Financing Opportunities

Where are they and who can help?

presented by:

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NC Recycling Business Assistance Center
But first...

Recycling and the Economy

- Recycling companies range from Fortune 500 manufacturers to single proprietary, family-owned businesses, handling hundreds of different materials.
- Some of these companies now occupy old (textile in NC) factories abandoned by more traditional industries.
- NC Markets Directory: 1994 – 306 listings; Today – 532 listings (74% increase)
- NC Job Study 2005: 54% of recycling businesses surveyed forecast job growth in next 2 years
...and speaking of jobs...
Job Creation per 10,000 TPY (1997 by ILSR)

- Landfill and incineration = 1 job
- Composting = 4
- Conventional Materials Recovery Facility = 10
Job Creation per 10,000 TPY Recycling-based Mfrs.

- Paper Mills = 18
- Glass Product Mfrs. = 26
- Plastic Product Mfrs. = 93
Job Creation per 10,000 TPY
Product Reuse

- Computer Reuse = 296
- Textile Reclamation = 85
- Wooden Pallet Repair = 28
Recycling Means Business! The Impact of Recycling on North Carolina's Economy, This document provides a snapshot of the many faces of North Carolina’s recycling industry. The 42 companies featured are just a few of the hundreds of recycling firms in the state, demonstrating the idea that protecting the environment and creating jobs can be accomplished together.

Made in North Carolina: Recycled-Content Products Help Fuel the State's Economy, While manufacturing jobs in the state have declined from 820,000 in 1990 to 569,000 in 2005, recycling jobs in the state have increased 60 percent from 8,700 in 1994 to 14,000 in 2004. The companies profiled in “Made in North Carolina,” are actively ensuring that manufacturing stays a part of North Carolina’s economic future.
Energy Savings

See RBAC Newsletter “Recycling Works”
http://www.p2pays.org/rbac/newsletters.html
and click on Winter 2006
A 4.4 percent increase in US recycling rates would have the same effect as removing 27 million passenger cars from the roadway each year.
Tons required of each material to equal the energy savings of taking one car off the road per year

<table>
<thead>
<tr>
<th>Material</th>
<th>Tons of Material</th>
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<tbody>
<tr>
<td>Aluminum</td>
<td>0.30</td>
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<tr>
<td>Plastic Bags</td>
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<td>1.16</td>
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<td>Newspaper</td>
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<td>Corrugated Cardboard</td>
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<td>Office Paper</td>
<td>6.07</td>
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<tr>
<td>Glass</td>
<td>19.43</td>
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Financing Opportunities:
State Programs
States Providing Private Sector Grants

- 18 states – AZ, CA, IL, IN, IA, KS, LA?, MA, MN, MS, MO, NC, NE, NY, OH, OR, SD, WV (from www.epa.gov/jtr website)
- $500,000 max grant amount (NY)
- Match often required
- Often targeted materials: C&D, food waste, electronics, paper
States Providing Private Sector Recycling Loans

• 11 states - CA, CO, FL, IN, IA, MA, MN, MS, MO, NC, OR, SD
• Up to $2.5 million (NC)
• Rates: market, prime plus, low interest, no interest, forgivable loans
Welcome to the Web site for EPA's Jobs Through Recycling (JTR) program—your connection to recycling market development efforts nationwide. The JTR program brings together the economic development and recycling communities through networking and information sharing. Through JTR, EPA supports projects designed to enhance business development, technical assistance, and financing efforts for recycling-related industries.

This Web site provides recycling market development information for state and local officials, sources of technical and financial assistance for recycling businesses, and general information for visitors interested in learning more about JTR.

The JTRnet Archives are now easier to search.
Jobs Through Recycling

State Profiles

For information on recycling market development programs in a particular state, click on its representation on the map.

Sources for these profiles include the National Recycling Coalition’s Market Development Directory and input from state market development professionals.

