Financing Programs
Discussion Topics

- USDA Rural Economic Development Loan & Grant Program (RE DLG)
- Revolving Loan Funds (RLFs)
- IADG Energy Bank
USDA REDL&G Program

• **Program Purpose:** To Promote Rural Economic Development and Job Creation Projects through
  
  • 0% “Pass through” Loans (REDLs)
    – Coop Guarantees repayment
  
  • Grants to establish a local Revolving Loan Fund (REDGs)
    – Requires Matching Funds
  
  • Project always gets a 0% interest loan

• Unique Feature: The Electric Coop, Telco or Muni is the applicant and sponsoring the application for the Ultimate Recipient (project).

• Nationally Competitive Program
  
  • Quarterly Application Submissions
  • $47 Million for REDLs in FY 17/18
  • $ 9 Million for REDGs in FY 17/18
Eligible vs. Competitive Projects

Eligible
- Non-Profit Expansions and Start-ups
- Medical, Safety and Training Facilities
- Community Development Projects
- Business Incubator Projects

Competitive
- Business Expansions
- Medical Facilities
  - Hospital Renovation
  - New Medical Clinics
- Educational Facilities
  - Computer / Technology
- Key Component:
  - Direct Job Creation
  - “High Tech” training and/or equipment
REDL or “Pass Through” Loan

Intermediary borrows from USDA RD at 0% interest

$2,000,000 max

Intermediary loans to recipient at 0% interest

REC / Muni / TELCO
REDL&G Loan Terms

- Maximum $2,000,000 or up to 80% of Project, whichever is less
- 0% Interest Loan
- Up to 10 Year Term
- Up to 2 year deferment until payments start
- Monthly payments match Co-op’s repayment to USDA

** Intermediary Guarantees Loan **
** Adequate Security a Must **
Co-Line Welding, Inc., Sully, Iowa
- 4 REDLs for 4 separate expansions
- Pella Coop Electric & Central Iowa Power Cooperative (CIPCO)
USDA Grant for Revolving Loan Fund

RUS grants to RLF
$300,000 Max

REC matches 20%
with own funds
$60,000 max

Administered RLF
$360,000
USDA Grant for RLF—Loan Terms

- First Loan to Non-Profit Entity
  - 0% Interest Loan
  - Up to a 10 Year Term
  - Up to 2 year deferment until payments start

- More flexible related to collateral
REDG Project Examples

Greenfield Opera House

Clarion Aquatic Center

Davis County Hospital in Bloomfield

John Wayne Birthplace Museum in Winterset

Gilbert Fire Station
Example of Combination

Southern Iowa Electric Cooperative

• Received a $1M REDL and a $300k REDG grant to renovate Van Buren Community School District’s middle/high school
  • Create extra essential classroom space
  • Technology improvements to provide a high-quality learning experience
• Jobs created/saved: 11 new positions
• Amount Leveraged: $4,361,500
REDL&G Awards

• Iowa
  – $66M in REDLs
  – $49.5M in REDGs
    • $59M of RLFs in Iowa

• Nationally (through April 2018)
  – $615M in REDLs (IA—11% of National Total)
  – $198M in REDGs/RLFs (IA—25% of National Total)
IADG Member RLFs

• 62 Revolving Loan Funds capitalized at $59 M
  – Average RLF is $1M; largest RLF is over $7M
  – 905 Subsequent loans totaling over $76M
    • Part of $677M in investment and 11,600 jobs
    • Average loan is $84,000

• RLFs are a source for low-interest loans
  – Local Priorities and Credit Decisions
    • Multiple RLFs can help finance the same project
  – Rates are probably 3-4% but often a little less for non-profits
  – Terms to 10 years
  – Most RLFs have a maximum loan of $150,000-$250,000
$ 2 MM Revolving Loan Fund for Commercial Energy Efficiency

- Launched January 2013
- Targeted at Iowa’s Manufacturers towards more efficient production equipment which results in more manufacturing throughput
- Low Interest Loans of $50,000 - $300,000; terms based on efficiency
  - 1% interest rate / one-time 1% origination fee
  - Loan term based on project repayment
- 16 loans closed = $2.4 M
- Approximately $150,000 currently available
- Repayments for re-lending average $100,000 per quarter.
- [www.iadg.com/energybank](http://www.iadg.com/energybank)