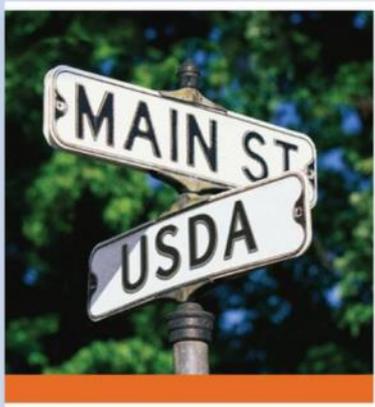


USDA Rural Development Program Opportunities to Fund Energy Efficiency

Energy Efficiency Now 2016 Conference
January 12, 2016



Backing the
Business of
Rural America



USDA Rural Development Mission:

“To increase economic opportunity and improve the quality of life for all rural Americans.”

Business Programs:

- **Rural Energy for America (REAP)**
 - Grants (25%)
 - Loan Guarantees
- **Business & Industry Loan Guarantees**

Community Programs:

- **Community Facilities**
 - Grants (limited)
 - Direct Loans
 - Loan Guarantees

Rural Energy for America Program (REAP)



Rural Energy for America Program Grants and Loan Guarantees

Rural Energy For America Program (REAP) Eligible Applicants

Agricultural Producer



- **Individual or entity that receives 51 percent or more of their gross income from agricultural production** – crops, livestock, aquaculture, forestry operations, nurseries, dairies

Rural Small Business



- **For-profit small business** - as defined by the Small Business Administration (SBA)
- **Rural area or non-metro community of $\leq 50,000$**

Improve Profits for Your Rural Small Business, Farm or Ranch with REAP

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

The technology must be commercially available. Research and development projects do not qualify.



Eligible Project Costs

- **Equipment:**
 - Purchase & installation
 - New or refurbished
- **Post-application construction & facility improvements**
- **Retrofitting**
- **Professional service fees**
- **Permits & license fees**
- **Working capital, land acquisition (Guarantee loan ONLY with restrictions)**



Ineligible Project Costs

- **Residential energy projects**
- **Equipment:**
 - Farm tillage equipment
 - Used equipment
 - Vehicles
- **Pre-application construction & facility improvements**
- **Application preparation or grant writer fees**
- **Line of credit**
- **Lease payments**
- **Payment to the applicant/business owner, beneficiary, or relative**

REAP Grant Assistance

Up to 25%
of Eligible Project Costs

 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



REAP Guaranteed Loan Assistance

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 & collateral requirements apply.

Energy Efficiency

Alpine Holdings Inc. EE UPGRADE In two locations (Tok and Chicken , AK)

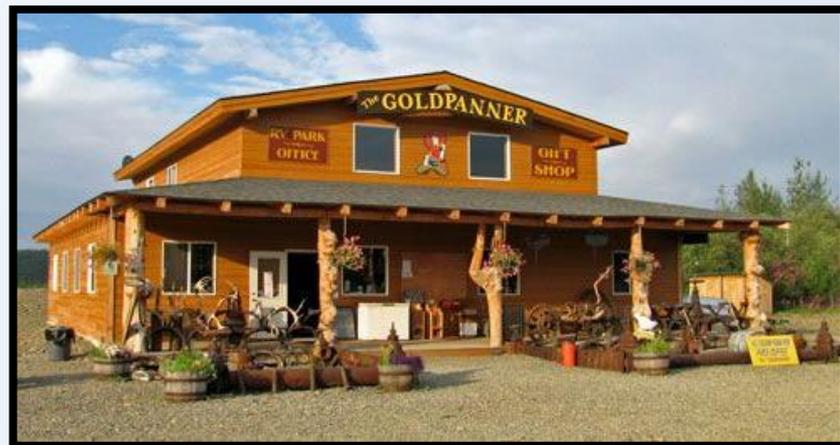


LED lights
410 Bulbs changed out

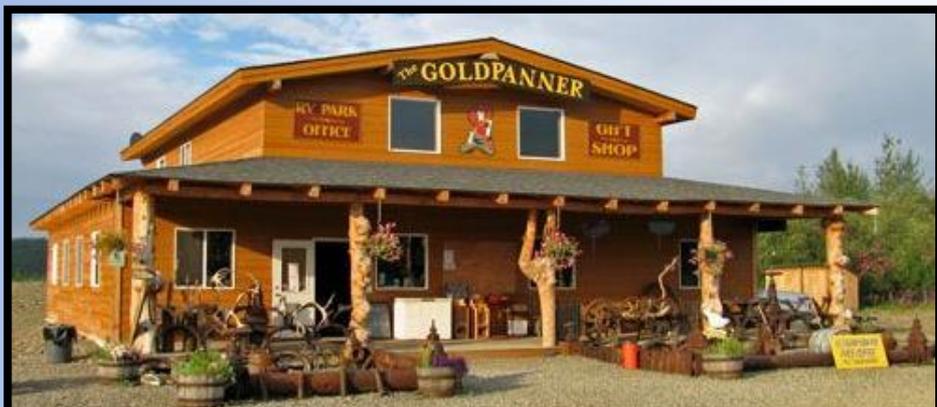
- \$22,473 Total Cost
- \$7,491 REAP EE Grant
- ≈ \$7,000 less than projection due to LED cost decline



