

# **USDA Rural Development**

## **Guam Chamber of Commerce Federal Financing Opportunities**

**June 4, 2009**



Committed to the future of rural communities.

# Who is Rural Development?

- **Farmer's Home Administration**
- **Rural Economic & Community Development**
- **Rural Development Administration**
- **Rural Electrification Administration**



# Mission Statement

- **Increase economic opportunity in rural America**
- **Improve the quality of life in rural America**



# USDA RURAL DEVELOPMENT

- **Over 50** grant, direct loan, and guaranteed loan programs to finance housing, businesses, and infrastructure in rural areas.
  - **Rural Housing Programs**
  - **Rural Utility Programs**
  - **Rural Business and Cooperative Programs**

# Rural Business-Cooperative Services

- **Business & Industry (B&I) Guaranteed Loan**
- **Intermediary Relending Program (IRP) Loan**
- **Rural Business Enterprise Grant \*\* (RBEG)**
- **Rural Business Opportunity Grant (RBOG)**
- **Rural Economic Development Loan and Grant (REDLG)**
- **Value-Added Agricultural Product Market Development Grant (VADG)**
- **Rural Energy for America Program (REAP)**

**\*\*The proposed rule will make eligible the FSM (Pohnpei, Chuuk, Yap, Kosrae), Republic of Palau & Republic of the Marshall Islands (Majuro)**

# Intermediary Relending Program (IRP)

- **Loan funds awarded to an intermediary who in turn provide loans to recipients who are developing business facilities or community development projects.**
- **Eligible Intermediaries include public bodies, nonprofit corporations, Indian tribes and cooperatives.**

# Rural Business Enterprise Grant (RBEGr)

- **To support the development of small and emerging private business enterprises in rural areas.**

**\*Small and emerging private business is any private business which will employ 50 or fewer new employees and has less than \$1 million in projected gross revenues.**

# **Business and Industry Guaranteed Loan Program (B&I)**

- **To improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities.**
- **Achieved by bolstering the existing private credit structure through the guarantee of quality loans which will provide lasting community benefits.**

# Who May Borrow?

- **Individuals – sole proprietors, partnerships**
- **Public and private organizations – corporations, LLCs, etc.**
- **Federally recognized Indian Tribal groups**

# Who May Not Borrow

- **Charitable institutions**
- **Businesses not owned or controlled by U.S. citizens (less than 51% ownership)**
- **Churches or church-sponsored organizations**
- **Fraternal organizations**
- **Lending and investment institutions and insurance companies**

# How may loan funds be used?

- **Business and industrial acquisitions when the loan will keep business from closing and preserve and/or create job opportunities**
- **Purchase and development of land, easements, rights-of-way, buildings, or facilities.**
- **Purchase of equipment, leasehold improvements, machinery, supplies, or inventory**
- **Startup costs and working capital**
- **Tourist and recreation facilities, hotels, motels, bed and breakfast**
- **Commercial fishing**
- **Certain debt refinancing**



# How may loan funds not be used?

- **Distribution or payment to owners of a business when they will retain any portion of the ownership of the borrower**
- **Charitable institutions, churches**
- **Lending and investing institutions and insurance companies**
- **Lines of credit**
- **Golf courses**
- **Racetracks**
- **Any business that derives more than 10 percent of annual gross revenue from gambling activity.**



# What is the Repayment Schedule?

- **30 years for land buildings and permanent fixtures**
- **15 years for machinery or equipment, or the useful life of the machinery or equipment, whichever is less**
- **7 years for working capital**



## **Blended Terms**

# The Guarantee

- **80% on loans up to \$5 million**
- **70% on loans up to \$10 million**
- **60% on loans up to \$25 million**



# RBS - B&I Guaranteed Loan Program

- FY '00 - \$850 million
  - FY '01 - \$1 billion
  - FY '02 - \$1.1 billion
  - FY '03 - \$1.2 billion
  - FY '04 - \$840 million
  - FY '05 - \$610 million
  - FY '06 - \$914 million
  - FY '07 - \$1.3 billion
- **ARRA Funds – additional \$3 billion in B&I funds available**



# RBS- B&I Guaranteed Loan Program

- **Projects funded in the Western Pacific**
  - **\$500,000 for a dinner cruise vessel**
  - **\$2.5 million to construct a new restaurant**
  - **\$3.77 million for a new shopping center**
  - **\$2.3 million to construct a new fitness center**
  - **\$4.5 million for a commuter airline**
  - **\$2.1 million for a new outpatient surgery center**
  - **\$1.5 million to construct a new commercial building**
  - **\$1.6 million for a new commercial fishing operation**
  - **\$5 million for debt restructuring for an existing hotel**

