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DATE: October 17, 2023  
TO: Mayor and Members of the City Council  
THROUGH: Kyle Knopp, City Manager  
FROM: Travis Sanborn, Finance Director  
SUBJECT: USDA Grant Discussion

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IT IS RECOMMENDED THAT THE CITY COUNCIL:

Discuss upcoming USDA Rural Development (RD) Direct Loan / Grant Opportunities

BACKGROUND AND DISCUSSION

City staff met with our local USDA Community Programs Specialist to discuss future direct loan and grant opportunities for the City of Rio Dell, including Community Facilities, Water and Waste Disposal Loan/Grant opportunities, and 2022-2023 USDA Disaster Grant Funding. The Community Program Specialist recommended the City explore the Disaster Grant Funding opportunity to offset costs associated with the December 2022 Earthquake disaster. Ideas included projects that would help offset the City's liability associated with the CDAA approved list of projects or support the City in addressing sewer lateral damage due to the earthquake. City staff intends to submit a project proposal to USDA representatives within the next few weeks.

ATTACHMENTS:

1. Community Facilities Direct Loan & Grant
2. Water & Waste Disposal Loan & Grant Program

# Water & Waste Disposal Loan & Grant Program

## What does this program do?

**This program provides funding for clean and reliable drinking water systems, sanitary sewage disposal, sanitary solid waste disposal, and storm water drainage to households and businesses in eligible rural areas.**

## Who may apply?

**This program assists qualified applicants who are not otherwise able to obtain commercial credit on reasonable terms. Eligible applicants include:**

- **Most state and local governmental entities**
- **Private nonprofits**
- **Federally recognized Tribes**

### **What is an eligible area?**

Areas that may be served include:

- Rural areas and towns with populations of 10,000 or less – check eligible addresses
- Tribal lands in rural areas
- Colonias

### **What kinds of funding are available?**

Long-term, low-interest loans. If funds are available, a grant may be combined with a loan if necessary to keep user costs reasonable

### **How may the funds be used?**

Funds may be used to finance the acquisition, construction, or improvement of:

- Drinking water sourcing, treatment, storage, and distribution
- Sewer collection, transmission, treatment, and disposal
- Solid waste collection, disposal, and closure
- Storm water collection, transmission, and disposal

In some cases, funding may also be available for related activities such as:

- Legal and engineering fees
- Land acquisition, water and land rights, permits, and equipment
- Start-up operations and maintenance

- Interest incurred during construction
- Purchase of facilities to improve service or prevent loss of service
- Other costs determined to be necessary for completion of the project
- See 7 CFR Part 1780.7 and 1780.9 for a complete list

### **What is the loan term and rate?**

The loan term is up to a 40-year payback period, based on the useful life of the facilities financed with a fixed interest rate. The interest rate is based on the need for the project and the median household income of the area to be served. Contact us for details and current interest rates applicable for your project.

### **Are there additional requirements?**

- Borrowers must have the legal authority to construct, operate, and maintain the proposed services or facilities.
- All facilities receiving federal financing must be used for a public purpose.
- Partnerships with other federal, state, local, private, and nonprofit entities that offer financial assistance are encouraged.
- Projects must be financially sustainable.

## How do we get started?

Applications are accepted year round and may be filed electronically using [RD Apply](#). The [RD Apply Customer Help Guide](#) is provided to help you get started and work through the application process. Applications are also accepted through your [local RD office](#). Program resources are available online (i.e., forms, guidance, certifications, etc.).

## Who can answer questions?

Contact the local representative who serves your area. Participating nonprofits in your area may also offer assistance and training.

## What governs this program?

- Basic Program – [7 CFR, Part 1780](#)
- Loan Servicing – [7 CFR, Part 1782](#)
- Section 306 of the Consolidated Farm and Rural Development Act

## Why does USDA Rural Development do this?

This program helps very small, financially distressed rural communities extend and improve water and waste treatment facilities that serve local households and businesses. Good practices can save tax dollars, improve the natural environment, and help manufacturers and businesses to locate or expand operations.

