

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF PROVIDING ) RESOLUTION NO. 98-2727  
RECYCLING BUSINESS DEVELOPMENT GRANT )  
FUNDS FOR UNITED RECYCLING, INC. ) Introduced by Mike Burton,  
Executive Officer

WHEREAS, The long-term success of Metro's recycling effort depends on strong markets for secondary materials; and

WHEREAS, United Recycling, Inc. has made application for a Recycling Business Development Grant pursuant to the application requirements of that program; and

WHEREAS, An independent evaluation committee composed of experts in business finance and lending, business management, economic development, and solid waste and recycling, evaluated this grant application and recommended approval; and

WHEREAS, The Council finds that approving this grant will support regional recycling goals within the restrictions established by the Recycling Business Development Program; and

WHEREAS, The resolution was submitted to the Executive Officer for consideration and was forwarded to the Council for approval; now therefore,


BE IT RESOLVED,

That the Metro Council authorizes the Executive Officer to enter into a multi-year grant contract with United Recycling, Inc., under the terms and conditions specified in Exhibit A attached to this resolution.

ADOPTED by the Metro Council this 24<sup>th</sup> day of NOVEMBER, 1998.

  
Jon Kvistad, Presiding Officer

Approved as to Form:

  
Daniel B. Cooper, General Counsel

**GRANT CONTRACT**

THIS GRANT CONTRACT is by and between Metro, a metropolitan service district organized under the laws of the State of Oregon and the 1992 Metro Charter, located at 600 Northeast Grand Avenue, Portland, Oregon 97232-2736, and United Recycling, Inc., whose address is P.O. Box 1072, Lake Oswego, OR 97034-1072, hereinafter referred to as " United Recycling."

**RECITALS**

1. Metro is authorized under the 1992 Metro Charter to exercise the function of disposal of solid waste and other solid waste functions as required by the state.
2. Metro is obligated under the Regional Solid Waste Management Plan, adopted as a functional plan by Metro Council and accepted by DEQ in 1995, to increase the number and quantity of materials that are recycled in the District.
3. Since 1994, through its Recycling Business Development Grant Program, Metro has helped to develop demand for recyclable materials by providing funding to businesses that utilize recyclable materials generated in the District in the production of new products.
4. United Recycling, Inc. is a business that accepts scrap wallboard from solid waste programs and construction projects in the District, and manufactures this wallboard into various gypsum-based products.
5. Despite the availability of scrap wallboard and increasing demand for its gypsum products, United Recycling, Inc. has become unable to deliver products because of capacity limits due to under-sized and obsolete equipment at its manufacturing facility, hereinafter referred to as "Facility." The Facility is currently located at 9624 NW 307th Avenue, North Plains, Oregon 97133, but may be relocated at a later date.
6. United Recycling, Inc. has applied for a Recycling Business Development Grant to procure and install equipment that will replace the under-sized and obsolete equipment at its manufacturing facility and allow it to meet the demands of its market. United Recycling requires the following equipment to achieve its objectives (with good-faith dollar estimates included):

a) Three-deck processing screens.....	\$ 7,000
b) Dryer .....	\$24,000
c) Bucket elevator .....	\$ 2,500
d) Trough conveyors .....	\$17,000
i) 12" x 50'	\$ 3,500
ii) 12" x 15'	\$ 2,500
iii) 12" x 15'	\$ 2,500

iv) 24" x 25'	\$ 3,000
v) 12" x 80'	\$ 5,500
e) Rough terrain lift.....	\$28,750
f) Three-deck finish screen (4' x 8').....	\$ 7,000
g) Finish screen assembly .....	\$ 5,000
h) Magnet (12" x 24").....	\$ 3,000
i) Bagging equipment, heat sealer .....	\$13,000
j) Pallet racks, 10 @ \$300 .....	\$ 3,000
k) Conical crusher .....	\$ 7,500
l) Finish screen slides .....	\$ 2,500
m) Spray system for priller.....	\$ 2,500
n) Mixing bins .....	\$13,000
o) Metering equipment for mixing bins .....	\$ 5,500
p) Bag house modifications.....	\$ 4,500
q) Dust screen.....	\$300
<b>GRAND TOTAL .....</b>	<b>\$146,050</b>

