Rural Development in Montana

Anthony J. Preite, State Director
Accessing Funding through USDA Rural Development Programs
USDA Rural Development is...

“the leading advocate for rural America at the federal level.”

USDA Rural Development’s Mission:
To increase economic opportunity and improve the quality of life for all rural Americans.

Montana Rural Development Investment
$1.8 Billion
• **Housing Programs**
  – Single family housing direct loans
  – Single family housing guaranteed loans
  – Multi-family housing loans

• **Community Programs**
  – Water & Waste Disposal loans & grants
  – Community Facility loans & grants
  – Telecommunications loans & grants

• **Business Programs**
  – Business & Industry Loan Guarantees
  – Rural Energy for America Program
  – Rural Business Enterprise Grants
  – Rural Business Opportunity Grants
  – Intermediary Relending Program
  – Rural Micro-entrepreneur Assistance Program
  – Value Added Producer Grant Program
  – Rural Economic Development Loan & Grant
Water / Wastewater Planning Grants

<table>
<thead>
<tr>
<th></th>
<th>Search</th>
<th>Pre-Development</th>
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<tbody>
<tr>
<td>Pop</td>
<td>2,500</td>
<td>10,000</td>
</tr>
<tr>
<td>MHI</td>
<td>$38,205</td>
<td>$38,205</td>
</tr>
<tr>
<td>Match</td>
<td>0%</td>
<td>25%</td>
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<tr>
<td>Grant</td>
<td>$30,000</td>
<td>$25,000</td>
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</tbody>
</table>

3% of our annual grant allocation
Water and Environmental Program

**WEP Interest Rates**

- **Poverty Rate**...2.50%
  
  When MHI of the area served is equal to or below $38,205 and the project is necessary to alleviate a health and/or sanitation problem.

- **Intermediate Rate**..3.25%
  
  When the MHI of the area served is less than $47,757 and there are no documented health / sanitation problems.

- **Market Rate**...4.125%
  
  When the MHI of the area served is greater than $47,757

Interest Rates Effective April 1, 2014
Water Programs FY 2012

13 Projects funded

$ 8,415,000 Loan
$ 7,447,172 Grant
Total $ 15,862,172

$ 10,882,000 Base Allocation
$ 4,980,172 Pooling Funds
Water Programs FY 2013

15 Projects funded

$ 22,160,000 Loan
$ 13,877,600 Grant
Total $ 36,037,600

$ 12,836,000 Base Allocation
$ 23,201,600 Pooling Funds
Water Programs FY 2013
# Water Programs FY 2014

18 Unfunded Applications on hand

<table>
<thead>
<tr>
<th></th>
<th>Loan</th>
<th>Grant</th>
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<tbody>
<tr>
<td>FY 14 Allocation</td>
<td>$12,694,000</td>
<td>$3,044,000</td>
</tr>
<tr>
<td>Farm Bill</td>
<td></td>
<td>$3,436,000</td>
</tr>
<tr>
<td>sub total</td>
<td>$12,694,000</td>
<td>$6,480,000</td>
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<tr>
<td>7 Projects funded</td>
<td>$7,641,000</td>
<td>$5,507,000</td>
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<tr>
<td>Balance</td>
<td>$5,053,000</td>
<td>$973,000</td>
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<tr>
<td>12 Apps on hand</td>
<td>$21,280,800</td>
<td>$10,989,000</td>
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Est. Shortfall

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<tr>
<th></th>
<th>Loan</th>
<th>Grant</th>
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<tbody>
<tr>
<td></td>
<td>$16,227,800</td>
<td>$10,026,000</td>
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WEP Guaranteed Loans

Loans are made by a bank or other lender and guaranteed against loss by the USDA Rural Development

Loans are made at lenders normal and customary rates and terms

Guarantee allows lenders to make loans that they otherwise could not

Cannot guarantee loans secured by tax-exempt obligations

<table>
<thead>
<tr>
<th>FY 14 Allocation</th>
<th>$ 570,000</th>
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<tbody>
<tr>
<td>FY 14 Obligations TYD</td>
<td>= $2,500,000</td>
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<tr>
<td>OPM</td>
<td>$1,930,000</td>
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</tbody>
</table>
Water Programs  FY  2014

RD Funds Pooled in April (5/16/2014) and August 8, 2014

Will we get the $26.9M shortfall?

