



USDA Rural Development

Business Programs Overview – Travis Snider

Rural Grocery Summit

USDA Rural Development (RD) Programs

- USDA Rural Development (RD)
 - RD has more than 40 programs to support Rural America
 - **Business and Cooperative Programs (BP)**
 - Single-Family Housing
 - Multi-Family Housing
 - Community Facilities
 - Water and Environmental

For more information: rd.usda.gov



USDA Rural Development (RD) - Business Programs

- Business programs
 - Rural Energy for America Program (REAP)
 - Rural Economic Development Loan & Grant (REDLG)
 - Business & Industry Guaranteed Program (B&I)

USDA Rural Development (RD) Business Programs

Rural Area

- Business must be located in an eligible rural area
- Ineligible areas are cities or towns that have a population of greater than **50,000** inhabitants and any urbanized area contiguous and adjacent to such city or town
- Rural area determination tool:
<http://eligibility.sc.egov.usda.gov/eligibility/>
- Rural area determination tool (corrected link if above link does not work for you):
<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=RBSmenu>

Rural Energy for America Program (REAP)



Rural Energy for America Program (REAP)

REAP Program Overview

- Provides grant funding or guaranteed loan financing to
 - rural small businesses or
 - agricultural producersfor renewable energy systems or to make energy efficiency improvements



Rural Energy for America Program (REAP)

REAP grant applications deadlines: Oct. 31, '22 & March 31, 2023

(10-31-22 deadline for \$80,000 or less projects only)

Energy Efficiency		Renewable Energy	
	Lighting		Solar
	Heating		Wind
	Cooling		Small Hydroelectric
	Ventilation		Anaerobic Digesters
	Fans		Biomass
	Automated Controls		Geothermal
	Insulation		Wave/Ocean Power

Rural Energy for America Program (REAP)

REAP Grants

- Up to **25% of Eligible Project Cost**

 Renewable Energy Systems		 Energy Efficiency Improvements	
Minimum Grant Request	\$2,500 Total eligible project costs \geq \$10,000	Minimum Grant Request	\$1,500 Total eligible project costs \geq \$6,000
Maximum Grant Request	\$500,000 Total eligible project costs \geq \$2 million	Maximum Grant Request	\$250,000 Total eligible project costs \geq \$1 million

Rural Energy for America Program (REAP)



REAP Guaranteed Loans

- Up to 75% of Eligible Project Costs

Minimum Loan Amount	\$5,000 Total eligible project costs \geq \$6,667
Maximum Loan Amount	\$25 million Total eligible project costs \geq \$33.4 million
Details	<ul style="list-style-type: none">• USDA guarantees a commercial loan, applicant must have a willing lender• Terms are negotiated between the lender and borrower• Fees, appraisals, equity and collateral requirements apply

Rural Energy for America Program (REAP)

Krehbiels Specialty Meats, Inc.

- McPherson, KS
- Replaced existing lighting with energy efficient LED lighting in the retail store and processing plant
- Energy savings with approximately 2.53 year simple payback
- Total project cost \$24,285, received a \$6,071 REAP grant



Rural Energy for America Program (REAP)

Peabody Market

- Replaced inefficient coolers and refrigerators at the Peabody Market
- Significant Energy savings
- Total project cost was \$36,200, received a \$9,050 REAP grant



Rural Energy for America Program (REAP)

Sollo Vineyard

- Whitewater, Kan.
- \$20,000 REAP grant to purchase and install a 53 kilowatt solar array
- The solar energy created will replace 80% of the business' energy use per year



Rural Economic Development Loan & Grant Program (REDLG)



Rural Economic Development Loan & Grant (REDLG) Program

REDLG Program Overview

- Electric and Telephone rural utility cooperatives are eligible to apply
 - apply for a loan (to pass loan to ultimate recipient (UR))
 - or apply for a grant (to establish a RLF)
 - (RLF) Revolving loan fund to then make loans to UR
- The ultimate recipients (UR) then receives a loan. UR's can be any legal entity, including individuals, corp., public bodies, and federally recognized Indian Tribes

Rural Economic Development Loan & Grant (RED Loan) Program:

- 10 Year Term at 0% Interest (There are some fees associated with the program)
- 20% Match Required
- Up to \$1.5 Million in loans may be requested
- How may funds be used:
 - Business incubators.
 - Community development assistance to nonprofits and public bodies (particularly for job creation or enhancement).
 - Facilities and equipment to educate and train rural residents to facilitate economic development.
 - Facilities and equipment for medical care for rural residents.
 - Start-up venture costs, including, but not limited to, financing fixed assets such as real estate, buildings, equipment or working capital.
 - Business expansion.
 - Technical assistance.

