



United States Department of Agriculture
Rural Development
Committed to the future of rural communities



Economic Redevelopment of Underutilized Properties

US Department of Agriculture
Rural Development - Indiana



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Indiana Rural Development

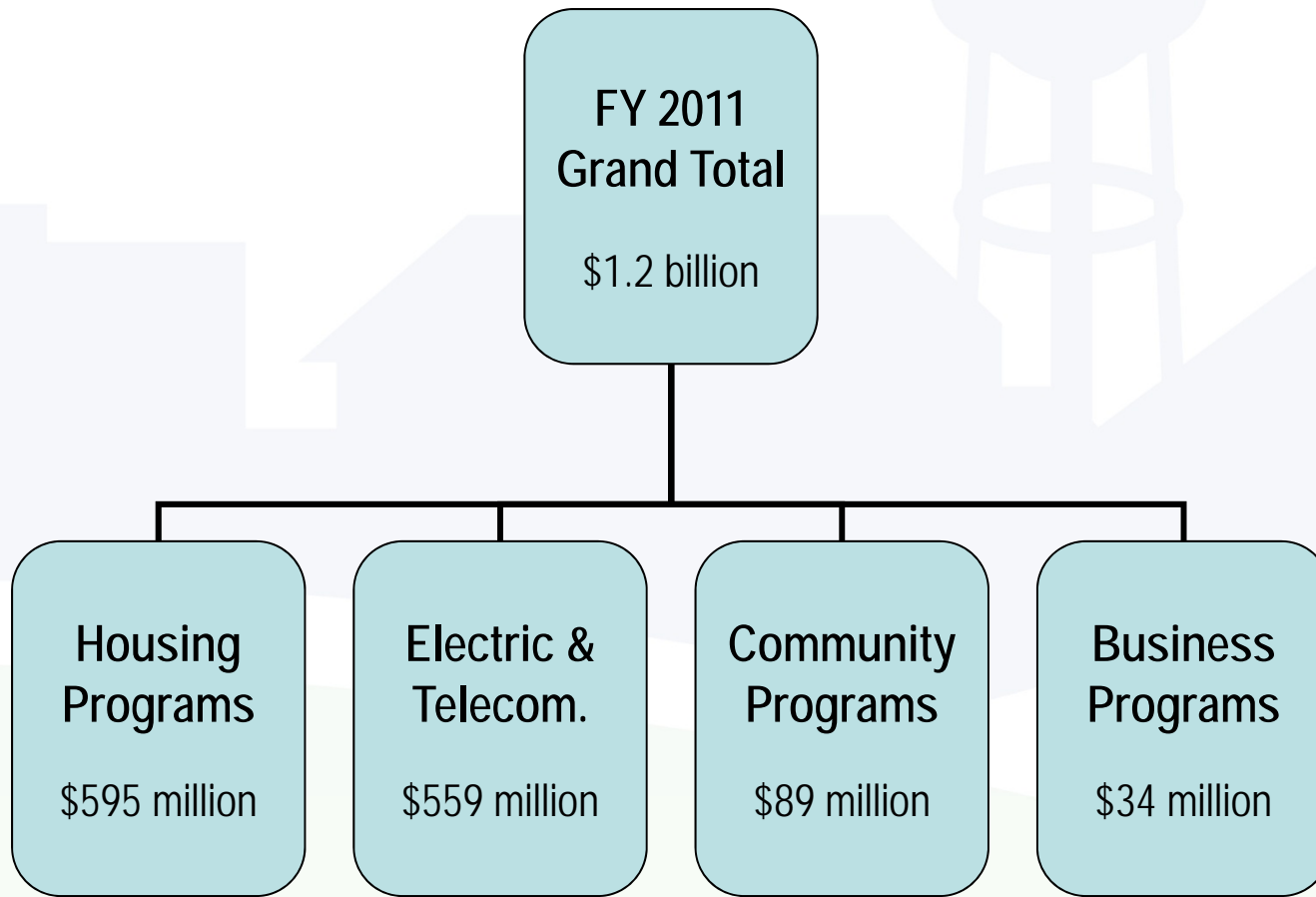
- Mission: Committed to helping improve the economy and quality of life in all of rural America
- Over 40 loan, loan guarantee, and grant programs to finance housing, businesses, economic development, and community facilities and infrastructure