Poverty Goal 20 / 20 / 2016
GOT MILK?
Community Facilities

FINANCE THE DEVELOPMENT AND IMPROVEMENT OF ESSENTIAL PUBLIC FACILITIES THAT SERVE RURAL AREAS AND ARE FOR PUBLIC USE

ANY FACILITY NEEDED FOR THE ORDERLY DEVELOPMENT OF A RURAL COMMUNITY.

MEDICAL CLINICS, FIRE STATIONS, FIRE TRUCKS, ASSISTED LIVING FACILITIES, ROADS, BRIDGES, ETC.
FY 2012

3 Guaranteed Loans = $ 21,400,000

12 Direct Loans = $ 46,106,800

12 Grants * = $ 1,282,556

20 Projects Total = $ 68,789,356

* Tribal College = $951,936  RCDI Grants = $200,000  Regular + Eii = $130,620
FY 2013

0 Guaranteed Loans = $ 0

5 Direct Loans = $ 6,551,000

12 Grants * = $ 1,004,368

18 Projects Total = $ 7,555,358

* Tribal College = $878,843  Regular + EII = $125,525
FY 2014 Applications Pending

0 Guaranteed Loans = $0

9 Direct Loans = $62,302,750

4 Grants * = $322,310

13 Projects Total = $62,625,060

* (Tribal College expect 7 grants for = $800,000) Regular + EII = $125,525
FY 2014 Appropriations

Guaranteed Loans = $ 0

Direct Loans = $19,706,750

Grants = $ 172,800

Est. Tribal College = $ 800,000

Total = $20,679,550
Base Entity Eligibility

- Public Bodies - City, Town, County, District, etc.
- Non-Profit Corporations (BROAD BASED LOCAL CONTROL)
- Federally Recognized Indian Tribes
- Under 20,000 population
Base Grant Eligibility

Max. Grant 75% When MHI of the area served is equal to or below $28,654 and the Population is under 5,000

Max. Grant 55% When MHI of the area served is equal to or below $33,429 and the Population is under 12,000

Max Grant 35% When MHI of the area served is equal to or below $38,205 and the Population is under 20,000

Max. Grant 15% When MHI of the area served is equal to or below $42,981 and the Population is under 20,000
Base Loan Eligibility

Loan Interest Rates Through June 30, 2014: 4.1250%
MHI of the area served is equal to or below $47,757
and the Population is under 20,000

Max. Loan Term Life of the security up to 40 years

Debt coverage 110% / positive cash flow

Other Credit - Not eligible if project can be funded by
commercial credit or use of a Guaranteed Loan

Guaranteed Loan Bank loan eligible for up to a 90% Guarantee
Priorities:

First Responders
Health care
Medical Records (HIT)
Libraries

20/20/2016
Questions?
USDA RURAL HOUSING SERVICE

Anthony J. Preite
State Director
ECONOMIC IMPACT

FY 2013
MONTANA RURAL DEVELOPMENT HOUSING PROGRAM PROVIDED

$265,000,000

FOR HOME PURCHASES, REPAIRS AND RENTAL ASSISTANCE

AS OF APRIL 30, 2014 THE INVESTMENT IN MONTANA’S ECONOMY IS

$101,000,000
Single Family Housing Programs provides funding for single family homes

- 502 Direct Housing Loan Program
- 504 Grant and Loan Repair and Rehabilitation Program
- 523 Mutual Self Help Program
- 502 Guaranteed Housing Loan Program
502 Direct SFH Loan Program

- Used primarily to help low income households purchase homes in rural areas.
- Loans are for up to 33 years (38 for those with incomes below 60% AMI and who cannot afford 33 year terms).
- Must be modest for the area. Currently, 1800 square feet for Montana and Wyoming.
- Payment subsidy is available to enhance repayment ability.
- 2014 Allocation $7,339,000
504 Grant and Loan Repair Program

- Very Low Income Program to repair, improve or modernize dwellings, or remove health and safety hazards.
- Income must be below 50% of the Median Household Income.
- Grants Available to ages 62 years of older.
- Loans up to $20,000, and grants up to $7,500.
- Loans at 1% for up to 20 year term.
Section 523 Mutual Self Program is a Technical Assistance Program used primarily to help low to very-low income 502 Borrowers construct their homes.

Families perform approximately 65% of the construction labor on each other’s homes under qualified supervision.