8,591 kWh/yr saved (w/GHG Calc .914)
7,168 kWh/yr saved on electric bill
Approximately \$8,521 saved annually



Renewable Energy



Alpine Holdings Inc.
Renewable Project – Solar PV/ Battery system
 Chicken , AK



11.5 kW Solar PV (4 poll mounts)

- \$33,047 Total Cost
- \$5,871 REAP EE Grant
- Average of 8.8 kWh/yr production
- 810 hours of Generator OFF time
- ≈ \$5,000 savings in diesel fuel and generator maintenance per/yr
- Recommendations: Build the full size of the system up front!



Agate Inn, Wasilla AK EE UPGRADE



Energy efficient equipment:

Heat recovery ventilators

Refrigerators/freezers



Well pumps

Water heater, Thermostats and a LED TV



- \$83,122 Total Cost
- \$20,000 REAP Grant
- Estimated 21 year pay back



- The \$20,000 saved allowed for additional investment in solar PV and solar thermal, making the Inn closer to its goal of Net Zero.



- 15% Natural gas savings per year
- 32% Electric reduction per year

Energy Efficiency



Other RE/EE REAP Projects in Alaska

- Fairbanks Commercial Building – Smart metering, LED lights, and doors
- Mat-Su Valley Dr. Office – Solar array and wind turbine
- Nome Business – windows and thermal envelope
- Interior Lodge - Solar panels
- Interior Pellet production facility – Wood pellet fuel equipment
- Interior Grocery Store – LED lighting
- Copper Valley Gas Station – Solar array
- Kenai Peninsula Fishing Lodge – Solar panels
- Western Alaska Investor Real Estate – Wind turbine
- Southeast Alaska Brewery – Biomass boiler to burn spent grain for steam energy

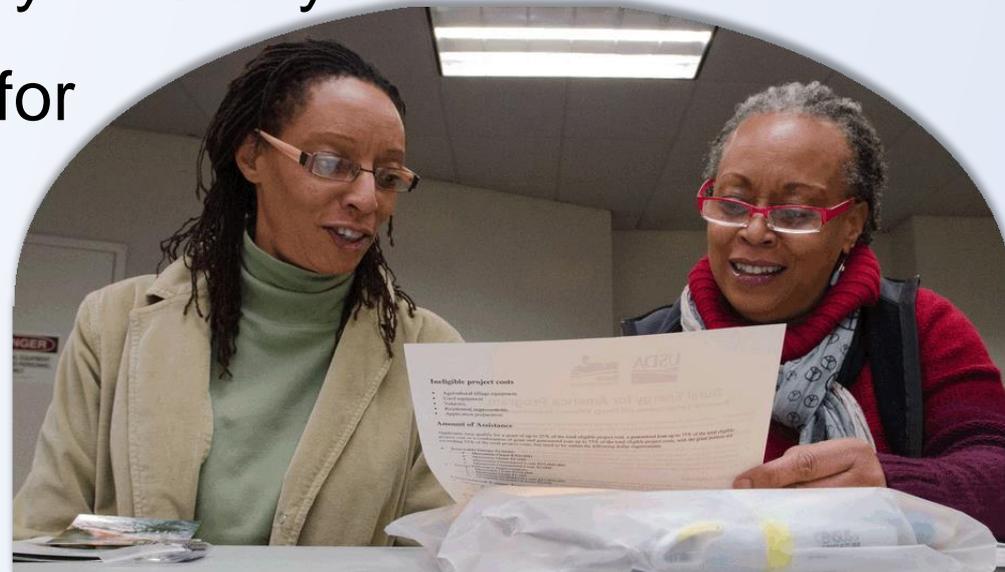


How to Apply For USDA REAP

- Contact the USDA Rural Development Energy Coordinator in your state for application materials and resources:

Jessie Huff, AK Business and Energy Specialist
(907) 761-7726 email: Jessie.huff@ak.usda.gov

- Submit applications any time of year.
- Applications compete for funding based on score throughout the year.





