

Summit Report
March 6, 2015



TEXAS RURAL MULTIFAMILY HOUSING SUMMIT
MARCH 6, 2015, 9:00 am - 3:30 pm
STATE CAPITOL EXTENSION in AUSTIN, Room E2.002

9:00	Registration and Welcome	Jonathan Bell, Texas State Rural Development Dan Allgeier & Ginger McGuire, Board Members, RRHA-TX Enrique Montalvo, Board Chairperson, MET Inc.
9:30	The Big Picture – Rural Challenges <ul style="list-style-type: none">• Rural Demographics, Trends, Implications• Rural Housing Trends, Implications	Gil Gonzalez, UTSA Rural Business Programs Joe Belden, Housing Assistance Council, Washington DC
10:30	Practitioners Panel <ul style="list-style-type: none">• Farmworker Housing• Preservation• New Construction• Community Needs and Services	Kathy Tyler, Motivation Education & Training, Inc. Dennis Hoover, Hamilton Valley Management Inc. and Hoover General Contractors LLC Mark Mayfield, Texas Housing Foundation and Marble Falls Housing Authority Jim Shaw, Capital Area Housing Finance Corporation
Noon	Remarks and Keynote Introduction Lunch Keynote – Rural Texas Policy	David Long, President, Texas State Affordable Housing Corp The Honorable Pete Laney, Speaker of the House, 1993-2003, State Representative 1983-2007
1:15	Roundtable Discussions: <ul style="list-style-type: none">• Farmworker Housing<ul style="list-style-type: none">◦ Outreach presentation for RD 514-516• Preservation• New Construction• Community Needs and Services	Kate Moore, Kate Moore Consulting Rose Garcia, Tierra del Sol Housing Corporation David Danenfelzer, Texas State Affordable Housing Corp Edwina Carrington, CHK Enterprises Lora Myrick, BETCO Consulting
2:30	Roundtable Reports	
3:30	Adjourn	

HOSTED BY:

**USDA RURAL DEVELOPMENT ** TEXAS STATE AFFORDABLE HOUSING CORPORATION ** HAMILTON VALLEY MANAGEMENT
RURAL RENTAL HOUSING ASSOCIATION OF TEXAS, INC. ** MOTIVATION EDUCATION & TRAINING, INC. ** TODD R. KERCHEVAL**

*Rural Rental Housing Association of Texas, Inc. and
Motivation Education & Training, Inc.*
2015 Rural Multifamily Housing Summit
Friday, March 6, 2015

Summit Report



Welcome and Introductions

Dan Allgeier, Rural Rental Housing Association of Texas Board member and the master of ceremonies for the day, started the summit by welcoming the participants and introducing the topic of rural multifamily housing. The summit's hosts and planners, the Rural Rental Housing Association of Texas and Motivation Education & Training, Inc. were joined by additional hosts and sponsors including USDA Rural Development, the Texas State Affordable Housing Corporation, Hamilton Valley Management, and Todd R. Kercheval.

Enrique Montalvo, Motivation Education & Training, Inc. Board member, joined Dan to welcome participants, thanking those who planned the event and others for joining in the discussion. He started the discussion by acknowledging the accomplishments the organizations had introduced to rural Texas.

Jonathan Bell, Texas State Rural Development

Jonathan is a Housing Specialist with USDA Rural Development's State Office in Temple. He also provided a welcome and information about Rural Development's programs. He conveyed regrets from the State Director who was unable to join the meeting, and reviewed multifamily housing programs. Rural Development administers the Section 514 and Section 516 FLH loan and grant programs for financing the construction of new housing for farmworkers. The Direct 515 financed most multifamily housing projects in Texas for families and seniors. The Section 538 Guaranteed Rural Rental Housing Program works with lenders in financing multifamily housing projects with both 515 and farm labor housing. Jonathan provided a helpful look at what the portfolio in Texas includes:

- 705 multifamily housing projects, 24,212 units.
- 14,639 units (60%) include rental assistance.
- 17 farm labor housing projects with 1,119 units
- The Texas properties fall into four different classifications, which can change daily. Of the 24,212 total units in Texas:
 - 11,326 units are "Class A" projects with no unresolved findings or violations.
 - 425 units are "Class B" projects, where the Agency has taken servicing steps and the borrower is cooperating to resolve identified findings or violations by associating a work-out plan and/or transition plan.
 - 11,303 units are "Class C" projects with identified findings or violations, which are not associated to a workout plan and/or transition plan.
 - 1,158 units are "Class D" projects that are in default and may be taken into inventory, be lost to the program, or cause the displacement of tenants. Defaults can be monetary or non-monetary.