State Profiles

Recycling Market Development Funding Mechanisms
Minnesota

- Market Development Information
- Significant Legislative Action
- State Solid Waste Data
- State Recycling Business Directory Information
- Materials Exchange and Reuse Programs
- JTR Grants Awarded
- Other Important State Links

Market Development Information:

- Minnesota Office of Environmental Assistance
  Contact Information:
  Wayne Gjerde
  520 Lafayette Road North, 2nd Floor
  St. Paul, MN 55155-4100
  Phone: 651 215-0270
  Fax: 651 215-0245
  E-mail: wayne.gjerde@mncea.state.mn.us
  Web site: www.mncea.state.mn.us/erc/feedstock.cfm

  Available Publications:

  Environmental Assistance Grant and Loan Program
  Minimum Request: None
  Maximum Request: Established by RFP
  Eligible Applicants: Local government, private business, nonprofit organizations, educational institutions.
  Eligible Uses of Funds: Startup financing, research and development, machinery and equipment, construction and renovation, expansion financing, product testing
  Restrictions: Recycling businesses only.

- Minnesota Department of Administration
  Contact Information:
  Brands Theilen Willard
  Materials Management Division
North Carolina Recycling Business Assistance Center: Recycling Business Loan Fund

- Administered by Self-Help (NC’s community development bank)
- Funded by Self-Help and DENR
- NOT low interest (market rates)
- Higher risk loans (helping recycling businesses to become bankable)
NC Recycling Business Loan Fund continued

• Commercial and SBA Loans ($10,000 to $2.5 million, $75,000 average)
• Past 12 years: $3 million in loans by Self-Help
• Leveraged an additional $2 million
• Sometime take secondary position
Florida First Capital Finance Corporation:

**Florida Recycling Loan Program**

- $200,000 max loan amount (net worth less than $6 mil and less than 100 employees)
- Long term, fixed rate, up to 2% below Prime
- Purchase of equipment and machinery
- Has awarded 8 loans totaling +$1.3 mil.

[www.dep.state.fl.us/waste/categories/recycling/pages/rbac_loan.htm](http://www.dep.state.fl.us/waste/categories/recycling/pages/rbac_loan.htm)
Iowa Dept. of Natural Resources:  
*Solid Waste Alternatives Program (SWAP)*

- Financial assistance available: forgivable loans, zero int. loans, and 3% int. loans
- Quarterly competitive process
- 50% match is required
- Emphasis: tonnage avoided or reduced, sustainability, and ability to replicate
- Current targets: waste reduction, fiber, plastics, C&D and organics
Iowa SWAP Project Disbursement

- First $20,000: eligible as a forgivable loan
- Next $150,000 eligible as a zero int. loan
- Remainder eligible as a 3% interest loan

Example of $190,000 award:

- $20,000 forgivable loan
- $150,000 zero int. loan
- $20,000 3% int. loan

www.iowadnr.com/waste/financial/financialswap
MA DEP Recycling Loan Fund

- Minimum Request: $50,000
- Maximum Request: $300,000
- Eligible Applicants: Processors and manufacturers
- $4 million loan program financed by DEP and administered by the MA Business Development Corporation
Other States Present

- California
- Georgia
- Minnesota
- South Carolina
California Integrated Waste Management Board:

*Recycling Market Development Zone Revolving Loan Program*

- Applicant may borrow up to 75% of project cost or max of $2 million
- Fixed interest rate (currently 5.25%)
- Uses: acquire equipment, leasehold improvements, purchase raw materials and inventory, acquire real property

[www.ciwmb.ca.gov/RMDZ/loans/](http://www.ciwmb.ca.gov/RMDZ/loans/)
Minnesota Pollution Control Agency (MPCA) formerly OEA: Environmental Assistance Grant & Loan Program

- Minimum Request: None
- Maximum Request: Established in RFP
- Eligible Applicants: local government, private business, non profit, educational institution
- Eligible uses: start-up financing, R&D, machinery & equipment, construction & renovation, expansion, product testing
MN OEA Grant & Loan Program continued

• $5 million to businesses and other orgs since 1988
• 50 projects have developed new recycled content products and markets
• OEA targets projects that best address state priorities for market development???

www.moea.state.mn.us/markets/financial
Other Loan Programs

• SBA CDC/504 (CDC - Certified Development Company): 50% - commercial lender; 40% - CDC loan with SBA guarantee; 10% equity from borrower

• Considerations: Max SBA denture is $1.5 mil; 1 job created per $50,000 from SBA; “Small Manufacturers” max is $4 mil.