Savings from construction labor allows otherwise ineligible families to own their home.
502 Guaranteed Housing Loans

- Applicants may have an income of 115% of the Median Household Income.
- Families must be able to afford the mortgage payments, and have reasonable employment and credit histories. (streamline 680)
- Loans are for 30 years. Promissory note interest rate set by the lender.
- No required down payment. Guarantee fee may be included in the loan if supported by appraisal for a 102% maximum LTV
USDA Rural Development
Multi-Family Housing Programs
providing apartments for low-income persons and the elderly

- 515 Multi-Family Housing Program
- 538 Guaranteed Multi-Family Housing Program
- 533 Housing Preservation Program
515 Multi-Family Housing Program

- 139 Projects in Montana; 2,402 units
- 2,256 Households Served;
- 1,896 Rental Assistance provided
- Average Adjusted Income of tenants $11,468
- Current Projects renovated and upgraded through the MFH Preservation Program.
- No new construction money for two FY years.
GOAL:
Promote a dynamic business environment across rural Montana, including Montana’s 7 Reservations.

THROUGH:
Investment and encourage leveraging investment in projects that:
- create or preserve quality jobs.
- provide business development opportunities for rural residents.
- help agricultural producers & rural small businesses reduce energy costs & help meet the nation’s energy needs.
Today’s agenda…

• A few perspectives on how projects come together

• Accessing Funding Available through Rural Development Business Programs
  – Business & Industry (B&I) Loan Guarantee Program
  – Rural Energy for America (REAP)
  – Revolving Loan Fund (RLF) Programs
  – Value-Added Producer Grant (VAPG)
  – Rural Business Enterprise Grant (RBEG)
  – Rural Business Opportunity Grant (RBOG)
  – Rural Economic Development Loan & Grant (REDLG)
Perspectives on how projects come together...

Remember this:

• “It’s all about the relationship”
• Legendary Communication which starts early on in the process
• Defined plan with confirmed feasibility
• Collaboration/Support/Match to include key players
• Zeal (dedication/devotion)
USDA Rural Development Business Programs

Funding Program Summaries & Key Criteria

- Business and Industry (B&I) Loan Guarantee
- Rural Energy for America (REAP)
- Revolving Loan Fund (RLF) Program (IRP & RMAP)
- Value-Added Producer Grant (VAPG)
- Rural Business Enterprise Grant (RBEG)
- Rural Business Opportunity Grant (RBOG)
- Rural Economic Development Loan & Grant (REDLG)
Business & Industry (B&I) Loan Guarantee

BACKING THE BUSINESS OF RURAL AMERICA
Business & Industry (B&I) Loan Guarantee

Background and Purpose

**PROGRAM GOAL:** ENCOURAGE THE COMMERCIAL FINANCING OF RURAL BUSINESSES, THEREBY:
- Creating and Saving Rural Jobs;
- Improving the economic and environmental climate of rural communities.

**LENDER DRIVEN:** The B&I program is lender driven. Rural Development guarantees the loan negotiated by the commercial lender; the lender makes and services the loan.
B&I: Eligible Rural Areas

- Ineligible: city or town with population greater than 50,000 and the contiguous & adjacent urbanized area.

- Montana: Project must be located outside of the city limits of Missoula, Great Falls and Billings.

- Rural Area Identifier: http://eligibility.sc.egov.usda.gov/eligibility/

- For eligible area determination, contact our office.
B&I: What Can Funds Be Used For

- **Eligible:**
  - Business acquisition, construction, repair, modernization, & development.
  - Real estate, buildings, and equipment.
  - Inventory, supplies, & working capital (no lines of credit).
  - Debt refinancing (generally less than 50% of total project).

- **Ineligible:**
  - Production agriculture
  - Gaming facilities
  - Line of credit
B&I: Critical Steps to Access Funding

Knowledge is Power

- Know your lender.
- Know your project.
- Know Bank’s commercial lending criteria.
Intermediary Relending Program (IRP):

Use of Funds: Community development projects, the establishment of new businesses, expansion of existing businesses, creation of employment opportunities, or saving existing jobs

Rural Microentrepreneur Assistance Program (RMAP):

Use of Funds: Provide micro-loans to rural micro-entrepreneurs and microenterprises and provide business based training and technical assistance to rural micro-borrowers and potential micro-borrowers

- Montana has extensive Revolving Loan Fund network and funding across the entire state.