Jonathan continued with several comments regarding farm labor housing projects. He stated that many facilities are operating to capacity with farm workers. Others are also at capacity, but many tenants are not farmworkers and he talked about the importance to engage the community to better understand the housing and agricultural dynamics, and the potential to bring in external support. He mentioned studies of the farmworker migration patterns that may help us better target housing for farmworkers.



Jonathan announced that the Farm Services Administration has programs to assist farm workers transition from farmworker to a farm owner, helping socially disadvantaged individuals improve their economic standing. One example is offering micro-loans to farmworkers to start farming operations. Another program that assists farmworkers and farm owners is the Rural Energy for America Program.

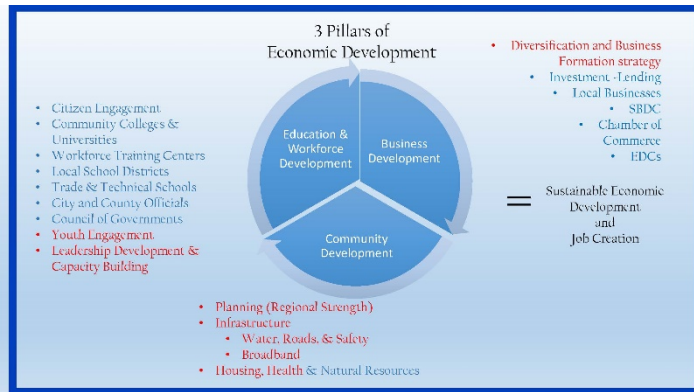
Jonathan brought several handouts, and noted these documents are available in the back of the room and he would be available throughout the day. (The documents are attached to this report).

The Big Picture – Rural Challenges

Rural Demographics, Trends, and Implications – Gil Gonzalez, UT San Antonio

Gil Gonzalez described the work of the South-West Texas Border Small Business Development Center Network's Rural Business Program and the Institute for Economic Development, and several of their initiatives. The Rural Business Program provides 79 counties in south

Texas with business development and community development assistance so communities can find “solutions for building sustainable communities.”



Quoting Agriculture Commissioner Sid Miller, Gil noted the importance of agriculture in Texas: “Agriculture is the second largest industry in Texas – the glue that holds our state’s economy together.” He also noted the challenge of today’s rural communities by quoting research fellow Benjamin Winchester from the University of Minnesota who noticed that 34 to 49 year olds are moving back to rural areas but not finding housing they can afford in these communities.

The South-West Texas Border Small Business Development Center Network helps Texas' businesses start and grow. Results are seen in job creation, economic diversification, and business expansion. The Center provides community assessments, economic analyses, feasibility and market studies, and capacity building services to governments. It helps communities reach out and plan, and it sponsors the Texas Rural Challenge conference each year.

With the slide below, Gil commented on the three pillars of economic development. He noted that the items in red represent the most challenging areas with the greatest need that he has noticed throughout the 79-county area. He described the three-tiered continuum they use to assess communities. Tier one communities are mostly economically viable and have the capacity to address their needs. Tier two communities are moderately distressed and have some capacity, but require some help. Tier three communities are severely distressed and have little or no internal capacity. Assessing a community's tier level helps define which approach to take in delivering assistance, and the types of data reports needed and analysis to be provided.

Gil went through several examples of assistance that the Center has provided. For example, the first municipal capacity building program (MCBP) was held in Carrizo Springs for communities from the Middle Rio Grande region with financial support from Shell Corporation. The municipal structure, understanding social capacity, land use and planning, building and leveraging resources, and trends and leadership were among the topics of learning sessions. The city of Castroville was assisted to develop a strategic plan and a forward-looking vision plan.

The impacts of oil and gas exploration in the Eagle Ford Shale area led Dimmit and Zavala County to develop short- and long-term plans to improve the economic climate, planning, and sustainability in the counties. Housing is notably lacking in the communities with strong Eagle Ford Shale activity. When housing is lacking there is an adverse impact on businesses. Starr and Cameron County, for example had an influx in business but the workers brought in could not find suitable homes. Finally, sponsorship of the Texas Rural Challenge (www.TexasRuralChallenge.org) brings together rural workers from across the state to share strategies, successes, and ideas. The next conference is June 15-16 in Waco, and Gil invited participants to submit ideas for the conference and plan to attend.



Rural Housing Trends and Implications – Joe Belden, Housing Assistance Council, Washington DC

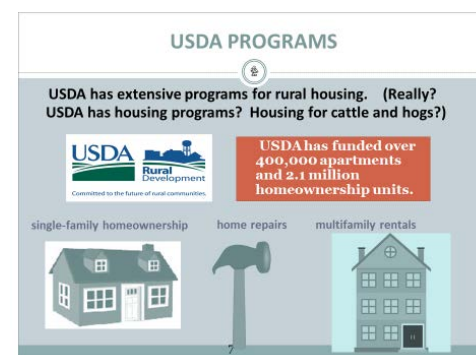
Joe started his presentation with an introduction to the Housing Assistance Council, which began in 1971 with a focus on rural housing. Although often overlooked, rural areas have critical housing conditions. For example, 47% of rural renters are cost-burdened (paying over 30% of their incomes for shelter).