Building Your Community From the Ground Up

- **Business** – *growth and establishment of local businesses and cooperatives*
- **Community Facilities** – *programs and technical assistance for schools, health clinics and emergency response facilities*
- **Utilities** – *assisting rural communities to improve water, energy, telecommunications and broadband services, electric services*
- **Housing** – *homeownership, home repair and modification, and development and rehab of affordable rental housing*



Program Activity FY 2011



USDA Rural Development Business Programs

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Rural Business Programs

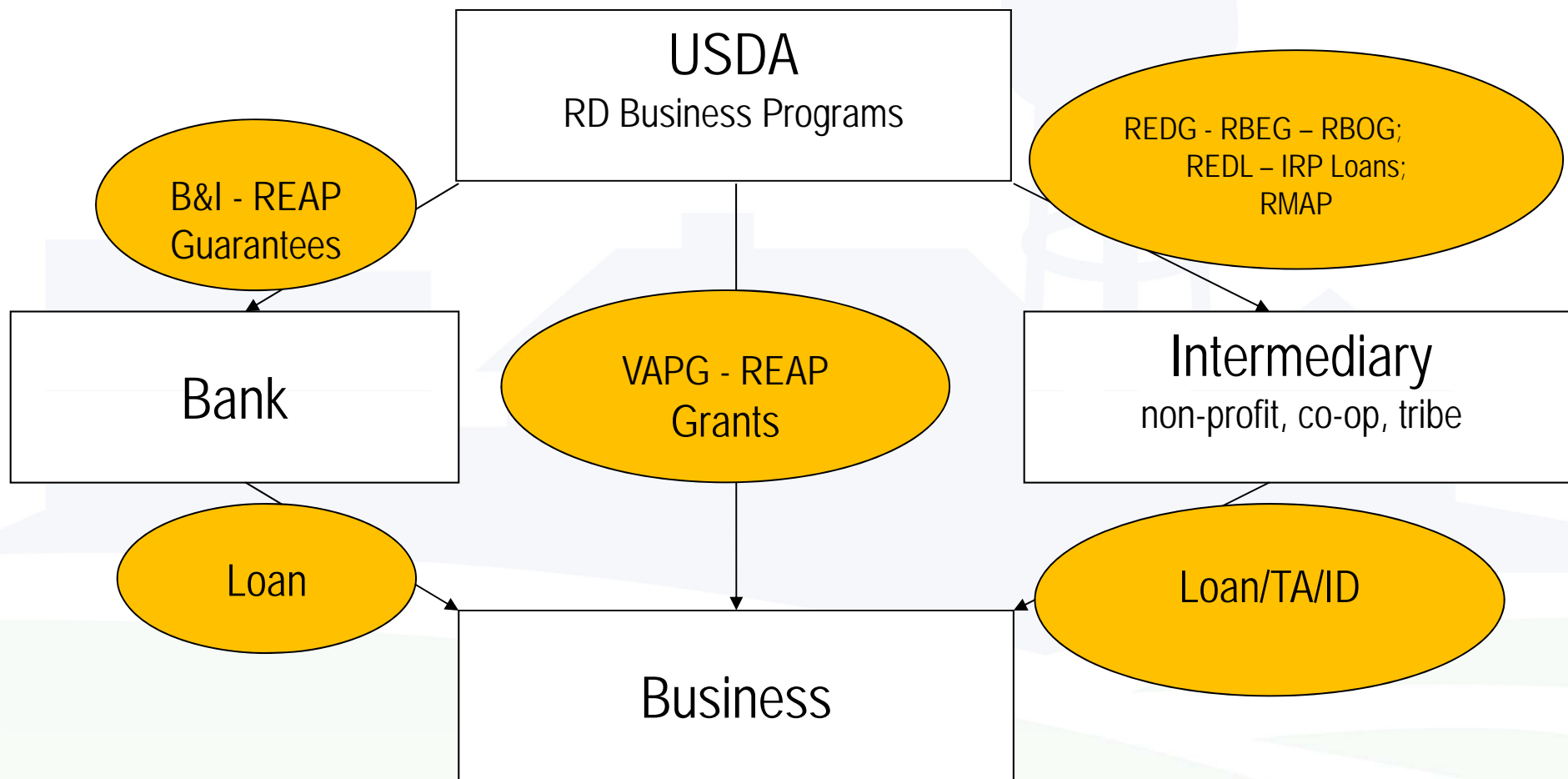
Job creation

Business Programs

helped to create and save Jobs at
Southern Indiana Biofuels and MS Lawrenceburg



Business & Industry Guarantees
Rural Economic Development Loans and Grants
Rural Business Enterprise Grants
Rural Business Opportunity Grants
Intermediary Relending Program



Business & Industry Guarantee Program

Think Credit Enhancement



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Business and Industry Guaranteed Loans

Purpose:

- Spur Business activity and growth
- Financial backing for businesses in rural areas
- To create jobs and stimulate economic development
- Build viable and sustainable rural communities with Guaranteed Loans
- Guaranteeing quality loans which will provide lasting community benefits.

