regional Support Office  
Center of Excellence for Sustainable Development  
1617 Cole Boulevard; MS 1721 Golden, CO 80401  
[fax] (303) 275-4830  
Web Page: <http://www.sustainable.doe.gov>  
Contact: Dennis Maez  
E-mail: dennis.maex@hq.doe.gov

#### Highlighted Program: Building a Sustainable Future Small Grant Program

Description: In order to promote more sustainable communities, the Department of Energy (DOE) offers grants through the Building a Sustainable Future Grant Program to Federal Empowerment Zone or Enterprise Communities. Any of the 72 urban and 33 rural communities that have been designated as Federal Empowerment Zones or Enterprise Communities can submit proposals to the DOE's Denver Regional Office of the Office of Energy Efficiency and Renewable Energy for funding of sustainable community development projects.

Type of Assistance: Grants up to \$50,000. In Fiscal Year 1998 the DOE approximated \$250,000 in total available funding.

Eligibility: Only communities that are designated as Federal Empowerment Zones or Enterprise Communities are eligible for funding under this program. Non-profits or non-federal organizations can apply if authorized by the Empowerment Zone or Enterprise Community office. Applicants must also share at least five percent of the project costs.

Application Process: Applications can be submitted to the DOE's Regional Office Support Office of the Office of Energy Efficiency and Renewable Energy. Full details on the application process can be obtained from Dennis Maez.

Leveraging / Partnerships: Applicants must share at least five percent of the project cost. Cost-sharing can either be financial or donations of materials, labor, or other in-kind contributions.

## United States Department of Energy

Office of Energy Efficiency and Renewable Energy

Office of Industrial Technologies and Office of Technical and Financial Assistance

[phone] DOE GO: (303) 275-4788

DOE HQ: (202) 586-1641 or (202) 586-8296

Web Page: <http://www.eren.doe.gov/golden>

Contacts: Individual State Energy Offices, Jim Damm at the DOE's Golden Field Office (GO), or DOE Headquarters

(and)

## United States Environmental Protection Agency

Office of Pollution Prevention Assistance

401 M. Street SW Washington, DC 20460

[phone] (202) 260-2720

Web Page: <http://es.epa.gov/program/p2dept/energy/nice3/>

Contact: David Bassett

Highlighted Program: The National Competitive Through Energy, Environment, and Economics (NICE3)

Description: NICE3 is a collaborative grant program sponsored by both the U.S. Environmental Protection Agency's Office of Pollution Prevention and the Department of Energy's Office of Energy Efficiency and Renewable Energy, the Office of Industrial Technologies, and Office of Technical and Financial Assistance. The grant program was created to increase energy efficiency and reduce environmental emissions, by providing financial assistance to state/industrial partnership projects that offer new energy-efficient technologies such as reusing waste in manufacturing processes. The three program goals are to promote energy efficiency, reduce barriers to energy efficiency, and promote industrial competitiveness. NICE3 funds can be used to design, test, demonstrate, and assess the feasibility of new processing technologies that reduce emissions and energy use.

Since 1991, NICE3 has funded 26 projects with \$7.8 million. Most recently in 1998, there were 35 applications submitted of which ten NICE3 grants were approved worth \$4 million dollars.

Type of Assistance: Grants of \$425,000 are offered over a period of three years. Average grants range approximately \$250,000.

Eligibility: Only industrial firms in SIC codes 26 (paper), 28 (chemicals), 29 (petroleum and coal products), and 33 (primary metal industries) that operate in partnership(s) with state agencies are eligible for these grants. Other individuals and organizations such as local governments, universities, private non-profits can also develop partnerships with industries and submit proposals. The following categories are ineligible for NICE3 funds: noise, nuclear radiation/waste, waste treatment/disposal, hazardous waste site remediation, cross-media containment shifts, and municipal solid waste. Eligible industrial firms must be in partnership with state agencies.

Application Process: Introductory two-page project abstracts must first be submitted. Acceptable projects are then requested to submit proposals. Proposal applications are available from DOE's web page or from the DOE Golden Field Office (written request only). Projects are evaluated on concept description, innovation, cost efficiency, applicant capabilities, energy savings, waste reduction, competitiveness, commercialization/market plan, and job impact.