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**NOTE:** Because citations and other information may be subject to change, please always consult the program instructions listed in the section above titled “*What Governs This Program?*” You may also contact your [local office](#) for assistance. You will find additional forms, resources, and program information at [rd.usda.gov](#). *USDA is an equal opportunity provider, employer, and lender.*

## Community Facilities Direct Loan & Grant

### What does this program do?

**This program provides affordable funding to develop essential community facilities in rural areas. An essential community facility is defined as a facility that provides an essential service to the local community for the orderly development of the community in a primarily rural area, and does not include private, commercial, or business undertakings.**

### Who may apply for this program?

**Eligible borrowers include:**

- **Public bodies**
- **Community-based nonprofit corporations**
- **Federally recognized Tribes**

### **What is an eligible area?**

Rural areas including cities, villages, townships, and towns including Federally recognized Tribal lands with no more than 20,000 residents according to the latest U.S. Census Data are eligible for this program.

### **How may funds be used?**

Funds can be used to purchase, construct, and/or improve essential community facilities, to purchase equipment, and to pay related project expenses.

Examples of essential community facilities include:

- Healthcare facilities such as hospitals, medical clinics, dental clinics, nursing homes, or assisted living facilities
- Public facilities such as town halls, courthouses, airport hangars, or street improvements
- Community support services such as child care centers, community centers, fairgrounds, or transitional housing
- Public safety services such as fire departments, police stations, prisons, police vehicles, fire trucks, public works vehicles, or equipment
- Educational services such as museums, libraries, or private schools
- Utility services such as telemedicine or distance learning equipment

- Local food systems such as community gardens, food pantries, community kitchens, food banks, food hubs, or greenhouses

For a complete list see Code of Federal Regulations 7 CFR, Part 1942.17(d) for loans; 7 CFR, Part 3570.62 for grants.

### **What kinds of funding are available?**

- Low interest direct loans
- Grants
- A combination of the two above, as well as our loan guarantee program. These may be combined with commercial financing to finance one project if all eligibility and feasibility requirements are met.

### **What are the funding priorities?**

- Priority point system based on population, median household income
- Small communities with a population of 5,500 or less
  - Low-income communities having a median household income below 80% of the state nonmetropolitan median household income.

## What are the terms?

Funding is provided through a competitive process.

### Direct Loan:

- Loan repayment terms may not be longer than the useful life of the facility, state statutes, the applicants authority, or a maximum of 40 years, whichever is less.
- Interest rates are set by Rural Development, contact us for details and current rates.
- Once the loan is approved, the interest rate is fixed for the entire term of the loan, and is determined by the median household income of the service area.
- There are no pre-payment penalties.
- Contact us for details and current interest rates applicable for your project.

### Grant Approval:

Grant funds must be available. Applicant must be eligible for grant assistance, which is provided on a graduated scale with smaller communities with the lowest median household income being eligible for projects with a higher proportion of grant funds. Grant assistance is limited to the following percentages of eligible project costs:

Maximum of 75 percent when the proposed project is:

- Located in a rural community having a population of 5,000 or fewer; and
- The median household income of the proposed service area is below the higher of the poverty line or 60 percent of the State nonmetropolitan median household income.

Maximum of 55 percent when the proposed project is:

- Located in a rural community having a population of 12,000 or fewer; and
- The median household income of the proposed service area is below the higher of the poverty line or 70 percent of the State nonmetropolitan median household income.

Maximum of 35 percent when the proposed project is:

- Located in a rural community having a population of 20,000 or fewer; and
- The median household income of the proposed service area is below the higher of the poverty line or 80 percent of the State nonmetropolitan median household income.

Maximum of 15 percent when the proposed project is:

- Located in a rural community having a population of 20,000 or fewer; and
- The median household income of the proposed service area is below the higher of the poverty line or 90 percent of the State nonmetropolitan median household income. The proposed project must meet both percentage criteria. Grants are further limited.

## Are there additional requirements?

- Applicants must have legal authority to borrow money, obtain security, repay loans, construct, operate, and maintain the proposed facilities
- Applicants must be unable to finance the project from their own resources and/or through commercial credit at reasonable rates and terms
- Facilities must serve rural area where they are/will be located
- Project must demonstrate substantial community support
- Environmental review must be completed/acceptable

## How do we get started?

Contact your local RD office to discuss your specific project. Applications are accepted year round.

## Who can answer questions?

Contact your local RD office.

## What governs this program?

- Direct Loan: 7 CFR Part 1942, Subpart A
- Grant: 7 CFR Part 3570, Subpart A

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