7. An expansion of capacity at United Recycling's manufacturing facility will increase the amount of gypsum wallboard that will be recycled in the District.
8. Specific objectives of United Recycling within one year of the execution of this Agreement are:
  - a. Increase the intake of clean, dry, noncontaminated wallboard, from approximately 400 tons per month to 800 tons per month; and
  - b. Increase production capacity from approximately 400 tons per month to 800 tons per month; and
  - c. Secure one or more markets for the paper backing that is a by-product of the production process.

Now, therefore, in recognition of the mutual interests of the parties and based upon the terms and conditions herein, it is mutually agreed that Metro shall provide funding to be utilized by United Recycling to procure the equipment that and perform the management procedures that are required to upgrade United Recycling's manufacturing Facility.

### AGREEMENT

1. Provision of Metro Funding. Metro hereby provides funding to United Recycling in the sum of one hundred forty-six thousand and fifty dollars and 00/100 (\$146,050) for acquisition of equipment and delivery of reports and for such additional purposes as set forth herein.

2. Term of Agreement. This Agreement shall be effective on the last signature date below, and shall remain in effect through February 28, 2000, unless earlier extended or terminated in conformance with this Agreement. The length of this grant extends beyond the current fiscal year. Therefore, it is subject to future appropriations by the Metro Council to fund its provisions and may be cancelled by Metro upon a 30-calendar-day written notice to Mursen in the event that Metro Council fails to provide future funding.
3. Obligations of United Recycling.
  - a. United Recycling shall perform all work necessary to specify, procure, install, and test the equipment purchased with funds from this grant.
  - b. United Recycling shall execute security agreements that convey to Metro security interests in any equipment purchased with funds from this grant.
  - c. United Recycling shall provide access to the Facility for Metro Regional Environmental Management staff periodically to monitor installation of the equipment purchased with funds from this grant, and operation of the Facility. With the exception of proprietary and financial information, all observations and information obtained during these visits will become part of the public record.
  - d. United Recycling agrees that equipment procured pursuant to this Agreement will be used exclusively by United Recycling, Inc. to produce products from scrap wallboard
4. Reporting Requirements.
  - a. United Recycling shall prepare monthly reports containing the information described in (i) through (v) of this paragraph. The monthly reports shall be delivered to the Metro Project Manager within 10 business days after the month for which the information is being reported.
    - i. A journal listing the equipment procured during the month with funds from this grant, including the date(s) that equipment was ordered, received, installed, repaired, tested, and put into operation. If none of these activities has taken place, the report shall so state.
    - ii. The total quantity of gypsum wallboard received at the Facility during the month, broken out by: (1) the amount received from within the tri-county area (that is, Clackamas, Multnomah and Washington counties), and (2) the amount received from outside the tri-county area.
    - iii. The total production during the month, by product line and by quantity, of products made from gypsum wallboard.
    - iv. The total orders received during the month, by product line and by quantity, of products made from gypsum wallboard. Identify any orders deferred or refused and the reason for the deferral or refusal.
    - v. The total shipments during the month, by product line and by net weight, of products made from gypsum wallboard.

b. United Recycling shall prepare semiannual reports as described in (i) through (iv) of this paragraph. The first report is due February 28, 1999, and subsequent reports are due each six months thereafter until termination of this contract, at which time a final report shall be submitted to Metro. Reports shall be delivered to the Metro Project Manager. Each report shall contain:

- i. A progress report including a brief narrative description and journal of activities related to the procurement, installation and operation of equipment purchased under this grant; barriers encountered during implementation; strategies to overcome barriers; and results of implementing those strategies.
- ii. A description of the steps being taken to identify and secure one or more markets for the paper backing from the wallboard (both what is currently stockpiled and what will be generated on an ongoing basis) that is a by-product of the production process.
- iii. A description of the technical adjustments being made to the product, including but not limited to the steps being taken to densify the prill.

