



# Association of Towns 2024 Annual Meeting and Training School

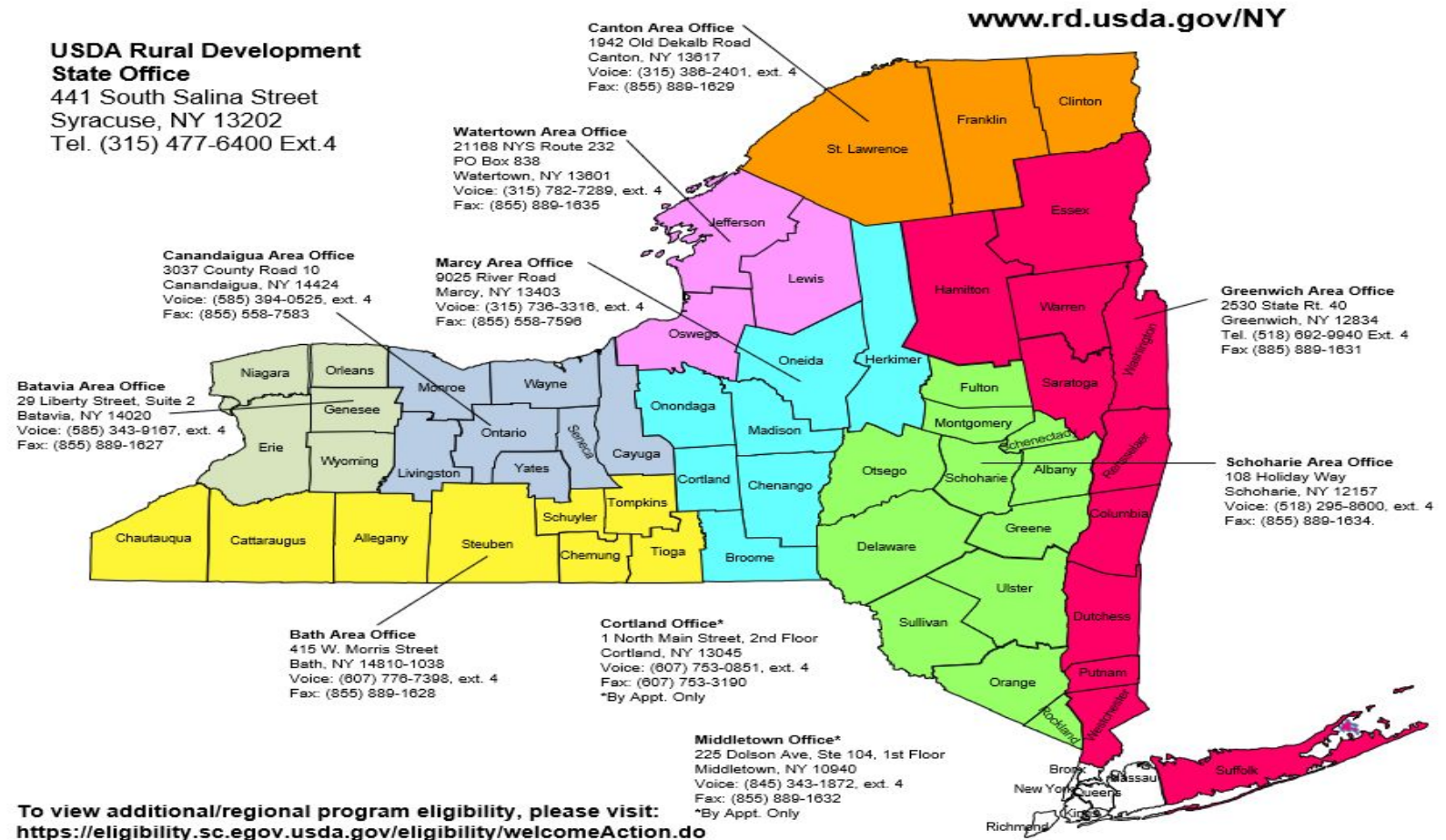
February 20, 2024


# What is Rural Development?

- Rural Development is one of seven mission areas under the United States Department of Agriculture.
- We have more than 40 loan, grant, and technical assistance programs to support economic development in rural communities.
- Rural Development programs are delivered thru 3 agencies.
  - **Rural Business Service** these programs focus on assisting businesses along with energy programs.
  - **Rural Utilities Service** we provide assistance for water and sewer improvements
  - **Rural Housing Service** we assist w/ SFH loans for purchase & repair along w/ funding essential community facilities.