Texas, with 439,145 rural and small town renter-occupied units, has more than any other state. California follows as a distant second and North Carolina is third.

While home to some of the nation's largest and most vibrant cities, Texas also has the largest rural population of any state, with 4.3 million rural residents. California has the second most with 3 million rural residents, again followed by North Carolina. See Housing Assistance Council's *Taking Stock: Rural People, Poverty, and Housing in the 21st Century*, December 2012 for more information and maps.

Rural Development's extensive programs for rural housing include the following; the President's proposed budget includes increases for most of these programs:

Sec. 502 direct – USDA banks these direct loans; \$42.3 million
 Sec. 502 guaranteed – USDA guarantees mortgages made by private lenders
 Sec. 504 loans – for very low income homeowners
 Sec. 504 grants – for elderly very low income homeowners
 Sec. 515 – loans to develop rental housing and preservation
 Sec. 514/516 – loans and grants to develop farmworker rental housing; \$23.9 million in loans and \$8.3 million in grants
 Sec. 521 Rental Assistance – project-based, only for tenants in 515 and 514/516; \$1,172 million
 Sec. 538 – loan guarantees to developers; tenants up to 115% AMI; \$200 million
 Multifamily Preservation and Revitalization (MPR); \$19 million
 Section 542 vouchers for tenants where properties were prepaid or foreclosed upon; \$15 million



Decreases in the federal budget over the years have led to the declines in rural rental housing from 2012 to 2013. Section 515 saw a loss of 346 projects, and farm labor housing lost 34 projects. Both 515 and 514/516 served households with an average income of \$12,055 in 2013. Those receiving Rental Assistance had average incomes of \$10,024. A stunning 72.4% were female-headed households. Elderly or disabled households are 61.3% of the 515 portfolio. Since farm labor is built for the agriculture workforce, only 18.4% of households are elderly or disabled.

Texas has 714 USDA-funded rural rental projects, the most projects of any state. Texas has the second most units of any state, over 24,000 units, indicating smaller projects. Texas has 7,350 elderly-occupied Sec. 515 units, the most of any state. The average incomes of Texas' tenants are \$12,245 for all units and \$9,674 for units that also have Rental Assistance subsidies.

A challenge among the rural multifamily projects is preserving the older units. Rural Development's programs aimed at preservation include the preservation and revitalization (MPR) demonstration, the Preservation Revolving Loan Fund demonstration, and Section 542 vouchers. Maturing and expiring mortgages presents a critical and growing problem (see HAC's analysis at <http://ruralhome.nonprofitsoapbox.com/storage/documents/policy-notes/rpn-maturing-usda-mf-loans.pdf>).

Other challenges facing the properties are reductions in Rural Development staff, low funding levels, and the expiration of Rural Assistance contracts in older properties. This has led to controversial proposals which HAC has advocated against, such as charging a \$50 minimum rent.

Joe described HUD's programs that serve rural areas. According to a 2012 HAC study there are 227,000 public housing units, 211,000 Section 8 units, 64,000 Section 202 units for seniors, and 7,900 units of Section 811 housing for the disabled in rural America. The President's proposed budget includes increases for most housing programs and an overall budget increase from \$45.4 billion in 2015 to \$49.3 billion in 2016. CDBG is the exception with major cuts proposed in 2016. The 2016 HUD budget also proposes an increase in the colonias set aside in CDBG. Currently 10% can be set aside to serve colonias, and an increase of up to 15% is proposed for border states beginning in the 2016 fiscal year.

Off-budget housing costs are also important to acknowledge. OMB projects mortgage interest deduction will cost \$75.26 billion in 2016 and \$102 billion by 2019. Together with the deduction of state and local property taxes and the exclusion of capital gains on home sales, the price tag totals more than \$150 billion.

In comparison, the projected cost of Low Income Housing Tax Credit in 2016 is \$7.9 billion, the primary financing for new affordable rental housing. Median incomes of Texas tenants is \$18,089 and \$17,066 in the US. When considering all HUD-assisted housing, the median income of Texas tenants is \$9,129 compared to \$10,272 in the US. In Texas 51.4% of tenants living Tax Credit homes receive monthly rental assistance. The US percentage is 58.9.