iv. Financial reports. Either:

A) A copy of the audited financial report for United Recycling, Inc. if available and prepared for distribution to the public; or

B) With the cooperation of United Recycling, Inc., allow Metro staff to examine financial reports that shall:

I) Include the balance sheet, income statement, and statement of changes in financial position (cash flow statement) for United Recycling, Inc., and

II) Be prepared in accordance with generally accepted accounting principles (GAAP), including appropriate documentation, and

III) Include a separate explanation for all significant changes.

c. United Recycling shall notify Metro immediately of any event, or pending event of which the United Recycling becomes aware, that in United Recycling's knowledge would materially affect or impair the operation of the Facility or the profitability of United Recycling, Inc., including but not limited to regulatory infractions, lawsuits, claims, liens, patent infringements, defaults, foreclosures, or material changes in contracts, warranties or leases.

#### 4. Responsibilities of Metro.

a. Metro will prepare, at its own expense, all agreement(s) necessary to convey to Metro the security interest(s) for the equipment purchased under the terms of this Agreement.

b. Metro shall review the reports and notifications required by Paragraph 3 of this Agreement, and within twenty (20) days of receipt of each report or notification, Metro shall approve the report or notification, or request additional information. If Metro does not act within twenty (20) days, the report or notification shall be approved.

5. Release of Metro Funds.

- a. Subsequent to signing of this Agreement by both parties, Metro agrees to release \$56,000 of the funds to United Recycling within thirty (30) days of receipt of an invoice for "Advance on Grant" from United Recycling, Inc.
- b. Release of the remainder of the grant funds shall be based on United Recycling invoices, and on the following terms and conditions:
  - i. Invoices will be considered only for the costs of acquiring the capital items cited in the Recitals to this Agreement. Each invoice must be accompanied by purchase order(s) or other documentation that indicates a commitment by United Recycling to purchase the equipment specified in the invoice, together with the information required by Metro to prepare the security agreements referenced in paragraphs 3.b and 4.a of this Agreement.
  - ii. Invoices shall not be submitted more frequently than once per month, and shall be sent to the attention of the Metro Project Manager.
  - iii. The reporting obligations required of United Recycling in Paragraph 4 of this Agreement must have been timely received and approved by Metro before invoices will be considered for payment approval.
  - iv. The Metro project manager shall review each invoice, and shall approve the invoice or request additional information within three (3) business days of receipt of each invoice. If Metro does not act within three (3) days, the invoice shall be considered approved.
  - v. Metro shall make payment within 30 days of approving United Recycling's invoice and receipt of executed security agreements(s).
- c. Metro shall have the right to withhold from any reimbursements due United Recycling such sums as necessary, in Metro's sole opinion, if United Recycling does not comply with all terms of this Agreement. All sums withheld by Metro under this Article shall become the property of Metro and United Recycling shall have no right to such sums to the extent that United Recycling has breached this Agreement.

6. Subordination. Metro may subordinate any of its security interest(s) to the security interest(s) of a lending institution(s) authorized to do business in the State of Oregon if in the sole opinion of Metro said subordination will substantially help accomplish the objectives in the Recitals to this Agreement.

7. Obligation to Repay. Upon termination of this Agreement, United Recycling will convey to Metro a promissory note in an amount not to exceed the total disbursements by Metro to United Recycling under this Agreement, on the following terms and conditions:

- a. Payments. Said promissory note shall provide for monthly payments in an amount equal to \$3 per ton of product for each ton over 700 tons shipped during the month. No payment shall be required for months in which total product shipments are 700 tons or less. The note shall not provide for interest. Monthly payments shall be due 30 days after the last day of each month in which a payment obligation has been incurred.