Leveraging / Partnerships: Interested parties must match NICE3 grant contributions.

Comments: Funding is expected to increase to \$6 million for fiscal year 1999.

## United States Environmental Protection Agency

401 M Street, SW

Washington, DC 20460

[phone] (703) 308-7896

[fax] (703) 308-8686

Web Page: [HTTP://www.epa.gov/jtr/](http://www.epa.gov/jtr/)

Contact: John Leigh

### Highlighted Program: Jobs Through Recycling Program (JTR)

Description: The EPA's Job Through Recycling Program offers funding to state, regional and tribal government agencies and nonprofit organizations for market development, technical and financial assistance to recycling and reuse companies as a means to promote economic development and create jobs. Entities eligible to receive funding can submit funding requests to assist recycling and reuse businesses in these areas for up to \$200,000.

Type of Assistance: The Jobs Through Recycling Program offers grant assistance to government agencies and nonprofit organizations for four types of projects: Recycling and Reuse Business Assistance Centers (RBAC's), which provide technical, business, financial, and marketing assistance to recycling and reuse companies; Recycling Economic Development Advocates (REDA's), which provide marketing and business operation assistance; Regional Recycling Investment Forums that bring finance and recycling together; and Demonstration Projects used to inspire new recycling and reuse enterprises.

Eligibility: U.S. states and multi-state organizations, U.S. territories, Native American tribes and multi-tribe organizations and nonprofit organizations are all eligible to receive JTR grants as long as their primary focus is on recycling and economic development. Previous 1997 JTR grant recipients were not eligible for funding in 1998.

Application Process: Direct communication with the appropriate EPA regional JTR contact is required by January of the grant year prior to submission of a pre-proposal. A two-page pre-proposal must be submitted to the EPA regional JTR contact for review by the end of January. From the pre-proposals the EPA review committee selects appropriate applicants and request full proposals usually due by the end of March. The EPA generally makes its final selections by the end of April and the appropriate awards are granted by the end of the summer. EPA regional JTR contacts review both pre-proposals and full proposals based on project description, market capacity/waste diversion, economic development/job creation, project partners/institutionalization, and measurability of project results.

Leveraging / Partnerships: First time grant recipients are required to match 25% of the requested JTR funding. Previous JTR recipients are required to match 50%. Grant recipients are also expected to form partnerships with financial institutions, local governments, nonprofits, universities, and innovative organizations that can offer advancements in recycling and reuse technologies.

Example: *Waste Reduction Product Corporation (WRPC)*

Located in North Carolina, WRPC transforms gypsum drywall scrap and other gypsum waste into reusable products. The North Carolina Recycling Business Assistance Center (RBAC), created through a grant from the JTR, offered a variety of assistance to WRPC. The RBAC offered such support as C&D market development and a gypsum wallboard scrap recovery system. The RBAC partially contributed to a \$50,000 grant to help facilitate the recovery of gypsum scrap, and also assisted with site location, market research and development, manufacturing, packaging, and equipment identification. According to WRPC staff, the RBAC saved the WRPC around \$70,000-\$100,000.

Comments: JTR funds cannot be used for construction or equipment purchases.

## United States Environmental Protection Agency

Office of Air & Radiation (MC 6101),

401 M Street SW

Washington, DC 20460

[phone] (202) 260-2441

[fax] (202) 260-2555

Web Page: <http://www.epa.gov/ecocommunity/>

### Highlighted Program: Sustainable Development Challenge Grants (SDCG)

Description: The Sustainable Development Challenge Grant invests in neighborhood, city and regional communities by leveraging public and private investment with competitive grants. The SDCG helps build community partnerships, and promotes environmentally and economically sustainable development through support of community-based projects.

Type of Assistance: The SDCG has \$5 million in funding for FY 1998 and offers grants at two levels: \$50,000 or less, and \$50,001 to \$250,000.

Eligibility: Eligible applicants include: Incorporated non-profit private agencies, institutions, and organizations; and public (state, county, regional, or local) agencies, institutions, and organizations, including those of federally-recognized Indian tribes. All proposals must meet the statutory requirements of the EPA 's eight grant authorities and focus on the concerns of the appropriate grant authority, such as pollution prevention, conservation, health and safety issues, and education. Proposals must also demonstrate sustainability, contribute to the community, and offer measurable results.

