

# USDA Rural Development



# USDA Rural Development's Mission

- Increase economic opportunity,
- Create and maintain jobs, and
- Enhance quality of life in our rural communities.

# 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*
- **Housing** – *homeownership and development of affordable rental housing*

# Impact of Nebraska Rural Development

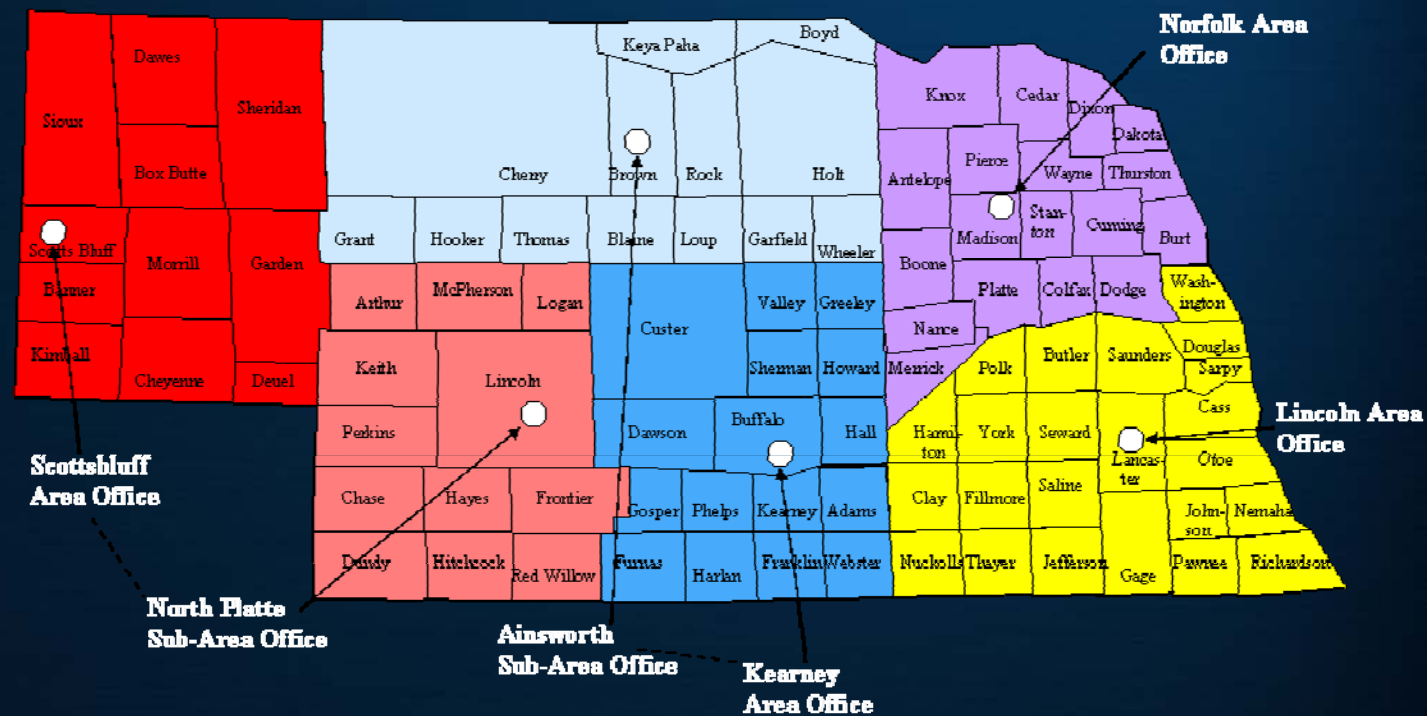
Over \$381 Million delivered in Fiscal Year 2010:

- *Business Programs – \$80.6 Million*
- *Community Programs – \$63.9 Million*
- *Housing Programs – \$113.2 Million*
- *Telecommunications Programs – \$112.4 Million*
- *Broadband Programs - \$11.3 Million*

# The Lending Partnership

- Access to one-on-one assistance
- Local subject matter experts
- Assist with any needs of the community

## USDA Rural Development Area Offices





# The Programs – Business & Industry (B&I)

<b>% of Loan Guaranteed</b>	80% - Loans up to \$5 Million 70% - Loans up to \$10Million 60% - Loans up to \$25 Million (Maximum Loan Amount)
<b>Loan Terms</b>	Real Estate – 30 Years; Machinery & Equipment – 15 Years; Term Working Capital – 7 Years (no line-of-credits)
<b>Interest Rate</b>	Negotiated between the lender and the borrower
<b>Fees</b>	One-time guarantee fee of 2% (1% in special cases) Annual renewal fee of 0.25% on outstanding balance
<b>Loan Uses</b>	New construction, transfer of ownership, equipment, expansion, working capital and debt restructuring
<b>Borrower Types</b>	New or existing businesses. Business does not have to be headquartered in the rural community, just conducting business there.
<b>Community size</b>	Population up to 50,000