# Where is USDA Rural Development – in New York?

- **1 State Office**
  - Syracuse
- **8 Area Offices**
  - Bath
  - Batavia
  - Canton
  - Canandaigua
  - Greenwich
  - Marcy
  - Schoharie
  - Watertown
- **Middletown/Cortland – appointment only offices**





Water and  
Environmental  
Programs

# Clean Water & Sanitation Help for Rural Communities

- Water and Environmental Programs (WEP)
- Projects include the Construction, Repair, Modification, Expansion or Improvement of:
  - Drinking water sourcing, treatment, storage tanks and distribution/pumping stations
  - Sewer collection, transmission, treatment and disposal
  - Solid waste collection, disposal and closure
  - Storm water collection, transmission and disposal.

# Water & Waste Disposal Loans & Grants

- Funding may be used for:
  - Construction costs
  - Purchasing existing facilities to improve or prevent loss of service
  - Legal fees
  - Engineering fees
  - Land acquisition
  - Water and land rights
  - Permits
  - Equipment
- Application preparation is not an eligible project expense.

# Water & Waste Disposal Loans & Grants

## **Eligible Applicants:**

- An applicant must be:
  - ❖ A public body
  - ❖ A Not-for-profit organization
  - ❖ Native American tribe or Federal or State reservation or other Federally recognized tribes.
- Rural areas with populations of 10,000 or less. Projects must serve a rural area.

# WEP Direct Loan Terms

## Terms:

- Loan repayment shall not exceed the useful life of the facility or 40 years. Subject to NYS Local Finance Laws.
- In New York, we use 38 years as the terms of the long-term loan as the community will be out on a **Bond Anticipation Note** (BAN) during construction which is typically a 2-year period prior to loan closing.
- Applicant is responsible for short term financing – typically BAN financing during the construction period for the loan portion/funds.
- After the loan funds have been disbursed through the interim financing, Rural Development closes on long-term financing which allows the municipality to retire the interim financing.



# WEP Interest Rates

- **Poverty Rate**      2.25%
  - To qualify – 2021 MHI must be less than \$58,620 and primary purpose of the loan is to alleviate a documented health or sanitary problem of the facility being financed.
- **Intermediate Rate** 3.00%
  - To qualify – 2021 MHI of the service area is less than \$73,275 and the project does not alleviate a documented health or sanitary problem.
- **Market Rate**      3.75%
  - To qualify – 2021 MHI is \$73,275 or above. No grant funding is available for market rate projects.
- Rates change quarterly – January, April, July & October

# Loan Security

- Loans must be adequately secured.
  - General Obligation – New York requires General Obligation (GO) Bonds for Public Bodies.
  - Revenue Bonds for Authorities.
  - Assignment of Income.
- Rural Development must take the best security available when financing a project -- which in New York State is General Obligation Bonds.

# Water & Waste Disposal Grants

- May be provided to reduce user costs to a reasonable level.
- Keep in mind the annual appropriations give USDA funding levels that equate to approximately 70% loan and 30% grant.
- National Office policy has implemented a minimum cost per EDU of 1.5% of the MHI before any grant funding will be provided to a project from our National Office reserve funds.
- Communities should expect to pay between 1.5% - 2% of their MHI – the higher the MHI the higher % of user cost. ( $\$45,000 \text{ MHI} \times 1.5\% = \$675 \text{ annually}$ ;  $\$65,000 \text{ MHI} \times 2\% = \$1300 \text{ annually}$ ) (DS, O&M, SLA). These are only examples, each project is underwriting individually.

# WEP Guaranteed Loans

- Applicant eligibility the same as direct **except** the population for this program was just increased under the Farm Bill to 50,000.
- Term is negotiated between the lender and the applicant – but cannot exceed 40 years.
- Loan made by a commercial lender. Guarantee by the U.S. Government (up to 80% for potential loss).
- Reduces risk to the commercial lender which may result in lower interest rate from lender with our 80% guarantee.
- Lender pays 1% Guaranteed Fee of guaranteed amount and .5% annual retention fee on the guarantee.

# Emergency Community Water Assistance Grants (ECWAG)

- Helps eligible communities (population of 10,000 or less) prepare, or recover from, an emergency that threatens the availability of safe, reliable drinking water.
- Eligible applicants – same as for direct loan/grant program.
- Grants made for repairs or partial replacement cannot exceed \$150,000
- Grants made for new water source cannot exceed \$1,000,000
- Streamlined application processing for projects that do not need additional Rural Development funding to complete the project.