Application Process: Interested applicants should obtain a proposal kit from the EPA web site or from EPA headquarters or the appropriate regional offices and submit the proposal by November 13th to the appropriate EPA Regional Office, who will perform the preliminary review. Top proposals will be sent to, and reviewed by officials at EPA headquarters and regional representatives. EPA senior management staff will make the final SCDG proposal selection.

Leveraging: The SDCG will only fund 80 percent of the project costs. Applicants are responsible for finding alternative funding for the remaining 20%. Funding can come from other government sources.

Example: *The Green Institute*

The Green Institute's deconstruction program, which operates in Minneapolis, Minnesota, was funded with a Sustainable Communities Development Grant from the EPA. The deconstruction program operates with two crews year-round and an additional crew during the fall. The SCD grant was matched to a United States Department of Health and Human Services', JOLI grant. The Green Institute developed in the early 1990's out of controversy over a waste transfer station, and sells all recovered materials to construction companies and through its Re-Use Center.

Comments: Approximately 80% of proposals received in FY 1997 were urban or urban related, and when the program was founded in 1996, the EPA received over 600 proposals requesting over \$20 million.

United States Environmental Protection Agency  
Office of Research and Development  
Washington, DC 20460  
[phone] (202) 260-2619  
[fax] (202) 260-4524

Web Page: [HTTP://www.sba.gov/](http://www.sba.gov/)

Contact: Mr. Stephen A. Lingle - Director of Environmental Engineering

### Highlighted Program: Small Business Innovation and Research (SBIR) Program

Description: The Small Business Innovation and Research Program offers competitive grants to innovative small businesses that focus on the research and development goals of the Environmental Protection Agency. The SBIR program originated out of the Small Business Innovation Development Act, July 22, 1982. The Act, which arose out of the need to strengthen small businesses and their role in researching and developing new technologies for the commercial sector, states that any federal agency who's annual external budget exceeds \$100 million has to contribute to the SBIR program. From FY 1997 to FY 2000 eligible agencies must contribute 2.5 percent of their annual budget to the SBIR program.

Type of Assistance: SBIR offers three distinct grant phases. Phase-one grants are given to select small businesses for performing feasibility testing. Typical Phase-one contracts are approximately \$65,000 with a maximum of \$100,000 over average six-month terms. Phase-two contracts of around \$220,000, but with a maximum of \$750,000 are distributed over periods of one to two years to successful Phase-one businesses for research and development. Small businesses that are successful at developing their technologies are eligible for Phase-three assistance, which focuses on the commercial development and application of the new technologies. Mandated funds from the Small Business Innovation Development Act cannot be used for Phase-three projects, but instead are funded separately from interested agencies.

Eligibility: Only for-profit, independently owned and operated small businesses, with no more than 500 employees and 49 percent international ownership are eligible for SBIR assistance.

Application Process: Eligible businesses must submit proposals for Phase-one and Phase-two assistance. The proposals are reviewed heavily by external committee, and awards are granted based on the technological and scientific innovations of the proposed projects.

Comments: From FY 1990 to FY 1995 the EPA issued 318 SBIR grant contracts (220 Phase-one contracts, 98 Phase-two contracts, and 5 Phase-three contracts). During this same time 11 new technologies were commercialized and 15 more are expected to be commercialized with the next few years.

United States Department of Health and Human Services  
Administration for Children and Families  
Office of Community Services (OCS)  
5<sup>th</sup> Floor West, Aerospace Building, 370 L'Enfant Promenade SW  
Washington, DC 20447  
[phone] 202-401-5282  
[fax] 202-401-4687  
Web Page: <http://www.acf.dhhs.gov/>  
Contact: Dick Saul

Highlighted Program: Job Opportunities for Low-Income Individuals (JOLI) Program

Description: The JOLI program increases employment opportunities to low income individuals by offering technical and financial assistance to nonprofit organizations (including community development corporations) who are committed to expanding low-income job opportunities.