# Benefits to Businesses

- **Higher loan amounts, lower interest rates, and longer repayment terms assist businesses that may not qualify for conventional lender financing**
- **Assists a business in providing stability, growth, expansion, and rural employment**



# Benefits to Lenders

- Provides lenders with another tool to expand their loan portfolio
- Improves the economy and quality of life in rural communities
- Allows lenders to make loans above their legal lending limits
- Meets with the provisions of the Community Reinvestment Act



# **Section 9007**

## **Rural Energy for America for America (REAP)**

- **Program designed to assist farmers, ranchers and rural small businesses with energy projects.**
- **Provides guaranteed loans and/or grants for renewable energy and/or energy efficiency projects.**

# Section 9007

## Rural Energy for America for America (REAP)

### Changes Made

- Establishes a program for performing energy audits—grants.
- Eligible use of funds can be a stand alone feasibility study.
- Guarantee increased to \$25M
- Combo (loan/grant) increased to 75% of eligible project costs.
- Added ocean (including tidal, wave, current, and thermal) and hydro-electric.
- Funding increased from \$23M (08) to \$60M (09)

# Who is Eligible?

- Rural small businesses and agricultural producers
  - Rural – All of the CNMI and the Western Pacific.
  - Agricultural Producer -- An individual or entity *directly* engaged in the production of agricultural products (including farming or ranching) that gets 50% + of their gross income from the operations

# Who is Eligible?

Small Business – Must meet Small Business Administration (SBA) small business size standards (by number of employees or by annual receipts):

- [www.sba.gov/size/indehtableofsize.html](http://www.sba.gov/size/indehtableofsize.html)
- [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/serv\\_sstd\\_tablepdf.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/serv_sstd_tablepdf.pdf)
- **Non-profits are excluded (may be able to use other USDA RD programs).**

# Types of Applications

- **Grant only—less than \$200,000 in total project costs (not grant amount)—“Simplified”**
- **Grant only—greater than \$200,000 in total project costs—“Full”**
- **Guaranteed Loan—less than \$600,000**
- **Guaranteed Loan—greater than \$600,000**
- **Combination Guaranteed Loan/Grant**

# What Projects are Eligible?

- **Any renewable energy or energy efficiency project as defined in the law.**
  - **Biomass, Anaerobic Digester, Geothermal (electric generation and direct use), Hydrogen, Wind, Solar (photovoltaic and thermal) and [small hydro and ocean energy—added 2008]**
  - **Energy Efficiency Improvements--improvements to a facility, building, or process that reduces energy consumption, or reduces energy consumed per square foot.**

# What Projects are Eligible?

- **Must be the owner of the project and control the revenues and expenses of the project, including O&M (can contract this out to a third-party).**
- **Site(s) must be controlled for the financing term of any associated Federal loans or loan guarantees.**
- **Must have revenue to provide for the operation, management, maintenance, and debt service of the project.**
- **Residential use is not allowed.**

# What Costs are Eligible?

- **Completing an energy audit or assessment;**
- **Only those costs identified in the energy audit/assessment for energy efficiency improvements are allowed.**
- *Post-application* purchase and installation of equipment, *except* agricultural tillage equipment and vehicles (includes delivery vehicles, boats, tractors, etc);
- *Post-application* construction or project improvements, *except residential*;

# What Costs are Eligible?

- **Permit and license fees;**
- **Feasibility studies and Technical reports;**
- **Business plans;**
- **Retrofitting;**
- **Construction of a new energy efficient facility—  
under certain conditions;**
- **[Guaranteed loans only]**
  - **Working capital.**
  - **Land acquisition.**

# What Projects are Eligible?

- **Grant request can be up to 25% of project costs**
  - **Renewable Energy:**
    - **Minimum grant request: \$2,500 (Total project = \$10,000)**
    - **Maximum grant request: \$500,000 (Total project = \$2 million)**
  - **Energy Efficiency**
    - **Minimum grant request: \$1,500 (Total project = \$6,000)**
    - **Maximum grant request: \$250,000 (Total project = \$1 million)**

# What Projects are Eligible?

- **Guaranteed loan request can be up to 75% of project costs**
  - **Minimum loan request: \$5,000**
  - **Maximum loan request: \$25,000,000**
  - **% of guarantee negotiated between the lender and USDA.**
  - **Maximum percentage of guarantee:**
    - **85% for loans of \$600,000 or less;**
    - **80% for loans of \$600,001 to \$5 million; and**
    - **70% for loans greater than \$5 million to \$25 million.**