- b. Security. Said promissory note shall be secured by equipment as described in the Recitals to the Agreement and purchased with funds from this grant. Metro may release security interests as the promissory note is paid off. Metro will release all of its security interest(s) in the secured equipment on satisfaction of the promissory note.
- 8. Disclosures. By signing this contract, United Recycling represents that there are no undisclosed events, or undisclosed pending events of which the United Recycling has become aware, of the nature described in paragraph 4.c of this Agreement.
- 9. Insurance. United Recycling shall purchase and maintain at the United Recycling's expense, the following types of insurance, covering the United Recycling, its employees, and agents:
  - a. Broad form comprehensive general liability insurance covering bodily injury and property damage, with automatic coverage for premises, operations, and product liability. The policy must be endorsed with contractual liability coverage; and
  - b. Automobile bodily injury and property damage liability insurance during such time as United Recycling, Inc. has such automobile insurance requirements pursuant to Oregon law.

Insurance coverage shall be a minimum of \$500,000 per occurrence. If coverage is written with an annual aggregate limit, the aggregate limit shall not be less than \$1,000,000. Metro, its elected officials, departments, employees, and agents shall be named as ADDITIONAL INSUREDS. Notice of any material change or policy cancellation shall be provided to Metro 30 days prior to the change or cancellation. United Recycling, its subcontractors, if any, and all employers working under this Agreement that are subject employers under the Oregon Workers' Compensation Law shall comply with ORS 656.017, which requires them to provide Workers' Compensation coverage for all their subject workers. United Recycling shall provide Metro with certification of Workers' Compensation insurance including employer's liability. If United Recycling has no employees and will perform the work without the assistance of others, a certificate to that effect may be provided to Metro in lieu of the certificate showing current Workers' Compensation.

- 10. Indemnification and Release. Upon the receipt of any funds from Metro, United Recycling hereby agrees to indemnify and hold harmless and defend Metro, its elected officials, officers, agents, and employees from any and all claims, demands, damages, actions, losses, and expenses (including all attorney's fees at trial or upon appeal), arising out of or in any way connected with United Recycling's performance of this Agreement. United Recycling is an independent contractor and assumes full responsibility for the performance of the program and the content of its work and performance of United Recycling's labor, and assumes full responsibility for all liability for bodily injury or physical damage to person or property arising out of or related to this Agreement. United Recycling is solely responsible for paying United Recycling's subcontractors. Nothing in this Agreement shall create any contractual relationship between any subcontractor and Metro.
- 11. No Waiver. By making this agreement, the parties acknowledge and agree that Metro does not admit any liability or violation of law, and that nothing in this Agreement shall affect any right of contribution, indemnification, or cost recovery which Metro may now or in the future have against any third party. By making this Agreement, the parties also acknowledge and

agree that United Recycling does not waive any claim, cause of action or enforcement authority it may have as to any party other than Metro.

12. Termination. Metro may terminate this Agreement upon giving United Recycling seven (7) days' written notice. In the event of termination, United Recycling shall be entitled to payment for work performed to the date of termination. Upon termination, Metro shall not be liable for indirect or consequential damages whatsoever. Termination of this agreement by Metro will not in any way waive any claim or any recovery of remedies Metro may have against United Recycling. Metro's failure to object to any breach of this Agreement shall not constitute a waiver of Metro's right to object to an additional breach or to require strict performance of the Agreement.
13. Public Contracts. United Recycling shall comply with all applicable provisions of ORS Chapters 187 and 279 and all other conditions and terms necessary to be inserted into public contracts in the state of Oregon, as if such provisions were a part of ORS 187.010.020 and 279.31.430
14. Situs of Agreement. The situs of this agreement is Portland, Oregon, and any litigation thereto shall be governed by the State of Oregon and conducted in the Circuit Court of Multnomah County.
15. Non-Transferability. This Agreement is binding on each party, its successors, assigns, and legal representatives and may not, under any circumstances, be assigned or transferred by either party.
16. Contacts. The manager of this grant for Metro shall be the person named below, until such time as the Executive Officer may name a replacement. Coordination of this Agreement will be conducted by, and all notices shall be delivered to, the following designated Project Managers:

<u>For United Recycling:</u> Ormond H. Ormsby United Recycling, Inc. P.O. Box 1072 Portland, OR 97034-1072 (503) 635-0898 (503) 635-0899 FAX	<u>For Metro:</u> Meg Lynch Metro 600 NE Grand Ave. Portland, OR 97232 (503) 797-1671. (503) 797-1795 FAX
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17. Extension. Metro may, at its sole discretion and upon written notice to United Recycling, extend the term of this contract for a period of 12 months. During such extended term, all terms and conditions of this contract will continue in full force and effect. No additional funds will be provided in the event of a contract extension, except by Metro's discretion.
18. Entire Agreement. Notwithstanding and succeeding any prior agreements or practices, this Agreement represents the entire agreement between the parties and may be expressly modified only by written instrument signed by both parties.



In witness whereof, the parties have executed this Agreement on the dates hereinafter indicated as follows.

ORMOND H. ORMSBY

METRO

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

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Print Name and Title

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**EXECUTIVE SUMMARY  
RESOLUTION NO. 98-2727**

**AUTHORIZING RECYCLING BUSINESS DEVELOPMENT GRANT FUNDS  
FOR UNITED RECYCLING, INC.**

**PROPOSED ACTION**

Authorizes the Executive Officer to enter into a multi-year grant contract with United Recycling, Inc., a wallboard recycling firm, to upgrade its processing and production equipment.

**WHY NECESSARY**

- To meet Metro region recovery goals, the Regional Solid Waste Management Plan requires that 41,000 tons of mixed waste be recovered from the construction and demolition sector. Gypsum wallboard accounts for about 10 percent of the construction and demolition debris generated in the region.
- Through the grant funds, United Recycling, Inc. will increase its production by 4,200 tons per year, approximately the amount that is implicitly identified by the RSWMP for wallboard recovery.
- Without the grant funds, there is high risk that current wallboard recovery in the region would drop by almost 60 percent.
- Metro's grant is necessary to leverage the private capital that is necessary to continue expansion of wallboard recovery in the region.

**ISSUES/CONCERNS**

- This is the second grant request from United Recycling, Inc. There are six other previous recipients of Recycling Business Development Grants.
- The grant amount, \$146,050, is the largest amount requested by an applicant for grant funds through this program.

**BUDGET/FINANCIAL IMPACTS**

- Awarding the grant would cost Metro \$146,050 in FY 1998-99.
- Although the adopted FY 98-99 Metro budget does not include a specific line item appropriation for Recycling Business Development Grants, the Budget Narrative does refer to the possibility of grant awards during FY 1998-99.
- The Department has sufficient Materials & Services appropriations within the Solid Waste Revenue Fund's Operating Account to finance this grant award.
- The grant agreement contains provisions for repayment based on performance, so there is likelihood that these funds will be returned for re-granting in the future.

## STAFF REPORT

### IN CONSIDERATION OF RESOLUTION NO. 98-2727 FOR THE PURPOSE OF PROVIDING RECYCLING BUSINESS DEVELOPMENT GRANT FUNDS FOR UNITED RECYCLING, INC.

November 17, 1998

Presented by: Bruce Warner  
Douglas Anderson

#### I. Summary and Recommendation

Approval of Resolution No. 98-2727 would authorize the Executive Officer to execute a Recycling Business Development Grant agreement with United Recycling, Inc. in the amount of \$146,050.

United Recycling, Inc. is a business currently located in North Plains that accepts scrap wallboard from construction projects and solid waste facilities, and manufactures this wallboard into various gypsum-based products. Despite the availability of scrap wallboard and increasing demand for its gypsum products, United Recycling is unable to meet the demands of its market because of capacity limits due to under-sized and obsolete equipment at its manufacturing facility.

Metro's grant funds will finance the replacement of key equipment that will increase throughput to the point where private lenders will step in and finance the major expansion that is warranted. To this end, United Recycling has negotiated a package with the Small Business Administration and local banks that involves significant plant upgrades, including a potential move to a more strategic location in the region. The equipment that will be purchased with Metro funds is consistent with this expansion track, and will remain in use in the long run.