Note: Notice of Funding Availability (NOFA)’s are in clearance for 2014
Montana Intermediaries and Microenterprise Development Organizations

- **Anaconda Local Development** (406) 563-5538  
  Deer Lodge County

- **Bear Paw Development Corporation** (406) 265-9226  
  Hill, Chouteau, Liberty, Blaine, and Phillips County

- **Beartooth RC&D** (406) 962-3914  
  Big Horn, Carbon, Stillwater, Sweet Grass, and Yellowstone County

- **Butte Local Development Corporation** (406) 723-4349  
  Silver Bow County

- **Prospera Business Network** (406) 587-3113  
  Gallatin and Park County

- **City of Kalispell** (406) 758-7738  
  City of Kalispell and 5 mile donut

- **MT Business Alliance Connection** (406) 447-1510  
  Broadwater, Lewis & Clark, and Meagher County

- **Great Northern Development** (406) 653-2590  
  Roosevelt, Valley, Sheridan, Daniels, McCon, and Garfield County

- **Headwaters RC&D** (406) 782-7333  
  Deer Lodge, Beaverhead, Silver Bow, Granite, Jefferson, Madison, and Powell County

- **High Plains Financial** (406) 268-7940  
  Cascade, Teton, Toole, Pondera, Fergus, Judith Basin, Glacier, and Blackfeet Reservation

- **Jobs Now, Inc.** (406) 257-7771  
  Flathead, Lake, Lincoln, and Sanders County

- **Lake County Community Development** (406) 676-5901  
  Lake, Mineral, Lincoln, Sanders, and Flathead Reservation

- **Montana Community Development Corporation** (406) 728-9934  
  Missoula, Ravalli, Lake, Sanders, Mineral, Powell, Granite, Flathead, Cascade, and Lincoln County

- **Ravalli County Economic Development** (406) 375-9416  
  Ravalli County

- **Snowy Mountain Development Corporation** (406) 538-2591  
  Fergus, Judith Basin, Wheatland, Golden Valley, Musselshell, Meagher, and Petroleum County

- **Southeastern Montana Development Corporation** (406) 748-2990  
  Rosebud, Custer, Treasure, Powder River, Carter, Dawson, Fallon, Prairie, and Wibaux County
Energy Programs

- **Bioenergy Program for Advanced Biofuels (Section 9005)**
  - Payments to Advanced Biofuel Producers to support expanded production.
  - Advanced Biofuel: fuel from any source other than corn kernel starch, e.g., cellulose, biogas.

- **Repowering Assistance (Section 9004)**
  - Payments to existing biorefineries (including ethanol and biodiesel plants) which use fossil fuels for heat or power to help convert to renewable biomass.

- **Biorefinery Assistance Program (Section 9003)**
  - Loan Guarantees up to $250 million for commercial scale biorefineries
  - Grants (up to 50% of total project) for demonstration scale biorefineries
Rural Energy For America Program (REAP)

Rural Small Businesses
Agricultural Producers

Renewable Energy System:
A system that produces or produces and delivers usable energy from a renewable energy resources.

Renewable Energy:
Energy derived from wind, solar, renewable biomass, ocean (including tidal, wave, current, and thermal) geothermal or hydroelectric source or hydrogen derived from renewable biomass or water using wind, solar, ocean (including tidal, wave, current, and thermal), geothermal or hydroelectric sources

Energy Efficiency Improvements:
Improvements to a facility or process that reduce energy consumption.
**Rural Energy For America Program (REAP)**


- **Energy Grants** may be used to pay up to 25% of the eligible project costs or as follows:

<table>
<thead>
<tr>
<th>Type of Application</th>
<th>Minimum Amt.</th>
<th>Maximum Amt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy System</td>
<td>$2,500</td>
<td>$500,000</td>
</tr>
<tr>
<td>Energy Efficiency Improvement</td>
<td>$1,500</td>
<td>$250,000</td>
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</table>

- **Energy Loan Guarantees** (or combination Grant & Loan Guarantee) may be used to pay up to 75% of the eligible project costs or as follows:

<table>
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<th>Maximum Amt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy System</td>
<td>$2,500</td>
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</tr>
<tr>
<td>Energy Efficiency Improvement</td>
<td>$1,500</td>
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</tr>
</tbody>
</table>
Rural Energy For America Program (REAP)
Grant & Loan Guarantee Program

IMPORTANT DATES for REAP

2014 Notice of Funding Availability (NOFA)
Expected to Publish May 5, 2014 (Yesterday!)

Application Deadlines:

Grants – 60 days from date of NOFA publication

Loan Guarantees – Monthly competition on the first business day of each month. Application window closes July 31, 2014
Value-Added Producer Grant

Value-Added Producer Grant (VAPG) Program
**Value Added Producer Grant (VAPG)**

Authorized in 2002 Farm Bill, re-authorized in ’08 Farm Bill and ‘14 Farm bill

- Help eligible producers/producer groups (including Tribal Entities) develop and implement value added activities by paying up to 50% of costs to carry out relevant projects.