Joe generated a lot of discussion as he talked about the new National Housing Trust Fund. This is a new resource for multi-family housing that will come from Fannie Mae's and Freddie Mac's 2015 earnings, with 65% for the Trust Fund & 35% for the Capital Magnet Fund. Created by the Housing and Economic Recovery Act in 2008 but never funded until this year, the Trust Fund would be block granted to each state's designated agency. Agencies are to be designated by the Governor or Legislature to operate to operate the program. The small state minimum is \$3 million. Of the total funding per state, 90% of funds must be for rental and 75% must be for extremely low income persons. It may be challenging to get the funds directed to rural areas, and more information is available at http://nlihc.org/sites/default/files/11.NHTF_Rural-Areas.pdf.

Joe concluded with summarizing the services and programs offered by HAC, as listed on the accompanying slide.



In response to questions about how Texas will operate the National Housing Trust Fund, Eric Weiner responded that TDHCA is gearing up to accept the new funds, but no program has yet been developed beyond the federal interim regulations. This will be a resource for rural rental housing with 90% of funds designated for rental housing and for extremely and very low income persons.

Practitioners Panel

Farmworker Housing – Kathy Tyler, Motivation Education & Training, Inc.

Kathy started her presentation with an acknowledgement of people who have contributed extensively to seeing that farmworkers in Texas have better housing options – folks from MET, HAC, Rural Development, Tierra del Sol, the Texas Workforce Commission, and TDHCA.

Recommendations to improve Texas' farmworker housing were laced throughout the presentation and included

1. Increasing farmworker housing programs through the state's Housing Trust Fund allocation, using the new National Housing Trust fund for farmworker homes, increasing the CDBG-colonias set-aside to 15%, and using state resources to attract RD 514/516 to Texas to build more units.
2. Preserving the existing aging 514/516 housing throughout the state
3. Update Rules for Migrant Housing Licensing
4. Enacting recommendations from prior studies including
 - the 2006 TDHCA report to the 79th Legislature (<http://www.tdhca.state.tx.us/migrant-housing/index.htm>);
 - the Bowen National Research made recommendations in November 2012 in the farmworker housing analysis (<http://www.tdhca.state.tx.us/housing-center/pubs-special.htm>)
 - the American Public Health Association (<http://www.apha.org>) ;
 - new farmworker health and housing research (Legal Services and health researchers).



Nationally there are somewhere between 1.5 to 2.5 million farmworkers. Texas' farmworker population is second only to California with 361,411 seasonal and migrant farmworkers and their household members. The map here shows where farmworkers live in the state. More than a fourth of Texas farmworkers live in the Lower Rio Grande Valley Texas, the second most live in the Winter Garden Area. Third, farmworkers live in the South Plains and Panhandle and the fourth most populous area is in and around El Paso.

The National Agricultural Worker Survey estimates that about half of all farm laborers are legally documented workers.

Farmworkers in the U.S. most commonly live in single-family homes (58 percent). In Texas, large numbers of farmworkers own self-built, often inadequate homes or mobile homes in the colonias along the border and elsewhere. Although homeowners, the housing for these farmworkers is often severely substandard. They may live in mobile or manufactured homes, and again, most of these are also substandard.

For multifamily renters, USDA's 514-516 program is the only program that is targeted to farmworkers.

These apartments are scarce and only available to a fraction of the population. These may be located in cities as well as rural areas. With just over 1,000 units, Texas has 7% of the nation's 14,000 units. Since this is the only housing dedicated to farmworker housing, it is clear that Texas' 514/516 properties serve only a portion of TX farmworkers. These units in Texas are rapidly aging, and they do not look like what would build today. The Section 514 financing can be combined with LIHTC, but this has occurred only once in Texas.

The average income of households living in Texas' Section 514/516 units is less than \$12,000. Rural Development's provision of rental assistance makes the units affordable to the low income farmworker occupants. Each year however a few projects age out of the program, and new units are not added fast enough to keep pace.

The state commissioned a rural farmworker study in 2012, completed by Bowen National Research. It looked at the 514/516 inventory and employer-provided farmworker homes in the 49 rural counties and counted units to accommodate 2,500 farmworkers out of more than 34,000 workers in these counties.

It also looked at other affordable housing options, but because they were 98% occupied, it concluded most farmworkers cannot access this housing. Thus few farmworkers take advantage of other affordable housing opportunities like Low Income Housing Tax Credits projects. In many instances rental properties can only be acquired with a security deposit, a credit check, and a long-term commitment, requirements that often conflict with the unique conditions of the farm labor industry.

Employers used to provide housing more frequently, but now this happens less and less. Nationally, 13 percent of farmworker housing units are employer owned, among these, 83 percent are provided free of charge to the workers.