Eligibility:

- *Project* – Must be located in a rural area
- Population less than 50,000

Lenders:

- Federal or state chartered banks
- Farm Credit System institutions with direct lending authority
- Savings & loan associations
- Credit unions



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Business and Industry Guaranteed Loans

Borrower:

- Sole proprietorship
- Corporations
- Cooperatives
- Partnerships
- Other legal entities, public & private, that are organized and operated on a profit or nonprofit basis
- Must be at least 51% U.S. citizen/permanent resident alien owned

Loans up to \$10 million for:

- Business conversion, enlargement, repair, modernization or development
- Purchase & development of land, easements, right-of-way, buildings or facilities
- Machinery & equipment
- Startup costs & working capital
- Site development & clean-up
- Demolition allowable given no Section 106 issues present and necessary for success
- Comfort letter required for brownfield property



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The Programs – Business & Industry (B&I)

% of Loan Guaranteed	80% - Loans up to \$5 Million 70% - Loans up to \$10Million (current program limit) 60% - Loans up to \$25 Million (with Administrator approval)
Maximum Loan Terms	Real Estate – 30 Years; Machinery & Equipment – 15 Years (or useful life); Term Working Capital – 7 Years (no line-of-credit)
Interest Rate	Negotiated between the lender and the borrower
Fees	One-time guarantee fee of 3% Annual renewal fee of 0.25% on outstanding balance
Loan Uses	Commercial real estate, new construction, equipment, expansion, transfer of ownership, working capital and debt restructuring
Borrower Types	New or existing businesses. Business does not have to be headquartered in the rural community, just conducting business there.
Community size	Population up to 50,000



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Eligible Use of Funds for B & I Guaranteed Loans

- Business expansion, improvement, growth, or development
- Purchase land, buildings, facilities, easements and rights of way
- Purchase equipment, machinery, supplies or inventory
- Business and industrial acquisitions (if it will prevent business from closing or losing jobs)
- Refinance of Debt (must improve borrowers cashflow and meet other eligibility criteria)



Morris Manufacturing and Sales
Brazil, Indiana

Ineligible Use of Funds

- Lines of credit or any revolving debt
- Agricultural production (with some exceptions - Ag product value added processing.)
- Any transaction likely to result in transfer of business or employment from one area to another
- Corporations or businesses not at least 51 percent owned and controlled by a U.S. Citizen or Permanent Resident
- Housing owner-occupied or eligible for USDA rental assistance programs
- Golf courses
- Race tracks
- Charitable, fraternal or church related organizations
- Debt refinance or transfer of ownership unless needed to save jobs
- Gambling
- Illegal activities
- Lease payment guarantees
- Loans structured with balloon payments

Benefits

Business

- Higher loan amounts
- Stronger application
- Less equity injection
- Lower interest rates
- Longer repayment terms
- Help build business stability, growth and rural employment

Lender

- Tool to expand portfolio
- Credit enhancement reduces the risk of loss
- Guarantee portion doesn't count against regulated loan limits
- Allows lenders to make loans above lending limits to retain good customers
- Guarantee portion can be sold in the secondary market
- Improve liquidity and generate fee income
- Work one-on-one with Rural Development staff
- Become a leader in community lending and local job creation



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Some of our Projects

- Retail businesses
- Machine shops
- Biodiesel plants
- Manufacturing plants
- Food processing
- Wholesale/distribution firms
- Commercial rental buildings
- Implement dealers
- Feed & seed dealers
- Grain elevators
- Gas stations
- Convenience stores
- Hotels/motels
- Restaurants