# Business & Industry Success Story – Hy-Way Trailer, Henderson

- Transfer of ownership
- Existing owner retained as employee to ensure success
- Guarantee allowed bank to finance the deal
- Extended terms provided benefit to borrowers
- Retention of 3 employees



# Business and Industry Guaranteed Loan Success Story – Allmand Brothers, Inc. Holdrege

- Leading Manufacturer
- Downturn in Sales
- Implemented Strategic Plan
- \$7 Million ARRA Guarantee to Bruning State Bank
- Restructured Debt
- 60 New Jobs Created
- Added New Equipment to Production Line





# Business & Industry Success Story – Prairieland Foods, LLC

- Dairy processing facility
- Guarantee allowed bank to finance the deal with a 90% guarantee (ARRA funds)
- Extended terms provided benefit to borrowers
- Retention of 4 employees



# Business & Industry Loan Examples

- Hay Grinding Business – transfer of ownership
- Hotels
- General Stores (auto parts, etc)
- Fertilizer Business
- Crop Spraying Business
- Vet Hospital
- Recreational Vehicle Business (Sales & Service)
- Manufacturing Facilities

# The Programs – 9007 Guaranteed Energy Program

<b>% of Loan Guaranteed</b>	Up to 85% on loans up to \$600,000 Guaranteed portion up to 75% of total eligible project costs
<b>Loan Amounts</b>	Minimum: \$5,000. Maximum: \$25 million
<b>Loan Terms</b>	Real Estate – 30 years; Machinery & Equipment – 20 years; Term Working Capital – 7 years (no line-of-credit)
<b>Fees</b>	One-time guarantee fee of 1%. Annual renewal fee of 0.25% on outstanding balance
<b>Loan Uses</b>	Purchase and installation of renewable energy systems or making energy efficiency improvements.
<b>Borrower Types</b>	Farmers, ranchers, livestock operations, rural electric cooperatives and rural small businesses
<b>Community size</b>	Population up to 50,000
<b>Grant Funding</b>	Grant funds can be combined with guaranteed loans. Grants are available up to 25% of eligible project costs.

# 9007 Energy Grant Program

- For 25% of total eligible project cost
  - *Can be applied for alone (grant only application) OR with the guaranteed loan program (which greatly enhances the overall application package, less competitive)*
- Maximum grant request
  - *\$500,000 for Renewable Energy*
  - *\$250,000 for Energy Efficiency Improvements*
- Minimum grant request
  - *\$2,500 for Renewable Energy*
  - *\$1,500 for Energy Efficiency Improvements*



# 9007 Energy Grant Program

- 2 Parts

- *Energy Efficiency*

- Irrigation systems, HVAC systems, windows, doors, lighting, insulation, etc. (typically just used for improvements to existing structures)
    - Energy Audit required showing BTU savings
    - Professional Engineer to assist in project development IF project cost over \$200,000.

- *Renewable Energy*

- Geothermal, solar, wind, renewable biomass, ocean, hydroelectric source (**works well for new building construction projects**)
    - Business Level feasibility study required (if project cost over \$200,000)



# 9007 Energy Program

- Eligible Applicants: Must own & operate project
  - *Rural Small Businesses*
    - Meets eligibility as determined Small Business Administration's small business size standards by the North American Industry Classification System (NAICS) code
      - *Determined by number of employees OR gross income amount (on previous year's tax returns) as determined per industry*
  - *Agricultural Producers*
    - AT LEAST 50% of gross income derived from ag operations (as determined by previous year's tax returns, Schedule F)
    - Must be directly engaged in production of agricultural products
    - Special rules for landlords and/or tenants

# 9007 Energy Program

- **FY 2011 DEADLINE: JUNE 15, 2011**

# Energy Success Story – Mr. J's Affiliated Foods, Burwell

- Energy Efficiency Improvements
- Replacement of Freezers and Compressors
- 62% Energy Savings
- 8 Year Payback
- Project Costs – \$16,800
  - *Grant*           \$3,200
  - *Bank Loan*   \$13,600





# Energy Success Story – Gary’s Super Foods

- Energy efficiency improvements
- Installed a heat reclaim system to capture the heat from the store’s refrigeration units and redistributes the heat through duct work to heat the building.
- *“The new store is 18,000 square feet and the utility bills are one-half of the costs of our store in Hershey which is 7,000 square feet. With savings like these you can’t afford not to make the improvements.” – Gary Suhr, Gary’s Super Foods*