Type of Assistance: Five to ten JOLI grants will be approved in FY 1998 from an approximate \$5 million budget. Grant amounts will be based upon individual proposal request with maximum grant amount of \$500,000 being distributed for up to a five-year project period.

Eligibility: Applicants for JOLI grants must be committed to creating low-income jobs for individuals who are eligible to receive Temporary Assistance for Needy Families (TANF), or who's income does not exceed 100% of the poverty line. Eligible organizations must also be tax-exempt under section 501(c) 3 or 4 of the Internal Revenue Code.

Application Process: Proposals are first subjected to a pre-rating review, which rejects any proposal that does not meet the application guidelines. Passing applications are scored and then selected using a 100 point rating system. Application kits are available from the Internet or OCS. JOLI grant awards for 1998 will be distributed by September 30th. The next application deadline will be May 18th, 1999.

Leveraging / Partnerships: Organizations must enter into cooperative partnerships with a designated TANF agency.

Example: *The Green Institute*

The Green Institute, which developed in early 1990's out of controversy over a waste transfer station, operates a deconstruction program in Minneapolis, Minnesota. The Green Institute's deconstruction program operates two crews



year-round and a third crew during the fall. A HHS JOLI grant helps fund all of the Green Institute's programs, but primarily guarantees a labor supply for its deconstruction program and for future businesses locating in the Green Institute's Phillips Eco-Enterprise Center. The Green Institute hires only individuals from disadvantaged neighborhoods that meet JOLI requirements.

Comments: OCS is very interested in creative and alternative approaches that concentrate on the creation of new jobs and business opportunities for TANF recipients and below poverty level individuals. Grant priority is given to those organizations that provide job opportunities to the highest percentage of TANF recipients.

## United States Small Business Administration

409 3<sup>rd</sup> Street SW

Washington, DC

[Phone] (202) 205-6770

Web Page: [HTTP://www.sba.gov/](http://www.sba.gov/)

### Highlighted Program: Certified Development Company (504) Loan Program

Description: The SBA Certified Development Company (504) Loan Program provides guaranteed long-term loans to small business for fixed capital start-ups and improvements. The SBA does not provide the actual loans, but rather guarantees loans made by private institutions which are distributed through Community Development Corporations (CDC's). Through the 504 program the SBA offers loan security to CDC's and provides leveraging to private-sector lending. Funds guaranteed by the 504 program may be used for such things as building and renovating facilities, improving site and street conditions, and purchasing long-term equipment.

Type of Assistance: The SBA 504 program provides long-term fixed financing debentures of a maximum limit of \$1 million.

Eligibility: Eligible recipients of the 504 loan guarantee are for-profit small businesses. The SBA designates a small business as having a net worth less than \$6 million and a net income less than \$2 million.

Application Process: Primary SBA lending institutions must approve all loans prior to submittal for SBA approval.

Leveraging: New small-business ventures seeking a 504 loan guarantee must contribute at least 10 percent equity, a secure a private-sector lien for up to 50 percent of the project cost, and a CDC junior lien for up to 40 percent of the project cost. The CDC lien is then guaranteed through the SBA Certified Development Company (504) Loan Program.

Example: Self-Help

Self-Help is a non-profit lending institution in the state of North Carolina. Since 1980 the organization has lent over \$120 million dollars (mostly guaranteed by the SBA 504 loan program) to non-traditional individuals and businesses. Recently in 1994 Self-Help created the Recycling Finance Project to aid non-profit and for-profit recycling businesses, and allows this relatively new industry more lending flexibility than traditional organizations.

Comments: The CDC must create or retain one job for every \$35,000 provided by the SBA.

## United States Department of Agriculture

0156 South Building

14<sup>th</sup> and Independence Avenue, SW

Washington, DC 20250-0401

[phone] (202) 690-1633

[fax] (202) 690-1655

Web Page: [HTTP://www.usda.gov/aarc/](http://www.usda.gov/aarc/)

Highlighted Program: The Alternative Agricultural Research and Commercialization Corporation (AARC)

Description: The AARC is operated by the U.S. Department of Agriculture and invests in the recycling and reuse of agricultural and forestry waste.

Type of Assistance: The AARC provides loans (not grants), which are repaid with premium interest through an equity position or through a royalty on sales. The average AARC investment is \$300,000.