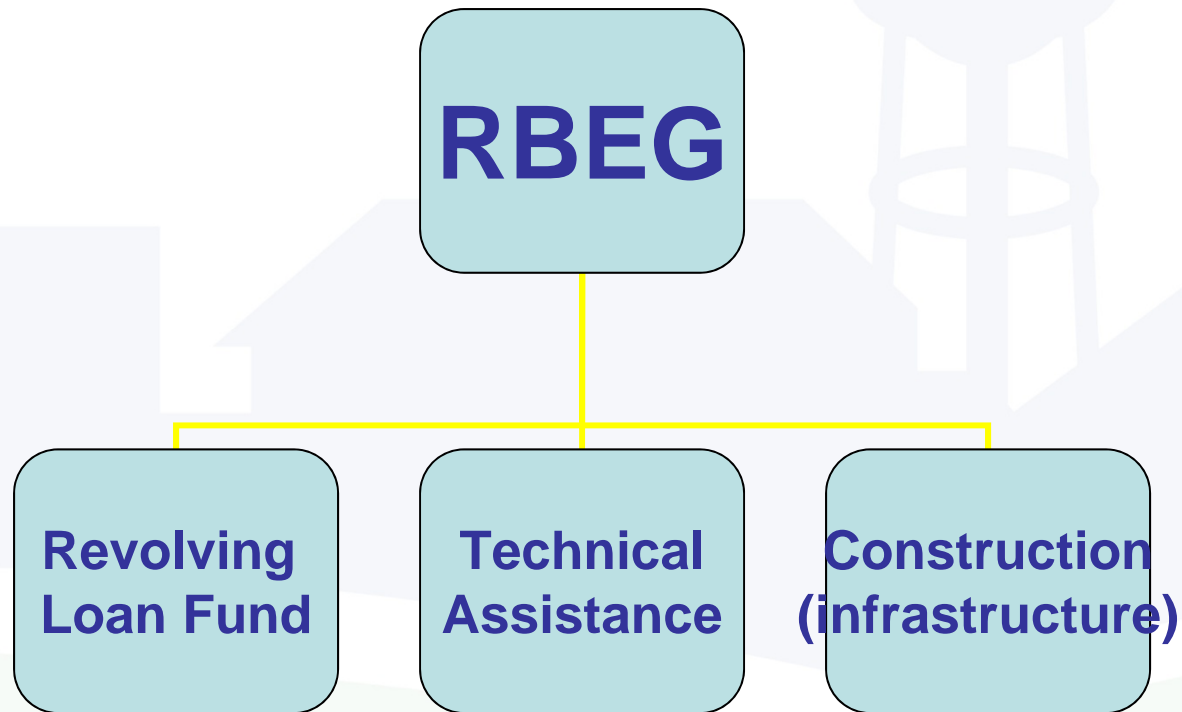
Rural Business Enterprise Grant

Think Small or Emerging Business



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RBEG can take several paths



Each must support the development of *Small & Emerging* Businesses.

Rural Business Enterprise Grants

Objective

- Finance the development of small and emerging private business enterprises.
- 50 or less employees
- < \$1,000,000 in annual revenue

Purposes

- Equipment purchase, construction, business incubator.
- Establish a revolving loan fund
- Technical Assistance
- "Other" projects that develop Small & Emerging Businesses. ie: Local Foods

Applicant

- Public bodies
- Private non-profit corporations

Population

- Communities and rural areas less than 50,000 in population.



Rural Business Enterprise Grants

Funding and Contact

- FY 2012 - IN Allocation ~\$514,000
- Projects under < \$100,000 score better and are more competitive.
- Match/Leveraged funds important.
- Multi-State/regional projects are being favorably considered.

RBEG Examples

- | | |
|----------------------------------|----------|
| • Muncie Innovation Connector | \$75,000 |
| • Switzerland County EDC | \$45,000 |
| • Franklin County EDC | \$70,000 |
| • Whitley County EDC | \$60,000 |
| • Crawford County Commissioners | \$77,000 |
| • Area Five Agency on Aging | \$55,000 |
| • South Central Indiana Reg. EDC | \$55,000 |
| • Miami County EDC | \$77,000 |



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RBEG Example of use: Brownfields

A Community or not for profit organization wishes to clean up a Brownfield in order to facilitate economic development of their community:

- They have a small business or businesses that are interested in renting the site. The community could apply for a Rural Business Enterprise Grant to do the actual clean up and then rent to the business. The business would need to meet the small and emerging definition.
- If a Revolving Loan Fund was established, a loan for clean-up purposes could be made to the business.



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Rural Business Opportunity Grant

Think planning & development



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Rural Business Opportunity Grant

Objective & Population

- Planning and training grants.
- Communities and rural areas less than 50,000 in population .