United States Department of Agriculture



B&I Guaranteed Loan Program

B&I Guaranteed Loan Program

- Purpose is to improve, develop, or finance business, industry, and employment, and improve the economic and environmental climate in rural communities
- Bolster the existing private credit structure through the guarantee of quality loans that will provide lasting community benefits
- Not intended for marginal or substandard loans or relief of lenders having such loans
- Eligible in areas with 50,000 and less population

Eligible Borrowers

- Any legal entity, including corporations, partnerships, and cooperative organizations; Federally recognized tribal group; public body; or individual engaged in or proposing to engage in a business
- Manufacturing, wholesaling, retailing, and service oriented businesses in eligible areas



Lenders

- Traditional Lenders – Any Federal or State chartered bank, Farm Credit Bank, Bank for Cooperatives, Savings and Loan Association, or mortgage company that is part of a bank-holding company
- Other lenders that have the legal authority and sufficient experience and financial strength to operate a successful lending program may be approved by the Agency
- All lenders must have adequate experience and expertise to make, secure, service, and collect B&I loans





Eligible Loan Purposes

- Real estate purchase and improvements (including energy efficiency Projects)
- Machinery and equipment
- Working capital
- Debt refinancing



Ineligible Loan Purposes

- Line of Credit
- Lease payments
- Distribution or payment to an owner, beneficiary, or a close relative of the owner, when owner will remain an owner
- Federal tax-exempt obligations
- Golf courses
- Businesses engaged in illegal activity

B&I Loan Guarantee Fees, Loan Limits and Percentage of Guarantee

Fees	<ul style="list-style-type: none"> ➤ Initial Guarantee Fee – 3 percent (*1%) ➤ Annual Renewal Fee – .5%
Loan Limits	<ul style="list-style-type: none"> ➤ \$10 Million without Administrator exception ➤ \$25 Million to any one borrower ➤ \$40 Million for rural cooperative organizations
Percentage of Guarantee	<ul style="list-style-type: none"> ➤ 80 Percent for loans less than \$5 million ➤ 70 Percent for loans between \$5 and \$10 million ➤ 60 Percent for loans over \$10 million ➤ 90 Percent for high cost, isolated areas, off the road system in Alaska *

Loan Structure

- Negotiated by the lender and borrower and approved by the Agency
- Fixed/Variable/Combination Interest Rates
- Maximum terms
 - Real estate - 30 years
 - Machinery and equipment - the lesser of 15 years or useful life
 - Working capital - 7 years
- No balloon payments

Equity Requirement

- Minimum of 10 percent for existing businesses
- Minimum of 20 percent for new businesses
- Minimum of 25-40 percent for energy projects
- Tangible balance sheet equity is determined based on financial statements prepared in accordance with GAAP
- No intangible assets such as goodwill, patents, copyrights, amortized loan costs, customer lists, etc.
- No subordinated debt or appraisal surplus



United States Department of Agriculture

Community Facilities



What is an Essential Community Facility?



Who is Eligible to Participate?

- Public Bodies

Public Bodies include counties, cities, towns, boroughs, special authority districts, and other local units of government

- Nonprofits

Organizations that operate on a not for profit basis

- Indian Tribes

Indian Tribes can be federally or state recognized

Community Facilities

- Community Facility Loans and Grants
 - **Health**
 - hospitals, clinics, long-term care, EMS
 - **Safety**
 - police/fire stations, vehicles, jails, fire suppression
 - **Education**
 - schools, child care, libraries, art facilities
 - **Infrastructure**
 - airports, harbors, roads/bridges, erosion control



Energy Efficiency Community Facility Projects

- All energy efficiency improvements
- Integration of renewable energy
- Flexible terms to fit your project
- Loans to complete retrofits now can be more valuable than waiting for a grant

Community Facilities

- Community Facilities Grants
 - Population less than 20,000
 - For communities of certain median income
 - Conventional financing not available
 - Up 75% of project cost, 25% match
 - Can be combined with a Community Facilities loan



FAR LEFT: Sunshine
Community Health Center,
Talkeetna

LEFT: Haines Library

Community Facilities

- Community Facilities Direct Loans
 - For public bodies, nonprofits, tribes
 - Outside of Anchorage, Fairbanks, Juneau
 - Up to 40 years, 3.125% rate, no down, no fees



Wasilla Mental Health Center



Noorvik Clinic

Guaranteed Loans

- Guaranteed Loans are loans made by private lenders to rural communities. The loans made by lenders are guaranteed by USDA up to 90%. Rates and terms will vary
- Eligible rural areas are cities, towns, or unincorporated areas that have populations of 20,000 inhabitants or less
- Eligible lenders are federal and state chartered banks, thrifts, Farm Credit System, insurance companies regulated by a State or National insurance regulatory agency. Lenders must be subject to credit examination by state or federal bank regulators
- One-percent guarantee fee (one-time only)

Community Facilities

Examples



Unalakleet Subregional Clinic



Noorvik Clinic



Sunshine Medical Clinic



**Homer
Library**

How to Apply for Community Programs

Contact the USDA Rural Development Area Director in your region:

- West
- Gulf
- Central
- Interior
- Southeast





USDA-RD Alaska Contact Information

www.rd.usda.gov/ak

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USDA is an equal opportunity provider, employer and lender.