Employer provided housing is covered by a myriad of minimal rules to protect farmworkers' with occupancy standards and minimal health and safety conditions. The State's law is enforced by TDHCA's Manufactured Housing Division, which inspects migrant housing on behalf of Texas. The state's Workforce Agency is responsible for ensuring the various federal programs are enforced.

29 facilities are currently licensed by TDHCA, and similar to national trends, the number of facilities has declined over the years. Kathy also pointed out that there is ample documentation that poor health is a consequence and exacerbated by poor quality and overcrowded housing. This is true in all housing situations but is especially serious for farmworkers' housing conditions.

Preserving Rural Rental Housing – Dennis Hoover, Hamilton Valley Management Inc. and Hoover General Contractors LLC

Dennis talked about the difficulty of preserving older facilities that provide such an important resource to communities and residents. He presented the example of Brazoria Manor, a rental housing facility that had been preserved using an array of funding types. These funds allowed him to spend just over \$36,000 per unit on hard construction costs, so they will continue housing people in the future.

Brazoria Manor

Development Costs:	units	56
		per unit:
Site Acquisition Cost	\$1,286,758	\$22,978
OFF-SITE Costs		
CONSTRUCTION & contingency	\$2,609,092	\$46,591
ARCHITECTURAL, 3rd PARTY,	\$150,474	
FINANCING, UNDERWRITING, DEVELOPMENT FEES	\$630,977	
RESERVES	\$227,314	
TOTAL DEVELOPMENT COSTS	\$4,904,614	\$87,582

Sources of Financing

Funding Description	Interim Loan Stage	Permanent Loan Stage	Financing Participants
Conventional lender	\$534,830		
Community Development Council	\$25,700	\$0	City CDC
HOME/TCAP funds	\$500,000	\$500,000	TDHCA
USDA loan assumed	\$1,174,758	\$1,174,758	USDA-RD
Syndication Proceeds	\$2,193,618	\$3,133,740	Raymond James Tax Credit Funds
transferred funds & taxes	\$96,064	\$96,064	project funds
In-Kind Equity/Deferred Developer Fe	\$379,645	\$52	Developers/Owners
TOTAL SOURCES OF FUNDS	\$4,904,614	\$4,904,614	
TOTAL USES OF FUNDS	\$4,904,614	\$4,904,614	

The project was built 30 years ago as a USDA 515 project. Under USDA's cost containment requirements at the time, buildings had to be built very modestly. The per unit expenditure allowed the project not just to be brought up to standard condition, but to near new condition, with the addition of a community room and other resident amenities, so that the units will be serving low income households for the next 30 years.

Dennis demonstrated with the proforma the costs and the sources of funds. When financing is added, the total development cost was \$87,582 per unit, which includes existing USDA financing of \$21,000 per unit. HOME or TCAP funds are essential to making almost any USDA rehab development work. Brazoria County is an entitlement jurisdiction and is not eligible for HOME funds from TDHCA but is eligible to bring in TCAP funding from TDHCA.

In looking at recommendations, Dennis cited the need for flexibility in rules and changing attitudes from administrators. Subsidies are necessary to make these projects happen and to provide something for low income people that is life-changing and provides economic benefits that go beyond housing security. Dennis cited studies on the website of Enterprise Community Partners that

show the relationship between housing and jobs for example (www.enterprisecommunity.com). The founder of Enterprise, James Rouse, formed the nonprofit after he, as a developer, came to understand that economic stability can be begin with a stable home. With homes close to jobs, less is needed to be spent on transportation. Housing has an important intersection with jobs, education, and health.

New Construction in Rural Areas – Mark Mayfield, Texas Housing Foundation and Marble Falls Housing Authority

Mark began his presentation by talking about the complexity of bringing new homes to rural areas, and he stressed the need to simplify and streamline housing assistance programs. He began by listing the problems, then making policy suggestions to resolve them.

Often there is a lack of development capacity in rural areas. Often lenders are not engaged because lending limits are too low or there is no expertise for this type of lending. Bonds do not seem to work, and HUD programs are not geared for small developments. Property management is more difficult in rural areas because it takes dense properties to have the scale to attract managers. Instead rural property managers are stretched between three or four developments, and traveling between properties brings greater expense and inefficiencies.

With tax credits in Texas, it is likely only one or two rural deals per region are going to happen in any one round. The competition is fierce, and applying becomes expensive. Mark told about having to apply four times in order to obtain the tax credit he needed for a project. A per region allocation of more than \$500,000 is needed in rural subregions.

Mark asked that TDHCA allow HOME grants in rural regions, not just loans. The need to stretch funds and the ability to re-lend funds for the future is clear. However rents in rural deals need to be kept between \$250 and \$300. Even great terms of 0% interest for 40 years means the margins are too tight to allow for debt payment. Restricted rents and low incomes make for tough economics, especially as developers try to ensure developments have high quality construction.