Rural Economic Development Loan & Grant (REDLG) Program

Doug Schmidt Construction

- Olpe, Kansas
- Company received a \$180,000 Rural Economic Development Loan through Lyon-Coffey Electric Cooperative (*now 4 Rivers Electric*) to build a new cabinet making facility and purchase equipment



Rural Economic Development Loan (REDLG) Program



Schwinn Produce Farms in Leavenworth, KS utilized a \$81,000 Rural Economic Development Loan through Leavenworth-Jefferson Electric Cooperative (now FreeState) construct a building that will act as a retail store – farmers market.



Rural Economic Development Loan and Grant Program

White's Foodliner (Stafford County Economic Development)

- St. John, KS
- \$1 million RED-L through Golden Belt Telephone
- Funds used to assist with construction and equipping of new building for grocery store, pharmacy, fuel station and community space
- Multiple funding partners including: SJN Bank of Kansas, Sunflower Foundation, Health Human Services Grant, Individual and Corporate Donations and NetWork Kansas



Business & Industry Guaranteed Loans (B&I)



Business & Industry (B&I) Guaranteed Loans

Eligible Business Entities

- Corporations (profit or non-profit)
- Individual Proprietors
- Cooperatives
- Partnerships
- Indian Tribes



Business & Industry (B&I) Guaranteed Loans

Loan Purposes

- Real estate purchases and improvements
- Machinery and equipment
- Working capital
- Debt refinancing



Business & Industry (B&I) Guaranteed Loans

- Loan Limits
 - Minimum loan amounts:
 - No minimum loan limit
 - Maximum loan amounts:
 - \$25 million



Business & Industry (B&I) Guaranteed Loans

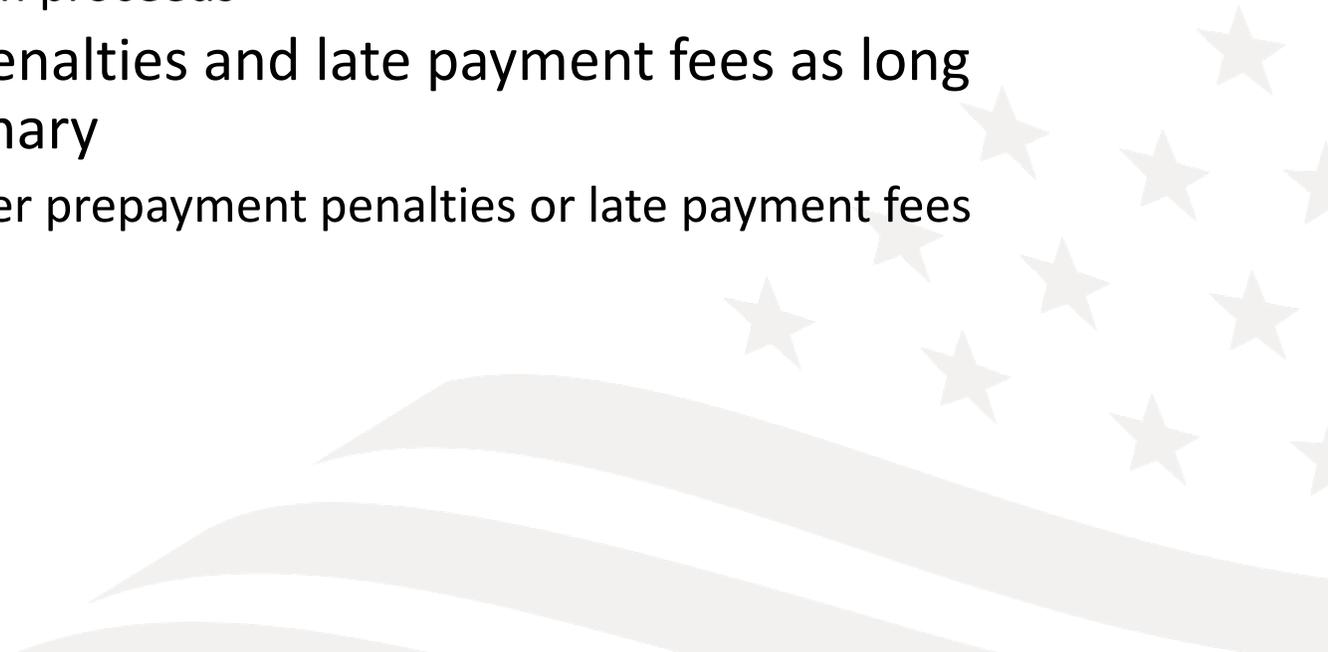
- Fees and Percentage of Guarantee (for B&I program)
 - Fees
 - Initial guarantee fee: 3 percent
 - Annual renewal fee: 0.5 percent
 - Percent of Guarantee
 - 80 percent of the loan amount



Business & Industry (B&I) Guaranteed Loans

- Routine Lender Fees

- Lender may establish charges and fees for the loan provided they are similar to those normally charged other applicants for the same type of loan in the ordinary course of business
 - Lender fees are an eligible use of loan proceeds
- Lender may charge prepayment penalties and late payment fees as long as they are reasonable and customary
 - However, the guarantee will not cover prepayment penalties or late payment fees