The grant is justified by the three primary parameters of the Recycling Business Development Program: it addresses development of demand for recyclable materials, it provides the funding necessary to leverage private investment, and if successful will result in recycling of wastes that otherwise would have been landfilled.

The grant agreement with United Recycling contains a "moral obligation to repay" that is triggered by performance. Like a grant, Metro shares some of the risk that this venture might not succeed. But unlike a "pure" grant, funds are repaid if the venture is successful. The intent of this provision is to make these grant monies available again for future applicants.

The Executive Officer recommends approval of Resolution No. 98-2727

#### II. Background

##### A. Reason for the Resolution

The grant agreement that is authorized by this Resolution stems from an application for a Recycling Business Development Grant submitted to the Regional Environmental

Management Department by United Recycling, Inc.

## **B. Recycling Business Development Program**

The Recycling Business Development Program was established in 1994 to support regional recycling goals. This program fosters **demand** for recyclable materials by supporting the development of end-uses for recyclable materials. In contrast, most waste reduction programs are designed to increase the **supply** of recyclable materials. The distinction makes Metro's Recycling Business Development Program unique in the state.

Since 1994, the program has helped to fund specific initiatives that expand demand for recyclable materials. Among the acceptable uses of funds are: establishment or expansion of businesses that utilize recyclable materials generated in the Metro area, assistance to businesses that are substituting recycled for virgin content in their products, and development of new technologies that permit recycling of materials that are currently landfilled.

Grants are awarded only if they are likely to increase the regional recycling rate, and if they meet certain conditions and constraints, including:

- The grant does not compete with or substitute for private capital.
- The grant funds are needed to bridge the gap between private investment and the investment necessary to make the business happen.
- The grant does not target materials for which private markets already exist.
- The applicant demonstrates that the business can ultimately operate without the public subsidy.

In evaluating applications, REM's Waste Reduction Division convenes an independent evaluation committee to advise Metro on grant applications. The committee is chaired by the REM Waste Reduction manager, and includes outside experts in business finance and lending, business management, economic development, solid waste and recycling; as well as a Metro Council Analyst. The committee may recommend approval, denial, or approval with conditions.

This committee has evaluated United Recycling's grant application, and recommended approval. The grant agreement authorized by this Resolution reflects the committee's specific recommendations and conditions.

## **C. Background and Analysis**

### **The Applicant and Applicant's Request**

Since 1989, United Recycling, Inc. has manufactured a prilled gypsum fertilizer from recovered wallboard, primarily generated by construction activity in the Metro region. United Recycling, which received a Recycling Business Development Grant of \$12,500 in Fiscal Year 1995, currently produces about 450 tons per month of Gypril™, an agricultural supplement, from clean, dry, noncontaminated wallboard. The United Recycling manufacturing facility is located in North Plains in Washington County.

Despite the availability of scrap wallboard and increasing demand for its gypsum products, United Recycling is unable to meet the demands of its market because of capacity limits due to under-sized and obsolete equipment at its manufacturing facility. To meet minimum demands, United Recycling should be producing 700 to 800 tons per month. However, the plant has suffered several breakdowns in 1998 that significantly affected its ability to ship product and that have resulted in throughput averaging less than 500 tons per month.

United Recycling's primary product, Gypril™, is a proven brand with stable markets. United Recycling packages Gypril™ in small packages for commercial and residential uses, and also wholesales Gypril™ in bulk to other fertilizer manufacturers for use as a "carrier" in their blended products. The company markets Gypril™ through North Pacific Trading, a major agricultural products distributor based in Portland.

North Pacific Trading has verified for staff that Gypril™ has enjoyed an excellent market reception, and that North Pacific can move virtually all of the product that United Recycling can produce. However, the inability of United Recycling to be able to fill all of their orders could jeopardize sales, as fertilizers and soil amendments are applied seasonally; and buyers "must have confidence that their suppliers can deliver in a timely fashion" [August 5, 1998 letter from Darren MacFarlane, North Pacific Trading]. The conclusion is that United Recycling is in a no-man's land: if it does not increase production, it risks losing its markets entirely.