For public housing authorities, HUD no longer pays enough in operating dollars to keep facilities up to standard code. Other financing must be brought to the table.

Having a person appointed as a rural representative to TDHCA's Board was recommended to ensure the rural perspective is not overlooked.

Mark stated that housing is a human issue, and debate should not be seen as liberal versus conservative. It is often hard to get local funds because of opposition and NIMBY, "not in my backyard" attitudes. The image factor has to be fought because capital is unavailable, and money does circle back into the project as needed. One size does not fit all.

Funding is needed from the local community. It is a two-edged sword when an appeal for local financing is made to a community, and then the local community must also forgo property taxes on the new housing placed into service.



Community Needs and Services – Jim Shaw, Capital Area Housing Finance Corporation

Jim introduced Capital Area Housing Finance Corporation (CAHFC) as a governmental instrumentality operating under Local Government Code 394. CAHFC operates in a nine county region surrounding, but not including, Austin and Travis County. HFCs can issue tax exempt, and taxable, mortgage revenue bonds to provide financing for first time homebuyers and for the construction, or acquisition and rehabilitation, of multi-family rental properties. Homeowners and residents of rental properties must meet certain income restrictions. CAHFC has assisted approximately 4,000 first time homebuyers and has financed approximately 3,500 apartment units and has an ownership interest in 861 units. This represents almost \$1 billion in transactions. Projects range from community infill housing (CHIP program) where the Corporation acquired lots and constructed homes while providing mortgage and down payment funding, to providing land through a land banking program to assist in the development of a 36 unit 9% rural transaction in the area impacted by the Bastrop Complex Fire of 2011.

Jim noted that the 9% tax credit program is extremely competitive and most of the 13 regions in Texas are over-subscribed, with only enough credits available for one rural transaction in each region per year. Bond/4% transactions don't work well for rural areas as these transactions need to be larger (220-252 units) to be economically feasible. It is possible to do multi-site rural transactions, such as doing four 60 unit developments, but this is challenging from an underwriting perspective. Bond transactions are further hampered by the fact that the 4% tax credits are a floating yield and not a true 4%. The typical yield is usually in the 3.125% to 3.3% range.

Jim explained that 9% credits are a true 9% fixed and we have been trying for years to get the 4% fixed at a true 4%. This would help increase the amount of equity in each transaction. This is a Federal issue and one we have not been able to get any traction on in Washington.

When looking at rural communities, Jim urged the group to view housing in the broader economic development context. Adequate and affordable housing is an integral part of the economic development picture in a community. In order to attract new employers, as well as keep young residents, a community must have a broad spectrum of housing including both homeowner opportunities and rental options. The housing stock in many of our rural communities is 50 or 60 years old. Jim urged the group to look for ways to begin to update these housing options. Building on abandoned lots can increase property tax base, utility revenue, and sales tax in a community.

Jim also touched on the impact a lack of housing has on economic leakage in a community as well as the difficulty in creating and keeping a viable workforce, including teachers, peace officers, and others. The lack of housing opportunities leads to long commutes and subsequent high turnover in key employment areas in a community.

Jim concluded by encouraging everyone to engage local leaders to help them understand the full economic impact of housing in their community.

Rural Texas Policy

David Long, executive director of Texas State Affordable Housing Corporation, introduced former Speaker of the House and State Representative Pete Laney from Hale Center Texas.

The Honorable Pete Laney, Speaker of the House, 1993-2003, State Representative 1983-2007
Speaker Laney began by saying how much he enjoys talking about Rural Texas. He served in the State Legislature for 35 years representing rural constituents, and stated that the long-term health of our rural communities is near and dear to his heart. Some interesting facts about Texas' rural communities:



- Texas has 2,064 towns with a population of less than 150 and 176 towns with a population of 10 or less.
- 70% of Texas' population lives within 200 miles of Austin.

- The State of Connecticut can fit inside Brewster County. Rhode Island can fit inside the King Ranch.
- Texas' smallest county, Loving County, has a population of 67, and is the smallest in the U.S.
- Texas has 23,000 farms with 1,000 acres or more (a total of 132 million acres), which is 80% of the state's land area.



Speaker Laney spent some time reviewing the multiple and sometime conflicting definitions of rural that make rural policy issues confusing. A Texas Legislative Council online report has 11 pages of different definitions of rural, 11 maps, and multiple pages of notes accompanying each definition. This complicates the tasks of making rural policy. Speaker Laney used to be a leader with the Legislatures' Rural Caucus, but it has not been active in recent years.