# Example Irrigation Efficiency Projects





# Example Small Business Efficiency Projects





# Example Renewable Energy Projects



# Rural Business Enterprise Grant (RBEG)

- To facilitate and finance development of small and emerging private business enterprises
  - *Small and Emerging Business Definition:*
    - Generally, any rural private business which will employ 50 or fewer new employees and has less than \$1 million in projected gross revenue
- Awarded to public bodies, non-profit corporations, & Federally Recognized Indian Tribes
- Communities up to 50,000 population, priority to communities 25,000 and smaller
- No grant maximum or minimum
- Matching funds not required

# Rural Business Enterprise Grant (RBEG)

- Eligible Uses of Grant Funds
  - *Technical Assistance*
  - *Acquisition and development of land (for industrial development)*
  - *Repairs and modernization to buildings*
  - *Training in connection with Technical Assistance*
- Example projects:
  - *Business Incubators*
  - *Computer laboratories for job training*
  - *Website enhancements to enhance small businesses*
  - *Wind for Schools Projects (education purposes only)*
  - *Business Feasibility Study (non-profit had completed for a potential business expansion in their community)*



# Wind for School Example





# Rural Business Opportunity Grant (RBOG)

- Rural areas with less than 50,000 population
- Eligibility: Public bodies, non-profit corporations, Federally Recognized Indian Tribes, and cooperatives
- Purpose: To assist in economic development of rural areas by providing technical assistance for business and economic development planning

# Rural Business Opportunity Grant (RBOG)

- EXAMPLES

- *to fund a regional community economic development package for business recruitment.*
- *to fund development of a downtown business market plan.*
- *to bring communities in a 16 county area online to market and expand business opportunities and create jobs*

# Rural Economic Development Loan & Grant (REDLG) Program

- Purpose of the REDLG program is to promote rural economic development and/or job creation projects
  - *Intermediary* – Company applying to USDA Rural Development for the funds
  - *Ultimate Recipient* – initial project receiving the funds from the intermediary
- Maximum Grant = \$300,000 (subject to change each fiscal year)
- Maximum Loan = \$740,000 (subject to change each fiscal year)

# Rural Economic Development Loan & Grant (REDLG) Program

- Eligible Loan Projects
  - *Start-up Venture costs*
  - *Business Incubators*
  - *Technical Assistance*
  - *Project feasibility studies*
  - *Advanced telecommunications for medical, educational, and job training services*
  - *Community Facility Projects (non-profits):*
    - Will create or save employment AND
    - Are open to and serve all rural residents, and are owned by the ultimate recipient



# Rural Economic Development Loan & Grant (REDLG) Program

- Eligible Grant Projects

- *Non-profit entities, public bodies, or Federally-recognized Indian Tribes:*
  - Community Development or Community Facility Projects that:
    - *Will create or save employment; AND*
    - *Are open to and serve all rural residents, and are owned by the ultimate recipient*
- *Business Incubators*
- *Facilities & Equipment to provide education and training to residents to facilitate economic development*
- *Facilities & Equipment to provide medical care to residents*
- *For-Profits may use funds for all of the above EXCEPT: Community Development and Business Incubators*



# Rural Economic Development Loan & Grant (REDLG) Program

- Rates and Terms: **Loans**
  - USDA Rural Development Borrower:
    - *0% interest/10yr term/2 yr deferral on principal payments if necessary*
  - Ultimate Recipient:
    - *Equal loan terms made to USDA Rural Development borrower*
    - *Can be assessed annual servicing charge NTE 1% of outstanding principal loan balance on first day of each year*

# Rural Economic Development Loan & Grant (REDLG) Program

- Rates and Terms: **Grants (Revolving Loan Fund)**
  - Ultimate Recipient (Initial Loans):
    - *0% interest/10 yr term/2 yr deferral on principal payments if necessary*
    - *Can be assessed annual servicing charge NTE 1% of outstanding principal loan balance on first day of each year*
  - *As the Ultimate Recipient pays back the loan to the Intermediary (USDA Rural Development Borrower), the Intermediary establishes a Revolving Loan Fund to then relend to other eligible small businesses and community development projects.*

# Intermediary Relending Program

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

# Intermediary Relending Program

- Loans
  - *Intermediary (Rural Development Borrower):*
    - 1% fixed interest rate
    - 30 year term
    - 3 year principal deferral-interest only payments
- Ultimate Recipient (Intermediary Borrower):
  - *Interest rate negotiated by intermediary and recipient*
  - *Eligible Area: Less than 25,000 population*
  - *Maximum Recipient Loan: 75% of total project or \$250,000 whichever is less*



# Gap Financing Partnerships and Micro Loan Referrals

- Intermediary Relending Program (IRP)
- Rural Business Enterprise Grant (RBEG)
- Rural Economic Development Grant (REDG)
- Rural Microentrepreneur Assistance Program (RMAP)

# Community Facilities Loans and Grants

- For community service facilities such as fire and rescue buildings and equipment, streets, utilities, community centers, libraries, senior citizen centers, day-cares, hospitals, clinics, nursing homes, assisted living facilities, etc.