# Emergency Community Water Assistance Grants (ECWAG) Continued

- There must be an event that can caused the emergency. These events include but are not limited to:
  - Drought
  - Flood
  - Earthquake
  - Tornado or Hurricane
  - Disease outbreak
  - Chemical spill, leak or seepage
- Federal disaster declaration is not required

# Planning Grants

- Assists low-income communities with initial planning and development of applications.
- Predevelopment feasibility studies, design and engineering assistance, and technical assistance for funding applications.
- USDA Rural Development has two programs provide pre-planning grants to assist communities with preparing their PER and ER for their RD Application
  - Water & Waste Disposal Predevelopment Planning Grant (PPG)
  - Special Evaluation Assistance for Rural Communities (SEARCH)

# PPG & SEARCH Program Details

- **PPG Program**

- Eligible areas include rural towns/cities/villages (10,000 or less)
- Eligible Entities: Public Bodies, Not for profit organizations & Federally Recognized Tribes that have a 2021 MHI less than (\$58,620)
- Maximum grant amount is \$60,000 or 75% of predevelopment planning costs

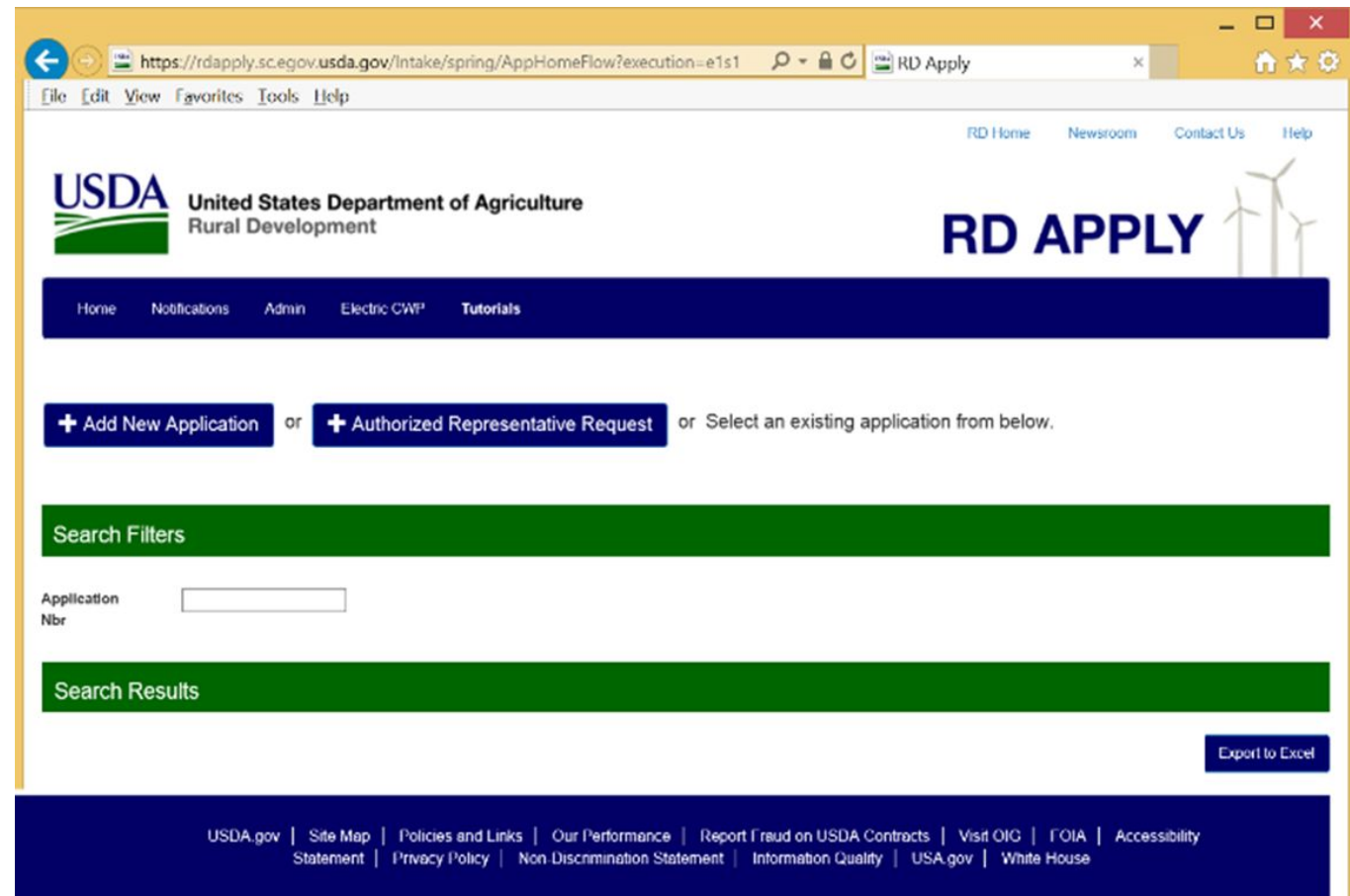
- **SEARCH Program**


- Eligible areas include rural towns/cities/villages (2,500 or less)
- Eligible Entities: Public Bodies, Not for profit organizations & Federally Recognized Tribes that have a 2021 MHI less than (\$58,620)
- Maximum grant amount is \$30,000 or 100% of predevelopment planning costs (up to \$30,000)



# RD Apply

- Safe and secure
- Convenient and available 24/7
- Faster processing with less paper
- Water & Waste Disposal program applicants apply online with RD Apply.
- RD Apply offers many advantages:
  - Identity Security
  - Reduced Paper Consumption



A smiling firefighter in full gear, including a white t-shirt, yellow pants, and a helmet, stands in front of a fire truck. The background is slightly blurred, showing the side of the truck and some buildings.

# Community Facilities Program

- Hospitals, health clinics, medical facilities
- Educational – schools/colleges
- Municipal Office Buildings/  
Highway maintenance facilities
- Fire houses, first responder vehicles and equipment
- Municipal vehicles – snowplows, street sweepers, police cars
- Transportation – roads, bridges, airports, sidewalks

# Community Facilities Programs - Eligibility

- An applicant must be:
  - A public body
  - A Not-for-profit organization
  - Native American tribe on Federal or State Reservations or other Federally recognized tribes
- The facility must be located in a town/city/village with a population under 20,000