• [Website Link]

• Rural Center

• Charlotte Microenterprise
Other Loan Programs (continued)

- Charlotte Small Business Enterprise Loan Fund Program (Urban?)
  - Considered just below “bankable”
  - No min. or max amount ($10 mil. In Fund)
  - Interest rates start at prime plus 1%

- NC Microenterprise Loan Program (Rural)
  - Operated by NC Rural Center
  - Maximum loan: $25,000
  - Don’t qualify for bank loan
Grant Funding

North Carolina Example
When Do You Apply?

- Solicited Proposals – usually RFP process with submission deadline
- Unsolicited Proposals – apply anytime
Typical Considerations

• How much funding is available; Max grant award
• Who is eligible
• What materials (if any) will be considered or prioritized (C&D, Food Waste, Electronics)
• Is a match required
• Other obligations (invoices, reports, etc.)
Example of How Funding Decisions Are Made

- Review committee established
- Each reviewer scores the proposals based on **review criteria**
- Finalists may be asked to respond to additional questions
- Grants awarded in order of rank until funding is exhausted
Example of Review Criteria

- Business planning/experience
- Project planning/cost-effectiveness
- Impact on waste stream or toxicity
- Need
- Preferred commodity (because of: landfill bans, ADF, low hanging fruit, stable markets)
- Public/private partnership projects
- Leverage of other funds
What Must an Application Include?

• Grant application form
• Written proposal – based on criteria, no longer than 6 pages
• Business Plan (start-up) or Business Status Report (existing)
• One-page budget
• Description of key personnel
• Letters of endorsement, support or commitment
2005

• 26 proposals requesting $810,000 ($35,000 max)
• 19 Funded totaling $300,000

www.p2pays.org/rbac/main/finance
2006

- 25 proposals requesting $680,000 ($35,000 max)
- 17 Funded totaling $305,000
Massachusetts Dept. of Env. Protection (DEP) Grant Program:

Recycling Industries Reimbursement Credit

- Maximum Request: $150,000 (food waste); $50,000 other targeted materials
- Eligible Applicants: Processors & Manufacturers
- Use of Funds: Capital costs and R&D
- Restrictions: Other targeted materials - currently C&D (carpet), mixed glass, mixed plastics, ag plastics, mattresses

www.mass.gov/dep/recycle/grantsfi.htm
Who Can Help Across the US? (See “Great Ideas” on the CARE website)

• *Small Business (& Technology) Development Center (SBDC or SBTDC)*

• *Small Business Administration (SBA)*

• *Service Corps of Retired Executives (SCORE)*
Who Can Help? (State and Local)

- State Department of Commerce or Economic Development (finance center, building and site selection, etc.)
- Local Economic Development Offices
- Specialized Business Assistance Providers (minority, women-owned, rural, inner-city)
SBDCs

- Help new entrepreneurs realize their dream of business ownership
- Help existing businesses remain competitive in the complex marketplace of an ever changing global economy
- Over 1,100 local SBDC offices listed by state on website (www.asbdc.org)
America’s Small Business Development Center (SBDC) Network provides management and technical assistance to more than 1.3 million small business owners and aspiring entrepreneurs each year. Small business owners and aspiring entrepreneurs can go to their local SBDCs for free, face-to-face business consulting and at-cost training on writing business plans, accessing capital, marketing, regulatory compliance, international trade and more.

The SBDCs are a partnership that includes Congress, SBA, the private sector, and the colleges, universities and state governments that manage SBDCs across the nation. The SBDCs raise nearly $109 million a year in non-Federal resources (to match $88 million in Federal funding) to serve small businesses and aspiring entrepreneurs.