Business & Industry Guaranteed Loans

- Interest Rates

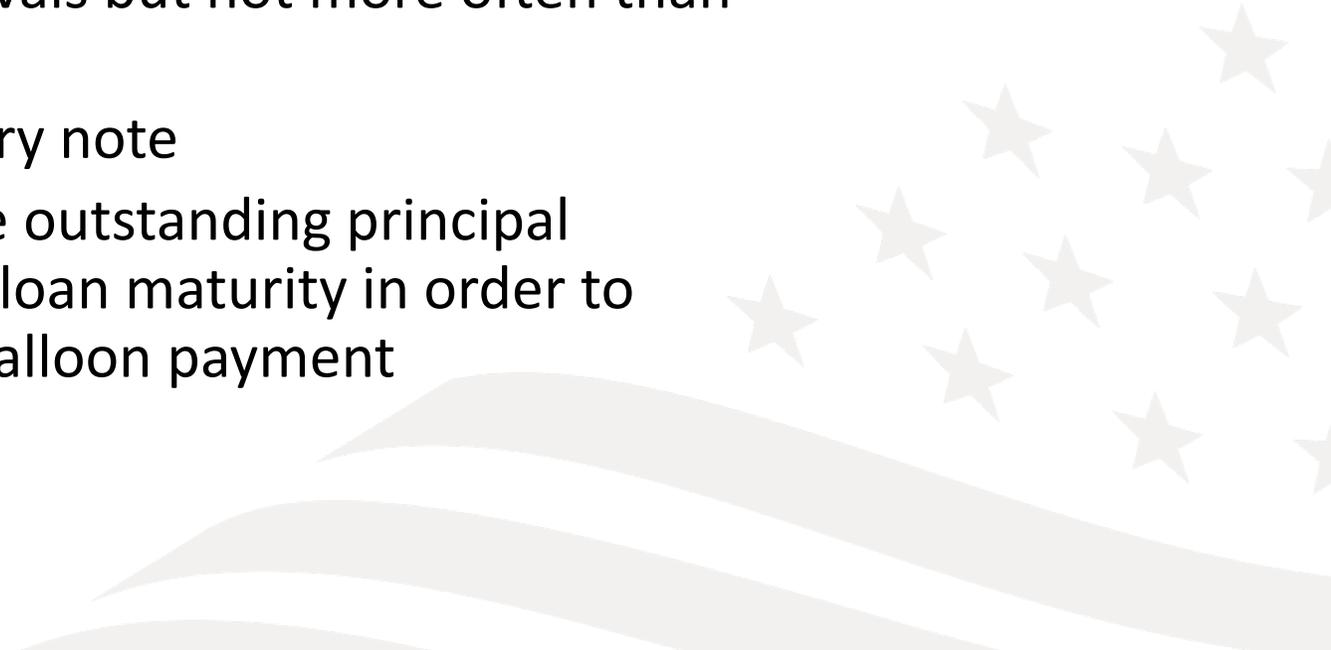
- Negotiated between the lender and borrower and may be fixed, variable, or a combination
- Cannot be more than rates customarily charged borrowers for loans without guarantees
- Subject to Agency review and approval
- Promissory note cannot contain provisions for default interest or penalty interest



Business & Industry Guaranteed Loans

- Variable Interest Rates

- Must be tied to a published base rate, published in a national or regional financial publication, agreed to by the lender and the Agency
- May be adjusted at different intervals but not more often than quarterly
- Must be specified in the promissory note
 - Lender must fully amortize the outstanding principal balance within the prescribed loan maturity in order to eliminate the possibility of a balloon payment



Business & Industry Guaranteed Loans

- Loan Terms

- Term must be the same for the guaranteed and unguaranteed portions of the loan
- No balloon payments
- Interest-only period
 - Interest must be paid at least annually from the date of the promissory note
 - First installment of P&I should be scheduled after the facility is operational and has begun to generate income
 - Must be due and payable within 3 years from the date of the promissory note and be paid at least annually thereafter

Business & Industry Guaranteed Loans

- Ineligible uses for loan funds
 - Lines of credit
 - Owner-occupied housing, apartments, duplexes, residential trailer parks, housing development sites
 - Golf courses, racetracks or gambling facilities
 - Churches, church-controlled organizations, or charitable organizations
 - Ag Production (exception)
 - Distribution/payments to individual owners

Business & Industry Guaranteed Loans

Onaga Country Market

- \$500,000 USDA Business & Industry Guaranteed Loan
- Purchase equipment needed to construct and operate a new grocery store in Onaga
- Multiple funding partners came together to make this project happen including: Network Kansas, City of Onaga, Pottawatomie County



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USDA Rural Development Website:

[Rural Development \(usda.gov\)](https://www.usda.gov/rural-development)