Texas' rural population is fairly stable, even as the urban population quickly grows. The senior population in rural areas is increasing and Texas has 49 certified "go Texan" retirement communities. On the other hand, it is difficult to get younger adults to return to the rural communities where they grew up because there are not enough jobs.

The housing stock in rural Texas has not changed much over the decades. It's mostly old, in need of updating and maintenance. Housing needs to be part of the state's rural economic growth policy. You cannot have one without the other. For example, factory workers will not stay with the job if they do not have a place to live within an easy commuting distance from that factory.

Speaker Laney told some stories to illustrate his points. He talked about how he lives 7 miles outside of a small town, but can get to the town's coffee shop, visit with his colleagues, then make it home in about the same amount of time it takes his son to leave home and arrive to work in Austin. Though he travels longer distances, the roads are not snarled with traffic, and he appreciates the quality of life the rural life offers. Living rural is not as isolating as it once was. He used this story to illustrate that rural lands, highways, and natural resources are linked and interactive, serving urban residents and their communities more than they realize.

Speaker Laney encouraged the audience to visit their legislators regularly. He urged visits armed with facts and pictures, and establishing relationships rather than expecting results from a single visit. One visit may be informative, but it will not have a lasting effect on a legislator, who will be bombarded with information and visitors. Each visit has to impart needed and valuable information that the legislator can use. Speaker Laney noted that today most rural legislators represent urban as well as rural geographies within their districts given redistricting trends. Condensed urban areas have more votes per square mile, more campaign resources, and therefore often get more attention. That means all of us need to work harder to identify rural champions and educate them on rural housing issues.

Roundtable Discussions

Roundtables were held on the same rural topics discussed by the practitioners during the morning session.

Community Needs and Services – led by Lora Myrick, BETCO Consulting

Group members: Lora Myrick, Jim Shaw, Michael Chamy

Report by Lora Myrick

- Housing/Jobs Nexus
- Land use= housing away from jobs
- Community wants jobs and don't think about housing needs = you need housing! Comprehensive Plan.
- Educate communities about housing opportunities that are available to them and what they need to do.
- LPS (Local Political Subdivision) Funding= Perhaps have a change in policy at state.
Currently points are provided in the tax credit allocation plan to encourage communities to have "skin in the game" and invest funding in the project. This was added in 2013. Have a discussion with TDHCA about the impacts encountered since adding this provision.
- Allow HFCs back into game to provide loans for housing.
- Legality of cities being lenders
Example provided of a community's commitment, but then backs out because the city determines that it is unable to legally lend to the project. Some cities have difficulty because they have never done it. Maybe they haven't adopted housing lending as a priority.
- Open up the opportunities for funding in smaller communities.
Like Dan's example of Mt Pleasant that needs housing, but it cannot work out under the QAP scoring because there are no high opportunities in the area.
- Political position of approving/not approving money for housing.



New Construction – led by Edwina Carrington, CHK Enterprises

Group members: Edwina Carrington, Mark Mayfield, Jonathan Bell, Eric Weaver, Dan Allegier, Michelle DenBleyker, Joe Chamy
Report by Michelle DenBleyker

- Davis Bacon
Already there is a problem of finding qualified contractors in small communities. We know it is a federal requirement that we can't do anything about at the state level, but it is hardship.



- Availability of Subcontractors
Competing now with oil and gas jobs so there are less folks that are available for construction.
- Local Contributions
- What about small deals only with HOME (no LIHTC)
Right now at TDHCA they are not able to use HOME if no LIHTC are involved. Would it be helpful to use HOME dollars for small projects without LIHTCs?
- State Tax Credit-Offset Franchise Tax
To bring more equity and supplement the LIHTC equity. Without this equity it is really hard to get traditional finance people to even look at some of the projects in small communities. They want to see a huge infusion of equity. A state tax credit would be another way to get this funding to the table.
- Uniform Statewide
No one likes paying property taxes. Also concerned about how they are calculated, and the inconsistency in how they are calculated. There is a need for more standardization.
- Cap Rate for Affordable Housing
Because this is affordable housing, the cap rate should be set uniquely and that has not really been realized.