Application Process: Applicants go through a four-step review process starting with the submission of a pre-proposal. The Due Diligence Subcommittee of the AARC Corporation Board then selects certain applicants to submit full proposals. The full proposals are then reviewed and due diligence visits are performed for select applicants. At last, the AARC Corporation's Board of Directors makes the final approval selection.

Eligibility: The AARC accepts applications from any private individuals and companies willing to produce commercialized bio-based industrial products from agricultural and forestry byproducts. The AARC however does not invest in companies that produce food or feed from organic material. Some assistance is provided for research and development but the AARC prefers to fund existing environmentally focused companies, in rural communities, with proven marketable products.

Leveraging: Within the first five years of operation, this program leveraged \$105 million dollars. Loan applicants must match 100% of the requested AARC funding.

Examples: *Phoenix Biocomposites, Incorporated*

Phoenix Biocomposites, Inc. produces composite building material from soybean protein resin and waste newspaper. The company's manufacturing process is environmentally friendly and its products are extremely versatile. AARC provided an initial \$1 million loan to construct the companies pilot program. A soybean cooperative then invested \$10 million to build a new plant to manufacture the fiberboard. The AARC has recently provided equity investment and now has close to \$2 million invested in the company. Phoenix Biocomposites, Inc. was also one of the first recipients of an AARC loan.

Comments: Working a lot in reinvestment in previous companies

United States Department of Agriculture Rural Development

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Web Page: [HTTP://www.usda.gov/](http://www.usda.gov/)

Contact: Dwight Carmon

Highlighted Program: The Business and Industry (B & I) Loan Programs

Description: The USDA offers two Business and Industry (B & I) loan programs. The first is its Guarantee Loan Program, which is a private-public partnership that extends the lending capability of private lenders, guaranteeing up to 80% of a commercial lender loan to rural businesses. This private-public partnership extends the lending capabilities of traditional lending institutions. The B & I guaranteed loan can be used to purchase equipment and other capital, land and structures. The USDA also offers, through its B & I Direct Loan Program, secure funding to rural area businesses by providing loans to public and private rural area businesses that have difficulty getting traditional loans.

Type of Assistance: Guaranteed and direct loans.

Eligibility: For the B & I Guarantee Program loans can only be used to extend the lending capabilities of rural area lenders such as credit unions, insurance companies, saving and loan associations and Farm Credit Banks. Eligible recipients of B & I Guaranteed Loans can be any legalized organization. The maximum Guaranteed loan is \$25 million. For the B & I Direct Loan Program, loans are available to any legal organization that has been denied credit elsewhere. The maximum Direct Loan is \$10 million.

Application Process: The USDA offers year-round processing of loan request. All loans requested over \$5 million are reviewed by the National office, and loans under \$5 million are reviewed at the regional offices only.

Leveraging: For the B & I Guaranteed program the maximum amount of guarantee is 80% of a commercial lender loan. For the B & I Direct Loan program, new applicants are expected to have twenty percent equity. Existing borrowers are expected to provide ten percent.

Examples: *Alaskan Recycling Contractor*

The main recycling and reuse emphasis of the B & I Loan Program is with recycling contractors. The USDA funded an Alaskan Recycling Contractor with a working capital loan for sorting and recovering equipment. Waste generation and disposal is a prime concern in Alaskan communities because the state has no natural decay mechanism due to its cold climactic conditions. The loan has since been repaid.

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Contact: Michael Gunning

#### Highlighted Program: California Organized Investment Network

Description: COIN is one of the first programs in the United States that takes insurance investment capital and matches it with socially responsible businesses in rural and low income areas. The primary focus of the program is to promote healthy and secure economic development and affordable housing. COIN helps with structuring insurance company investments so that they are still able to repay claims.

Type of Assistance: The COIN program offers a wide range of funding assistance to rural and low income communities including debt, equity, and/or credit enhancement. COIN does not suggest a limit on the amount of funding available and does not distribute grants.

Application Process: COIN expects prospective businesses to submit innovative proposals asking for insurance industry funding. The program does not offer direct solicitations for proposals.