Purposes

- Regional development planning
- Technical assistance
- Leadership training
- Establishment of business support centers

Applicant

- Public bodies
- Non-profit corporations
- Eligible rural cooperatives

Funding and Context

- Notice of Funds Availability (NOFA) – issued for FY-12
- Compete nationally for funding – ~\$2,500,000 available.
- \$250,000 Maximum Grant
- Limited to two applicants per state. One Indiana project was funded in FY11 – Tech Park development



RBOG Example of Use: Brownfields

A not for profit wishes to clean up a Brownfield in order to facilitate economic development in their community.

They could apply for a Rural Business Opportunity Grant to:
do a study of how to clean it up and to create a plan for the clean up if there will be a benefit to local businesses.



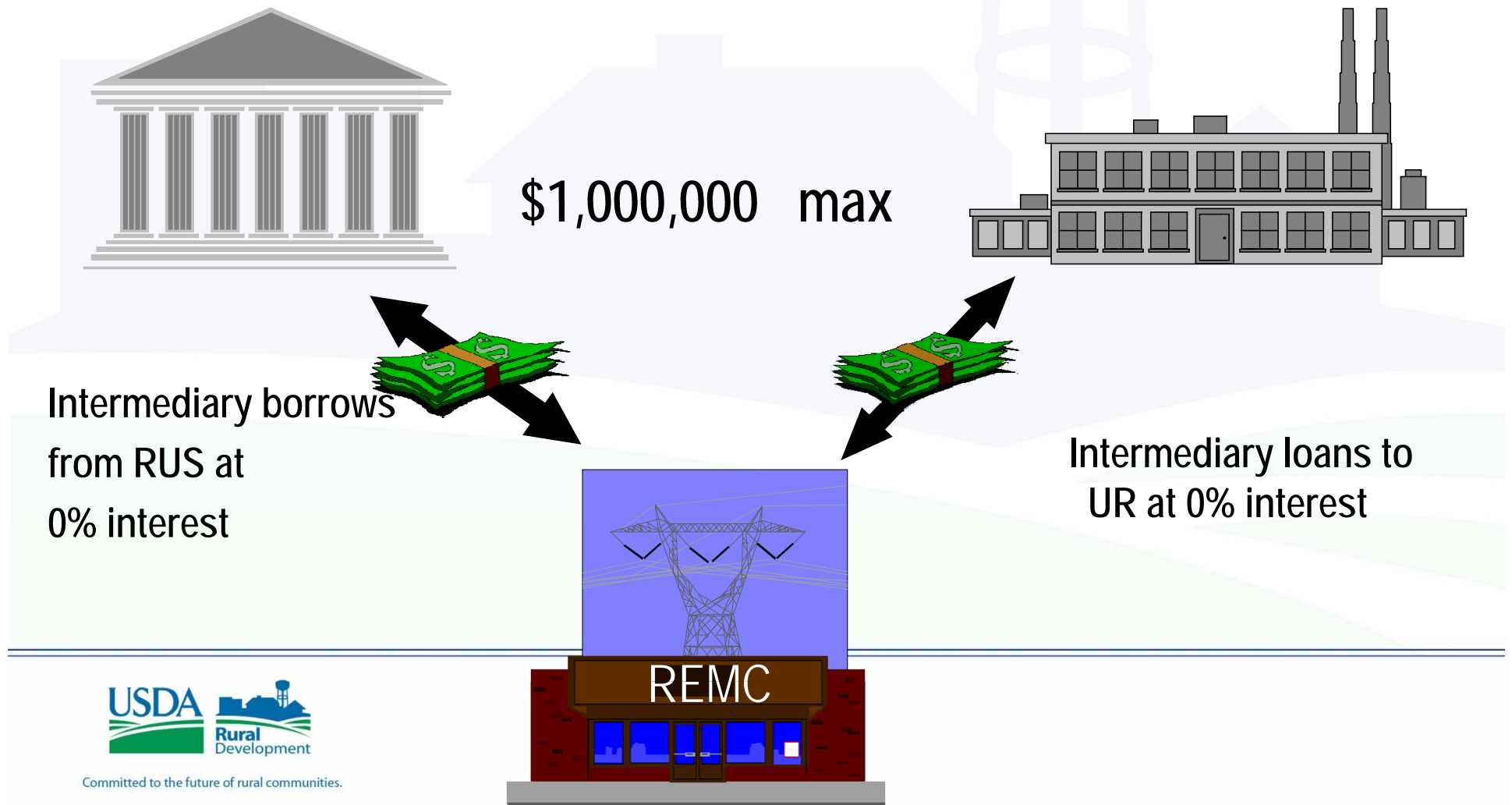
Rural Economic Development Loan & Grant

*Think economic development
and job creation*



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USDA 0% *Pass Through* Loan

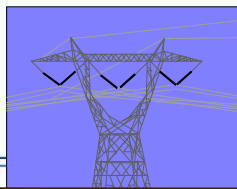


USDA RD REDLG Grant for RLF

\$300,000 max RUS
grant

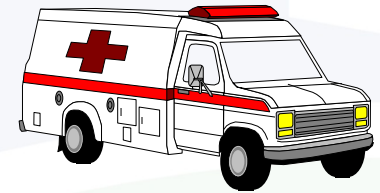


REMC matches 20%
with own funds
\$60,000 max



REMC

REMC- administered RLF \$360,000



Rural Economic Development Loans and Grants

Program Purpose

- Promote rural economic development and/or job creation projects including feasibility studies, startup costs and business incubators

Applicant

- Electric and telephone cooperatives eligible for financing from the Rural Utilities Service
- **Cooperative needs to match 20% on grants only.** Any source can be used for the 20% loan match.

Process

- The **Intermediary** (electric or telephone utility) applies to RD for a loan or grant and then makes *loans* to **ultimate recipient** profit or non-profit businesses and public bodies.

10 - year max loan term.