United Recycling has approached Metro to provide funding that would allow the company to meet its short-term demands, and thereby provide the throughput and cash flow to attract private capital. United Recycling has applied for this grant because it has exhausted its own internal resources on equipment upgrades and other related expenses. Specifically, Metro's grant funds are sought to replace key equipment that will increase throughput to the point where private capital will be forthcoming to finance the major expansion that is warranted. To this end, United Recycling is working with the Small Business Administration's 504 Loan Program on a loan package that involves Shore Bank Pacific and Evergreen Community Development Association. This loan would finance significant plant upgrades, including a potential move to a more strategic location in the region. The equipment that will be purchased with Metro funds is consistent with this expansion track, and will remain in use in the long run.

### **Regional Recycling Goals and the Public Purpose**

At 450 tons per month, United Recycling currently recycles approximately 57 percent of the gypsum wallboard recovered in the Metro region. United Recycling is able to attract material because its tipping fee is lower than tipping fees for mixed waste. Recovery of gypsum wallboard, like that of many other materials in the construction and demolition (C&D) debris waste stream, is highly responsive to changes in the solid waste tipping fee. Recent reductions in the regional tipping fee have raised concerns about a weakening of recovery of C&D material in the Metro region. This is especially true of gypsum wallboard, which is a low-value, high weight material that will not be hauled very far due to transportation costs.

To meet regional recovery goals, the Regional Solid Waste Management Plan (RSWMP) requires that approximately 41,000 additional tons of material be recovered from the C&D sector. Waste composition studies in the Metro region indicate that gypsum

wallboard accounts for nearly 10 percent of the construction waste. By upgrading its equipment and increasing its throughput, United Recycling would have the potential to boost gypsum wallboard recovery in the Metro region by an additional 4,200 tons per year in the short term—about 10 percent of the additional C&D waste required by RSWMP. Furthermore, this additional recovery could occur without an increase in their tipping fee, helping to insulate wallboard recovery from declining solid waste fees.

In short, United Recycling makes a unique and significant contribution to recycling in the Metro area. With an increase in throughput, United Recycling could make a larger contribution. However, due to the nature of its product markets, there is significant risk that if United Recycling cannot expand, it may lose its markets, and the region will lose the wallboard recycling that is occurring now.

### **Conclusion**

In conclusion, staff finds that the United Recycling proposal is fully eligible for consideration of a Recycling Business Development Grant, that the United Recycling proposal is consistent with the objectives of the program and meets all of the conditions and constraints on the use of the funds. REM's independent evaluation committee has concurred with these findings and recommends approval. For these reasons, staff recommends granting a Recycling Business Development Grant in the requested amount of \$146,050 to United Recycling, Inc.

### **III. Budget Impact**

Awarding this grant to United Recycling, Inc. would result in expenditures of \$146,050 during FY 1998—99. Although the adopted FY 1998—99 Metro budget does not include specific appropriations for Recycling Business Development Grants, the FY 1998—99 REM Budget Narrative made reference to the possibility of grant awards during FY 1998—99. The Department has determined that it has sufficient Materials & Services appropriations within the Solid Waste Revenue Fund's Operating Account to fund this grant.

Upon termination, the grant agreement stipulates that United Recycling will convey to Metro a promissory note in the amount of the funds granted to United Recycling. This note will be secured by the equipment purchased by Metro grant funds. Under this arrangement, Metro will be remunerated in future years for the funds disbursed during FY 1998—99. The timing and level of repayment of the promissory note can only be estimated at this time, as repayment depends on the business performance of United Recycling, Inc. Under the terms of the promissory note—and if United Recycling meets its business plan as submitted to Metro—payments can be expected to begin in February 2000, and begin at approximately \$300 per month, increasing to \$1,800 per month over the next two years. This would indicate that the note would be satisfied approximately 7 years after the conditions to begin repayment are triggered.