Eligibility: To be eligible for COIN funding, businesses must satisfy three criteria. First they must offer a secure and acceptable financial return. Second, they must benefit low income and rural individuals or communities - either directly or indirectly, and third they must increase the value of capital within the communities that they serve.

Comments: COIN has been working with Materials for the Future Foundation and Alameda County, California to develop ways of structuring insurance investments for use in assisting recycling and reuse industries. COIN believes that since many recycling businesses are located in target areas, energizing them with investment from insurance companies will stimulate economic development and create jobs.

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Contact: Mindy Fox

## Highlighted Program: Recycling Market Development Zones (RMDZ)

Description: The California Integrated Waste Management Board is interested in the diversion of solid waste, and hopes to continue to increase the state's diversion of solid waste by designates zones specifically for recycling market development. A total of forty RMDZ's have been designated to help recycling businesses with such expenses as construction, equipment purchases, and marketing. Sixty-four loans have been made to recycling and reuse businesses since the program's inception in 1991, generating over 700 jobs and diverting approximately 3.7 million tons of waste each year.

Type of Funding: Businesses that locate in a RMDZ zones can receive tax credit for recycling equipment, low-interest RMDZ loans up to a maximum of \$1 million to aid with the purchase of working capital and land, and local tax breaks and other assistance. Currently the RMDZ loans are repayable over a ten-year period at 5.6 percent interest.

Application Process: Areas interested in gaining a RMDZ classification must file an application with the Waste Management Board. Questioned that must be addressed involve the location of the proposed zone; information on the proposed administrator; support and commitment from all involved parties (cities, counties, agencies, organizations, financing institutions, and businesses); government ordinances and jurisdictions; a market development plan; and the California Environmental Quality Act. Applications are taken continuously, and each application must be reviewed by the RMDZ staff, an independent loan committee, and the CIWMB.

Eligibility: The eligibility requirements for a loan request are similar to private lending institutions, except that applicants must reside within a RMDZ. Only counties, cities, or any combination of the two are eligible to apply for RDMZ status.

Leveraging: Low-interest RMDZ loans are available for funding up to 50 percent of the project cost.

Example: MBA Polymer, Incorporated MBA Polymer Incorporated recently moved to Richmond, California to one of the CIWMB's Recycling Market

Development Zones. By moving to the zone this plastics recycling company will be able to receive a \$1 million loan from the Waste Board to install new technologies that increase the efficiency of detecting different grades of plastics. By the year 2000, the RMDZ loan will allow for the reduction in the amount of plastics sent to landfills by around 19,000 tons per year.

Comments: Once designated, zones must report to the Waste Board once a year with information on the recycling businesses within their zone. Sometimes the Waste Board takes a secondary position to the private lending institutions, resulting in a below prime interest rate. The Waste Board has four loan officers on staff with 70 plus years of experience in the loan industry. The board also selects priority feedstock(s) each year.

## The Division of Pollution Prevention and Environmental Assistance Service

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### Highlighted Program: Recycling Market Assistance Center

Description: The Division of Pollution Prevention and Environmental Assistance Service offers a wide range of assistance to recycling businesses and other related recycling activities. The DPPEA aids in the development and operations of recyclable businesses with its Recycling Business Assistance Center (RBAC). The RBAC assists both existing and new start-up businesses with such items as the generation and collection of recyclable materials and the creation and upkeep of state and local governmental recycling programs. The RBAC's goal is to increase the permanent recycling capacity of North Carolina, and to increase the number of jobs and the demand for recycling.

Type of Assistance: The DPPEA through its Recycling Business Assistance Center offers extensive technical, technological, and business development assistance.

Application Process: Interested existing proposed businesses can contact the DPPEA for assistance. The DPPEA also actively seeks to assist recycling businesses within the state of North Carolina.

Eligibility: Eligible businesses include any public or private business that incorporates or wishes to incorporate recyclable feedstock into its manufacturing process, or any business that manufactures or wishes to manufacture recycled products. Local governments that would like to create or enhance their recycle programs are also eligible for Recycling Market Assistance. Eligible businesses must reside within the state of North Carolina.