- Grant applications capitalize a RLF with 1st loan made to a non-profit or public economic development project.
- Loan applications fund a pass through 0% interest loan to Ultimate Recipients, which can be for-profit businesses.



Rural Economic Development Loans and Grants

Funding

- National pool of funds – projects selected monthly for funding.
- \$1,000,000 Maximum Loan
- \$300,000 Maximum Grant

Examples

- REDL made to Northeastern REMC to lend to a start-up business, Impact CNC, LLC, to finance the purchase of a vacant facility in a local industrial park.
- REDG made to Utilities District of Western Indiana REMC to lend to Greene County Redevelopment Commission to install a new water storage tower that will serve Westgate Tech Park at Crane.
- REDL made to Utilities District of Western Indiana to lend to Greene County Redevelopment Commission to expand water service lines serving Crane and Scotland, Indiana.



Uses of REDLG Funds for Brownfields

It would be possible for an ultimate recipient to use the funds for cleanup or site preparation as part of the total construction project.

However, there are **specific eligibility requirements for REDG initial funds**. They can only be used by non-profits, public bodies, federally recognized tribes for essential community facility projects.



A faint, light blue background illustration featuring a house with a chimney and a tall, round stool. The house is on the left, and the stool is on the right. The entire scene is set against a light green, wavy background that resembles a landscape.

Intermediary Relending Program

Think Jobs

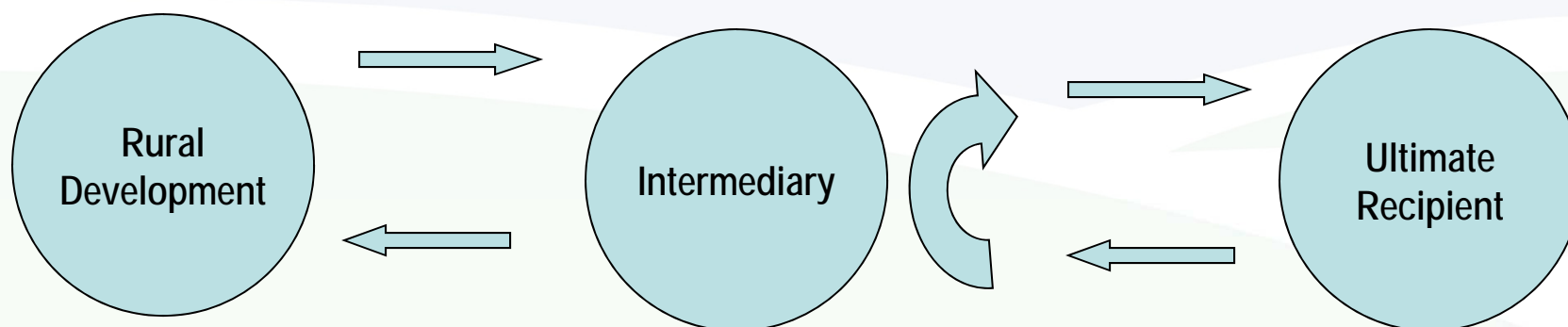


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Intermediary Relending Program (IRP)

Purpose: to increase economic activity & employment in rural areas.

A Revolving Loan Program (RLF) funds community projects & small businesses.