America’s investment in the SBDC network is a cost-effective way to grow the economy, enhance American competitiveness and fulfill the American dream.
SBA
(Small Business Administration)

- SBA provides a number of financial assistance programs for small businesses
- SBA sets the guidelines and provide guarantees
- SBA partners (Lenders, CDFIs, Microlending institutions) make the loans
- Example: SBA 504 Loan
- www.sba.gov
SCORE
(Service Corps of Retired Executives)

“SCORE offers e-mail advice online, face-to-face counseling, and low-cost workshops along with providing “how to” articles and business development templates”

(www.score.org/findscore/)
Workshops

• Creating a Competitive Advantage - [http://www.va-interactive.com/score/competitiveadvantage/competitiveadvantage.html](http://www.va-interactive.com/score/competitiveadvantage/competitiveadvantage.html)
• Pricing Products and Services - [http://www.va-interactive.com/score/pricing/pricing.html](http://www.va-interactive.com/score/pricing/pricing.html)
• Creating a Profit and Loss Statement - [http://www.va-interactive.com/score/profitloss/profitloss.html](http://www.va-interactive.com/score/profitloss/profitloss.html)
• Building a Web Site - [http://www.va-interactive.com/score/buildwebsite/buildwebsite.html](http://www.va-interactive.com/score/buildwebsite/buildwebsite.html)
How to Start and Stay in Small Business (Raleigh Chapter Workshop Agenda)

- Your Business Plan
- Financing Your Business
- Marketing and Advertising
- SBA Outreach
- Insurance
- Financial Planning for a New Business
- Legal Matters
- Services for Small Businesses
- Panel Discussion (Legal, Financial Planning, Insurance and Marketing)
Some Do’s and Don’ts
(from Fred Broadwell)

• Principal, Sustainable Economies Consulting
• Former Director of Sustainability for Self-Help Credit Union’s Venture Fund
• www.sustainable-economies.com
Use Equity to Leverage Debt

• If a gov’t grant is possible, view it as leverage for debt or subdebt
• DO fund working capital or R&D
• DON’T buy a truck or equipment
Evaluate Collateral Realistically

- Collateral Gap: value of asset used as collateral is inadequate to secure amount of loan desired
- Example: Owner has $400,000 worth of equipment; bank wants $240,000 in collateral; bank (liquidation) values equipment at $100,000 (25%)
- Collateral Gap: $140,000!
Consider the “Hassle Factor”

• “Cheap money” (low SBA rate or subsidized gov’t loan) requires more paper work
• Pricing (interest rate) may be over emphasized
• “Appropriate” money: available when needed for the right purpose
Use Leasing/Dealer Financing

• Remember the collateral gap?
• Dealer usually has best liquidation/repossession ability
• Should charge lower rates/be easier to deal with
Don’t Go It Alone!

- Get a smart accountant
- Get good advice: establish a relationship with bank/banker
- Find out what small regional banks or CDFIs are aggressive on commercial lending
A Word About CDFIs (Community Development Financial Institutions)

- Usually have a community development mission (including sustainability)
- Commitment to spending time on individual services
- Often work in partnership with traditional lenders
- Willing to take a greater risk
Don’t Go It Alone!
(continued)

• SBA keeps lists of banks online and their small business friendliness rating
• Call your local SBA rep and ask (off the record) which banks are good to work with
• SBDC folks sometimes also know this
• SCORE is hit or miss
I’m a Recycler and Proud of It!

• Some banks have prohibitions on lending to recycling companies (toxic hazard concerns)
• So...you may want to position yourself as a manufacturer or materials processor
How Do Economic Developers Interact?

- County or City EDC – I know exactly where I want to be
- State Regional Office – I have an idea of what area I want to locate in
- State Central Office – I could go anywhere
Conclusion
(Just like in 2004)

Yes, It’s Recycling…
BUT IT’S ALSO
A BUSINESS!
Thank you!
NC Recycling Business Assistance Center

www.p2pays.org/rbac