- The program objective is to create a greater dollar return to producers for the value-added products.

**Planning** (up to $75,000)
- Feasibility Study
- Business Plans
- Marketing Plans

**Working Capital** (up to $200,000)
- Implement Results of Planning Activities
- Operational costs directly related to the processing and/or marketing of the value-added product.
VAPG: Applicant Eligibility

- Eligible VAPG applicants include:
  - Independent Producer
  - Farmer or Rancher Cooperative
  - Agricultural Producer Group
  - Majority-Controlled Producer-Based Business Venture
  - Note: Federally Recognized Indian Tribes may be able to apply on behalf of all tribal members who are under the Tribes direct regulatory control.
VAPG: Product Eligibility

- **Eligible VAPG products include:**
  - An Agricultural Commodity must meet one of 5 value added methodologies
    1. Has Undergone a Change in Physical State
       (e.g. milk into cheese, wheat into flour, wool into clothing, livestock into packaged meat)
    2. Was Produced in a Manner that Enhances the Value
       (e.g. sustainably grown apples, eggs produced from free-range chickens, organically grown carrots)
    3. Product segregation
       (e.g. genetically modified corn that is separated from non-genetically modified corn)
    4. Farm-based renewable energy
       (e.g. dairy manure into methane and electricity *generated* on the farm or corn into biodiesel *generated* on the farm)
    5. Aggregated or Marketed as a Locally-Produced Agricultural Food Product
       (e.g. raised, produced and distributed less than 400 miles or within the same State)

- AND the customer base for the agricultural commodity or product is expanded
- AND A greater portion of the revenue derived from … is available to the producer
USDA Rural Development Business Programs
Rural Business Enterprise Grant (RBEG)

Supporting Rural Montana’s Small and Emerging Private Business Enterprise
Rural Business Enterprise Grant (RBEG)

PURPOSE:
Support the Development of Small & Emerging Private Business Enterprises in Rural Areas (< 50,000 population).

PURPOSE ACHIEVED BY:
grants made to public bodies, and non-profit organizations and rural Indian Tribes.
(Grants are not made directly to the private business) for:

- Technical assistance, e.g., feasibility study.
- Training in connection with technical assistance.
- Acquisition of machinery & equipment for use by private business.
- Establishment or funding of revolving loan programs.
RBEG: Competitive Criteria

- Population/Economic Conditions
- Experience
- Small Business Development (Startup/Expansion)
- Match
- Job Creation/Retention
- Collaboration (Consistent with area plans)

Key Point Question-

What is the impact to Small and Emerging Private Business Enterprise?

Note: Expect RBEG & RBOG to be combined to a new program next year – stay tuned for details.
Rural Business Opportunity Grant (RBOG)

PURPOSE:
Promote sustainable economic development in rural communities (< 50,000 population).

PURPOSE ACHIEVED BY:
Grants made to public bodies and non-profit organizations, rural Indian Tribes and cooperatives for training and technical assistance to assist with economic development planning for projects such as:

- Development of export markets
- Feasibility studies
- Development of long-term strategies
- Community economic development planning
- Business training and business based technical assistance for rural entrepreneurs and business managers
- Establishment of rural business incubators
- Assistance with technology based economic development

2014 NOFA: $1,330,180 reserved for projects benefitting Federally Recognized Native American Tribes in rural areas.

Application Deadlines: June 17, 2014 for paper applications and June 13, 2014 for grants.gov applications
RBEG/RBOG: Critical Steps to Access Funding

It’s about the Relationship….

- Know your local USDA representative
- Start discussions early
- Ask for feedback
Rural Economic Development Loan & Grant (REDLG)

LOAN
- Zero interest loans to Rural Utilities Services borrowers, such as telephone and electric cooperatives. The utilities then “pass through” the funding via a loan to a local business – “ultimate recipient” - for projects that create and retain employment in rural areas.

GRANT
- Eligible local utility organizations receive grant funding to establish a revolving loan fund. The initial grant to the utility is then lent out on a pre-selected project. As the loan is repaid to the utility the “revolved” funds can be lent again on other eligible projects that will create or retain rural jobs.

- Loan & Grant: Applications received during a month will be considered for funding the following month.
It’s All About the Relationship
Business Programs: The Montana Team

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