Intermediary Relending Program

- Revolving Loan Funds
 - **Business and Community Development Projects**
- Intermediaries:
 - Non-profit corporations, cooperatives, public bodies
- Ultimate Recipients:
 - Private or public entities or individuals



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Intermediary Relending Program

Intermediary (Rural Development Borrower):

- 1% fixed interest rate
- 30 year loan term
- 3 year principal deferral - interest only payments
- Normally maximum Loan is \$750,000; however, due to demand and budgets it has been reduced to \$400,000

Ultimate Recipient (Intermediary Borrower):

- Interest rate negotiated by intermediary and recipient
- Eligible Area: Less than 25,000 population
- Maximum Recipient Loan: lessor of 75% of total project or \$250,000



Examples of IRP Borrowers and Uses

- Fayette County Industrial Development Corporation – Provided favorable financing to help a local manufacturer stay competitive and expand through the purchase of updated machinery and equipment.
- Dubois County Area Economic Development Corporation – Recapitalize a successful revolving loan program to make more loans and stimulate additional economic development.



Uses of IRP funds to deal with Brownfield Issues

- Funds could be used for this purpose if it was tied to the purchase, construction, etc. of the business.
- IRP funds can be used for pollution control and abatement.

GAP Financing Partnerships

Leverage of Federal Funds

- Business and Industry Loan Guarantee Program (B&I)
- Rural Business Enterprise Grant (RBEG)
- Rural Economic Development Loan/Grant (REDLG)
- Intermediary Relending Program (IRP)



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USDA Rural Development Community Programs

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Community Programs

Community Programs finance drinking water treatment systems and wastewater treatment systems in rural communities.



Community Programs also funds essential community facilities like hospitals, day cares, emergency response and assisted living.

Community Facilities – Direct Loans

Applicants

- Public bodies, non-profit organizations

Objective

- Provide financing for essential community facilities for rural communities.

Population

- Rural area with population of 20,000 or less

Financing Type

- Direct Loans, Grants & Loan Guarantees (90%)

Uses & Project Types

- Build and rehabilitate facilities
- Fire and rescue vehicles and equipment
- Health Care Facilities
- Daycare Facilities
- Early warning systems
- Police stations, Health Clinics, Schools, Libraries, Hospitals, etc.

Terms/Conditions

- Up to 100% of market value
- Up to 40 years or useful life of the security
- 3.5% Interest Rate (July 2012 quarter)
- Service areas with MHI below \$40,013 can be considered for grant assistance (15-75%)

*switch to 2010 Census data in FY13 may impact some communities



Community Facilities (CF) – Guaranteed Loan

% of Loan Guaranteed	Up to 90%
Loan Amounts	Based on project; no maximum; the amount is based on project feasibility, reasonable project costs & cash flow
Loan Terms	Limited to useful life of security; maximum 40 years
Fees	1% of guarantee; no renewal fee
Loan Uses	Land acquisition, construction, expansion or improvement, equipment, fixtures, legal and other professional fees
Borrower Types	Public bodies, not-for-profit organizations and Indian tribes
Community size	Population up to 20,000



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Community Facilities



Community Facility Funding

- Daycare Facilities - National grant set aside.
- Special set-a-side for high not employed areas (not employed rate over 19.5%)
- FY-12 – Loan program was funded very well.
- Site clean-up is an eligible purpose and can be included in the overall financing package.
- Demolition allowable given no Section 106 issues present and necessary for success
- Comfort letter required for brownfield property

Examples of Funding

WindRose Health Clinic – Hope, In
Community Resource Center – Plymouth, In
Putnam Co Hospital health IT – Greencastle, In
Town of Harmony weather siren
Amity Community VFD station
Madison Co Community Health Center building and equipment
Town of Roachdale natural gas rehabilitation



Water and Waste Disposal Loans & Grants

Loan/Grant

- Direct loan & grant
 - Service areas with MHI below \$44,459 will be considered for grant assistance
- *switch to 2010 Census data in FY13 may impact some communities

Term & Interest Rates

- Up to 40 Year Term
- Market at 3.5%, Intermed 2.75%, Poverty 2.125% (July 2012 quarter)

Population

- Rural areas and towns of less than 10,000 population

Objective

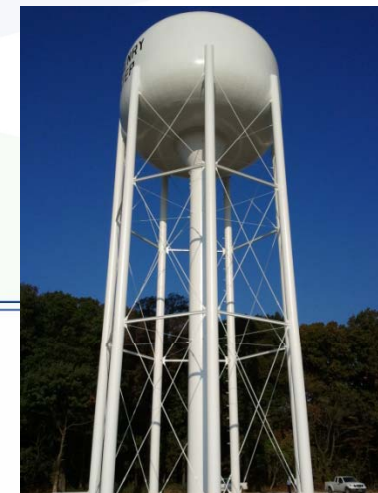
- Provide water, waste water and storm water financing in rural areas

Purpose and Uses

- Build, repair and improve public water systems, and waste collection and treatment systems.
- Other related soft costs (engineering, land, legal, etc.)