# C.J. Foods, Inc. Pawnee City, NE

31% Bank

20% Equipment

Lease

19% CDBG

13% IRP

11% Owner

6% City



# The Programs – Community Facilities (CF)

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



# Community Facility Success Story – The Siouxland Y – Norm Waitt Sr. YMCA

- Fitness Recreational Facility
- Community Support
- Expanded Services
  
- Estimated Cost – \$10.9 MM

*-Guarantee           \$3.8MM*  
*-Pledges &         \$7.1MM*  
*Donations*



# Community Facility Success Community Medical Center Falls City, NE

- Total Replacement
- *\$9 million Guarantee*
- *\$9 million CF Direct*



# Community Facility Direct Loan

- Direct Loan is 2<sup>nd</sup> choice to a guaranteed loan
  - *Money comes directly from USDA Rural Development*
    - 40 year Bond or Note
      - *Municipalities – use Bonds*
      - *Non-profits – Note/Mortgage*
    - Interest rates – comparable to current municipal bond rates AND based on MHI of the service area
    - Test of Credit is required
  - *Population of 20,000 or less*



# Water & Waste Disposal Loans and Grants

- For water and waste disposal, solid waste and storm drainage including water and waste development costs (such as construction, improvements, equipment, facilities, land rights, engineering, fees, etc).
  - *To rebuild or expand whole systems*
- Eligible Applicants:
  - *Municipalities, special purpose districts, Indian Tribes, and non-profits*

# Water & Waste Direct Loans and Grants

- DIRECT LOANS

- *Loan is 40 years or the life of the security*
- *Interest rates comparable to municipal bonds BASED on the MHI of the service area*
- *Security is in the form of Government owned bonds, revenue bonds, notes, or mortgages*

- GRANTS

- *Amount received is determined by MHI for service area*
  - *May be available to reduce the costs and rates to a reasonable level for users*
  - *MHI determines what percentage of the project is eligible for grant funds*
- *Test of Credit is required*
- *Systems have to be self-sufficient*

# Community Facility Grants

- 2<sup>nd</sup> choice to Direct Loans
  - *Amount of grant is determined by the MHI for the service area (could be 15 – 75% of project cost)*
    - Must be unable to finance the project from their own funds or from loan assistance
  - *Typically used for small projects, such as:*
    - Emergency Siren Systems
    - Emergency Equipment (fire & rescue)
      - *Thermal Cameras*
      - *Excavation chairs*
      - *Updated computer systems in the ambulances*
  - *Population of 20,000 or less*



# Water and Waste Success Story – Regional Water System (Southwest Nebraska)

- 3 Communities
- Quality Water
- Reduced Capital Costs
- Total Project Cost – \$5.6MM
  - *RD Loan*      \$1.6MM
  - *RD Grant*     \$2.3MM
  - *ECWAG*       \$1.2MM
  - *CDBG*         \$500M



# Housing Programs

- **Single Family Housing** – Populations of 20,000 or less (and Norfolk and Columbus)
  - *Guarantee Housing – through an approved lender*
    - 90% Guarantee, 100% Financing, No PMI, 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

# Home Ownership Success Story – David & Karrie Huryta, Ravenna

- Making Homeownership a REALITY
- Teamwork Approach
  - *City*
  - *Contractor*
  - *Lender*
  - *USDA Rural Development*
- Financing with USDA guarantee
- Guarantee – \$82,235



# 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, and Indian Tribes*
    - 30 Year loan



# Building Communities from the Ground Up



# Thank-you!

Committed to the Future of Rural Communities

<http://www.rurdev.usda.gov/ne>

USDA Rural Development is an Equal Opportunity lender, Provider and Employer. Complaints of discrimination should be sent to USDA, Director, OCR, Washington, DC 20250-9410



Kelley Messenger  
Area Specialist (Business Programs)  
Kearney Area Office

[kelley.messenger@ne.usda.gov](mailto:kelley.messenger@ne.usda.gov)

(308) 237-3118 ext. 1120

Bert Mues  
Area Specialist (Community Programs)  
Kearney Area Office

[Bert.mues@ne.usda.gov](mailto:Bert.mues@ne.usda.gov)

(308) 237-3118 ext. 1128