# Projects Funded

## 2008

**Kealakekua Farm Management LLC**

**5 kW pv--\$9,000 grant; \$42,000 total**

**Island Dairy, Inc.**

**131.4 kW pv--\$250,000 grant; \$1,000,000 total**

**Friendly Market Center**

**126.5 kW pv--\$173,500 grant; \$100,000 guaranteed loan; \$694,000 total**

## 2007

**Kim Markham, Bookkeeper**

**8 kW pv--\$16,747 grant; \$66,987 total**

## 2006

**Moloka'i Drug Store**

**20 kW pv-\$45,500 grant; \$182,000 total**

**Malte Simmer**

**7.2 kW pv- \$15,195 grant, \$60,780 total**

**Hotel Honokaa**

**18.1 kW pv- \$37,500 grant, \$150,000 total**



# Resources

- **Templates for completing Technical Reports (under \$200K in total project costs).**
- **Templates for a submitting simplified grant, full grant, guaranteed loan, and combination guaranteed loan/grant projects**
- **Telephone/e-mail assistance on completing forms, etc.**

# Resources

<http://www.rurdev.usda.gov/rbs/farmbill/index.html>

**USDA/Rural Development**

<http://hawaii.gov/dbedt/info/energy>

**DBEDT—Strategic Industries Division**

<http://www.eere.energy.gov/>

**DOE/Office of Energy Efficiency and Renewable  
Energy**

<http://www.findsolar.com/>

**Solar Calculator**

# Grant Tips

- **Read the directions in the funding notice.**
- **Follow the directions.**
- **Take the approach that you are asking strangers to invest in your project—why should they?**
- **Keep it simple—most grantors do not know your industry/situation/project.**
- **Grant writer –v- doing it yourself?**
- **More is not necessarily better.**

# High Energy Cost Grant

- **Funds can be used to acquire, construct, or improve energy generation, transmission, and distribution facilities, including on-grid and off-grid renewable energy systems, implementation of energy efficiency, weatherization, and demand-side management programs, and line extensions to unserved areas and households.**
- **Very flexible program allows communities to propose and obtaining funding for projects meeting their unique needs.**
- **Awards are made competitively from applications submitted in response to NOFAs.**

# High Energy Cost Grant

- **Allocated by the Administrator out of annual appropriations.**
- **Congress has provided for carryover of unused prior year funds with annual program levels have ranged from \$29.3 million to \$56 million.**
- **Since 2001, almost \$173.3 million in grants have been awarded to projects in 11 states.**

# Eligible Applicants

- **Non-profit and for-profit corporations, associations, partnerships and cooperatives;**
- **Sole proprietorships;**
- **State or local government entities;**
- **Individuals or group of individuals applying on behalf of their communities;**
- **Any of the above entities located in a U.S. Territory or other area authorized by law to participate in programs of the Rural Utilities Service, USDA Rural Development, or USDA.**

# Eligible Communities

- **Must have average home energy costs exceeding 275% of the U.S. national average.**
- **May be as small as a Census Block and may include only eligible households across a broader area.**
- **Eligibility benchmarks are outlined in the NOFA.**

# ANNUAL AVERAGE PER UNIT RESIDENTIAL ENERGY COSTS

## ANNUAL AVERAGE PER UNIT RESIDENTIAL ENERGY COSTS

**Extremely High Energy  
Cost Benchmark  
275% of National  
Average  
\$ per unit**

**National  
Average  
Unit Cost  
\$ per unit**

### Fuel (Units):

Electricity (kilowatt hours)	0.088	0.239
Natural gas (thousand cubic feet)	9.98	26.85
Fuel oil (gallons)	1.24	3.35
LPG/Propane (gallons)	1.36	3.61

# Examples

- **High-efficiency diesel generators and waste heat recovery systems in remote villages in Alaska.**
- **Transmission line replacements in Maine, Nevada, Idaho;**
- **Off-grid residential solar photovoltaic – hybrid power systems in Arizona, and New Mexico.**
- **Distribution system extensions, Alaska, Nevada, California, Arizona.**
- **Solar hot water systems in Hawaii.**
- **Small and micro-hydroelectric generation facilities in Alaska and Hawaii.**
- **Low income energy efficiency and weatherization program in Alabama.**

# Contact Information

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# Questions