Applicant

- Public Entities
- Non-profit Corporations
- Water or Sewer Districts



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Water and Waste Disposal Loans & Grants

Funding

- IN State allocation of ~\$26.7 million for FY12 (roughly 75% loan and 25% grant)
- New applications – Apply as early in the process as possible!
- Guaranteed funding is also available to applicants
- Note - Many small community projects are jointly funded with State grant programs (OCRA's CDBG CFF).

Examples

- Oakland City project – distribution, treatment, tower
- [Brownfield example](#) – North Vernon– contaminated soils were discovered and Rural Development funds were used as part of the clean-up/disposal of soils
- [Prudent effort](#)- Town of Sandborn – cost of phase I/II before the purchase of WWTP site due to historic use



USDA Rural Development Community Programs

Electric and Telecommunication Programs

- Distance Learning and Telemedicine
- Rural Broadband Access
- Electric
- Telecommunication

This program is administered from Washington, DC.
Visit www.usda.gov/rus/ for more information.



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USDA Rural Development Community Programs

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USDA Rural Development Housing Programs

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USDA Rural Development Housing Programs

Single-Family Housing Programs

Rural Housing Guaranteed Loan

Rural Housing Direct Loan

Housing Repair & Rehabilitation Loans

Housing Repair & Rehabilitation Grants



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Housing Programs

- Single Family Housing – Populations of 20,000 or less
 - Guarantee Housing – through an approved lender
 - 90% Guarantee, 100% Financing, 30 Years, Fixed Rate
 - For Moderate-Income Individuals or Families
 - Direct Housing
 - For Low to Very Low- Income Individuals or Families
 - 100% Financing, 33 Years, Payment Assistance Available based on eligibility
 - REPAIR loans and grants also available (grants to those 62 years and older) for health and safety issues



Housing Programs Continued...

- Rural Housing Site Loans
 - Purchase land and develop sites for very low, low, and moderate-income housing
 - Public or Private Non-Profits eligible to apply
 - 2 Year loan at current agency interest rate
- Rural Rental Housing Loans
 - Construct or rehabilitate apartment housing units
 - Individuals, non-profits, state or local public agencies, partnerships, corporations
 - 30 Year loan



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USDA Rural Development Housing Programs

Multi-Family Housing Programs

Rural Rental Guaranteed Loan

Rural Rental Direct Loan

Rural Rental Assistance

Farm Labor Housing

Housing Preservation Grant Program



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USDA Rural Development Housing Programs

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Rural Development Office Locator Site:
<http://www.rurdev.usda.gov/in/offices.htm>

Indiana State Office
5975 Lakeside Boulevard
Indianapolis, IN 46278
(317) 290-3100

Crawfordsville Area Office
2028 Lebanon Road
Crawfordsville, IN 47933
(765) 362-0405 Ext. 4

Bloomfield Area Office
104 CR 70 E Suite C
Bloomfield, IN 47424-8730
812-384-4634 Ext. 4

Jasper Area Office
1484 Executive Boulevard
Jasper, IN 47546-9300
812-482-1171 Ext. 4

Columbia City Area Office
788 W. Connexion Way, Suite E
Columbia City, IN 46725-0699
260-244-6266 Ext. 4

Knox Area Office
1406 South Heaton Street
Knox, IN 46534-2314
(574) 772-3066 Ext. 4

Muncie Area Office
3641 N Briarwood Lane
Muncie, IN 47304
765-747-5531 Ext. 4

North Vernon Area Office
2600 Highway 7 North
North Vernon, IN 47265
812-346-3411 Ext. 4



USDA Rural Development Web Sites:

- Rural Development State Web Site:
<http://www.rurdev.usda.gov/in/index.htm>
- Rural Development National Web Site:
<http://www.rurdev.usda.gov>
- Rural Development Notice of Funds Availability (NOFA) and Notice of Solicitation of Applications (NOSA):
http://www.rurdev.usda.gov/RD_NOFAs.html



Questions?

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