Comments: In addition to assisting businesses the RBAC also researches a variety of recycling related topics. For instance ever two to three years the RBAC performs a recycling market assessment in order to determine the amount of recyclable feedstock available within the state of North Carolina. The center not only examines the availability of traditional recyclable material - glass, paper, metal - but also determines the availability of such materials as construction and demolition debris, batteries, organic matter, and oil containers.

## Office of Recycling Market Development

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Web Page:

Contact: Tom Kancades - Market Development Specialist

## Highlighted Program: Recycling Investment Program

Description: The Office of Recycling Market Development has invested about 6 million in source reduction businesses this year.

Type of Assistance: The Office of Recycling Market Development offers three categories of assistance: capital assistance that includes investment in equipment and fixed assets (not including trucks); technical assistance which



pays for part of the cost of information delivery such as consulting (not seminars nor reports); and research and demonstration assistance for helping businesses solving specific technical problems related to recycling.

Application Process: The Office of Recycling Market Development offers two competitive rounds each year (August and January). Applications can be obtained from, filled out and returned to the Office of Recycling Market Development. The office staff first reviews all applications, and then makes recommendations before sending the applications to the Board. The entire review process takes approximately six weeks.

Eligibility: In order to be eligible projects must be involved in waste prevention and reduction. The Office of Recycling Market Development gives priorities to selective projects based on available recycling markets. Not for profits and municipalities, and certain select partnerships between non-profit and profit businesses, are eligible for the Capital Assistance and Technical Programs. Eligible R&D program recipients include private for profit and not for profits.

Leveraging: Up to 50% basis, more than 10 to 1.

Example: Paper Recycling

ORMD has recently invested \$500,000 in a \$25 million expansion project of Encore Paper, which re-manufactures towels and tissue paper. The expansion will increase the plant's recovery of office paper by 30,000 tons per year and increase the plant's production by 20,000 tons per year. ORMD has also invested \$100,000 into the preliminary development of another proposed \$25 million dollar paper recycling mill: Delta Partners, Inc. The plant will re-manufacture used paper into tissue at a proposed rate of 25,000 tons per year.

Comments: 100 projects under contract and over 100 past projects. The Office of Recycling Market Development generally does not invest in collection and focuses on specific recycling market development areas

## The Alameda County Waste Management Authority and the Alameda County Source Reduction and Recycling Board

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San Leandro, CA 94577

[phone] (510) 614-1699

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Web Page: [HTTP://www.stopwaste.org/](http://www.stopwaste.org/)

Contact: Tom Pedia

### Highlighted Program: Funding Assistance

Description: The Alameda County Waste Management Authority and the Alameda County Source Reduction and Recycling Board is an environmentally conscious, solid-waste-management organization, which offers a variety of environmental programs including waste reduction, public education, home composting, the manufacturing of recycled products, technical assistance, low interest loans and grants. The Waste Management Authority, which is governed by a seventeen-member board, was created by a collaborative effort between the county and fourteen of its cities and two of its sanitary districts. The Source Reduction and Recycling Board was a voter-created organization and has an eleven member board made up of public officials and recycling and waste reduction professionals.

Type of Assistance: The Alameda County Waste Management Authority and the Alameda County Source Reduction and Recycling Board offers three types of grant assistance: Mini Grants Program; Recycling Board Grants Program; and Waste Authority Grants Program. The organization also offers low-interest loans through its Revolving Loan Fund. Loan assistance is available for business start-up, expansion and/or transformation.

Application Process: Grant applications are available from the authority's homepage or on disk. Once received, grant proposals are reviewed by staff and then sent to the board for final approval. Loans are administered by a separate non-profit organization. However, the board does approve the policies that govern the application of the loans.

Eligibility: Mini Grants and Recycling Board Grants are available to private firms, non-profits, schools, public agencies and individuals who undertake projects that focus on the Agency's priorities. The Waste Management Authority Grants Program provides awards to those member agencies that focus on source reduction and other Authority priorities. Low-interest loans are available to private firms, non-profits, schools, public agencies and individuals for projects that divert material from landfills and/or fulfill the Agency's priorities.

Leveraging: Low-interest loans are available to fund 90 percent of project costs.

Comments: Past Recycling Board Grants have ranged from \$5,000 to \$248,000, and the Mini Grants Program offers awards from \$250 to \$5000.