- Projects must serve a rural area -- the population served can exceed 20,000 but the physical location of the facility must be located in a rural area with a population under 20,000
- Other credit – applicant unable to finance the project from their own resources or through commercial credit at reasonable rates and terms

# Community Facilities Programs – How can funds be used?

- Purchase of:
  - Real estate
  - Buildings
  - Existing facilities to improve service or prevent loss of service
- Construction, expansion or renovations to essential community facilities
- Purchase of vehicles and major equipment

# Community Facilities Programs – Ineligible Purposes

## Ineligible Purposes:

- Facilities to be used for recreational purposes – unless for educational purposes such as schools
- Commercial enterprises - A project that is typically operated by private enterprise or for the purpose of producing profits
- Electric generation and transmission facilities or telephone systems
- Loan and/or grant finder's fees/ application preparation fees
- Projects that are not modest in size, type and design
- Facilities that want to lease space for an ineligible purpose

# Community Facilities Programs – Rates & Terms

- Interest rate – currently 3.75%; Rate changes quarterly – January, April, July and October 1<sup>st</sup>
- New construction – typically 30 years
- Rehabilitation / Expansion – typically 20 years
- Major Equipment – varies (useful life, ranges from 5 to 15 years)
- New fire trucks, rescue vehicles and police vehicles – range from 3 to 15 years or useful life
- NYS Local Finance Law determines the term based upon local finance laws – these are typical terms; we may ask your bond counsel to determine the maximum term before obligating funds.

# WEP Overview of Success – FY2023

	<u>Loans/ Grants</u>	<u>Funding</u>
WEP Direct Loans	<b>20</b>	<b>\$83.6M (244% alloc)</b>
WEP Direct Grants	<b>13</b>	<b>\$37.3M (391% alloc)</b>
Preliminary Planning (PPG)-SEARCH Grants (Technical Assistance)	<b>3</b>	<b>\$81,000</b>
ECWAG-Emergency	<b>0</b>	<b>\$0</b>
REAP Grant – special set aside funds (Tioga/Sullivan County & Town of Wawarsing only)	<b>1</b>	<b>\$4,436,500</b>

# CF Overview of Success – FY2023

	<u>Loans/ Grants</u>	<u>Funding</u>
Community Facilities Direct Loans	<b>29</b>	<b>\$45.1M</b>
Community Facilities Direct Grants	<b>19</b>	<b>\$910K</b>
Community Facilities Guaranteed Loans	<b>1</b>	<b>\$3.5M</b>
Emergency Rural Health Care Grants	<b>4</b>	<b>\$2.9M</b>
Congressional Directive Spending Grants	<b>13</b>	<b>\$12.5M</b>



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