Preservation Roundtable – led by David Danenfelzer, Texas State Affordable Housing Corporation

Group members: David Danenfelzer, Dennis Hoover, Leo Barrera, Susan Anderson, Royce Ann Wiggins,
Report by David Danenfelzer

- Legislative Education: Why Housing Matters
 - Why Housing!
 - Better Data
 - Message Delivery
 - Why Preservation
 - Economics
 - Who it helps
- Increase Housing Tax Credits or Soft Debt
- Increase Grants
- More flexibility in rules (HUD, TDHCA, USDA)
- Money
 - Grants
 - More tax credits (LIHTC)
 - National and state
 - Revolving Loan Fund
 - Debt Relief (MPR)
- An improved transfer process (USDA)
- Expiring mortgages
- Preservation Loan Fund (USDA)
- Link housing and healthcare – especially for seniors
- Streamlined process



Farmworker Housing Roundtable – led by Kate Moore, Kate Moore Consulting

Group members: Kate Moore, Rose Garcia, Kathy Tyler, Jordanna Barton, Adela Gonzalez, Beatriz Farias, Meliza Castillo, Rick Camarillo, Margaret Perez, Mayte Mendez, Pablo Ledezma
Report by Kathy Tyler

Rose Garcia Executive Director, Tierra del Sol Housing Corporation made a presentation about Technical Assistance Services to develop housing for farmworkers. (See brochure, attached).

- The Legislature should re-convene the Rural Caucus.
- The State should invest in housing in the colonias now that infrastructure is there to address the “scarcity trap.”
- Increase MPR for preservation of 514/516 units.
- Add 1-2 bedrooms to existing 514/516 portfolios for retired farmworkers.
- Make 502 and HOME more flexible and allow for seasonal income fluctuations.
- An alternative to mobile homes is needed. Many people in substandard housing are located in mobile homes without a lot of program options to rehabilitate or reconstruct. Outreach to Manufactured Housing Division of TDHCA to see if they can help.
- Fund additional housing repair dollars.
- Utilize trainees to learn construction trades while working on rehabs and reduce the cost of rehabilitation. This will provide job skills for residents as well as improve housing.
- Tour legislators through rehabilitated homes and 514/516 homes
- Provide additional Housing Trust Fund dollars.
- Provide state-controlled funding (such as HOME, HTF) for farmworker housing to attract federal 514/516 funding.
- Assist individuals who build their homes in colonias so they are built to higher standards. Households are currently investing lots of funds into substandard construction. Possibly provide assistance inspections; perhaps the Self Help Centers could undertake this activity.
- Use National Housing Trust Fund dollars for farmworker housing.
- Increase the set-aside for CDBG to the allowed 15% and use addition to fund farmworker housing.
- Update the rules for Migrant Housing, including improved complaint systems and covering small motels, and other housing offered to the general public.

**RRHA-TX March 5th Reception**

Rural Rental Housing Association of Texas sponsored a reception the evening before the summit on March 5 to kick off the summit proceedings. The reception brought together a broad cross-section of housing providers, sponsors, and legislative attendees, and provided a good opportunity for informal networking and a respite for the travel weary. A slideshow highlighted photos of several Section 515 and 514/516 properties that the summit was geared to preserve and create. A sampling of these photos is included with this report. The photos are a reminder that these facilities provide safe, secure, and comfortable homes for many who would likely be living in substandard and unaffordable conditions, were it not for these facilities.

A copy of this report and all summit Power Point presentations can be found at: <http://metinc.org/housing/housing.html> and <http://www.rrhatx.com/> (Quick Links).

6-Mar-15 Attending Rural Multifamily Housing Summit

First Name	Second Name	Organization
1 Dan	Allgeier	Lakewood Property Management
2 Susan	Anderson	Enterprise Community Partners, Inc.
3 Devin	Baker	The Washburn Group
4 Leo	Barrera	CDC of Brownsville
5 Jordana	Barton	Federal Reserve Bank of Dallas' Community Development
6 Joe	Belden	Housing Assistance Council
7 Jonathan	Bell	USDA Rural Development
8 Michael	Brinkley	Attorney
9 Rick	Camarillo	Motivation Education & Training, Inc.
10 Edwina	Carrington	CHK Enterprises
11 Meliza	Castillo	Motivation Education & Training, Inc.
12 Francisco	Cerda	Texas Workforce Commission
13 Michael	Chamy	Integra-Peak Management
14 Joe	Chamy	Integra-Peak Management
15 David W.	Danenfelzer	Texas State Affordable Housing Corporation
16 Michelle	DenBleyker	YES Housing, Inc.
17 Beatriz	Farias	Motivation Education & Training, Inc.
18 Rose	Garcia	Tierra Del Sol Housing Corporation
19 Adela	Gonzalez	Hidalgo County Housing Authority
20 Gil	Gonzalez	UTSA Rural Business Programs
21 Brent	Guldahl	Commercial Insurance Solutions
22 Dennis	Hoover	Hamilton Valley Management
23 Carol	Hoover	Hamilton Valley Management
24 Danna	Hoover	Hamilton Valley Management
25 Nena	Hoover	Hamilton Valley Management
26 Ken	Hubert	Motivation Education & Training, Inc.
27 Todd	Kercheval	Todd Kercheval, Consultant
28 Pete	Laney	Former Speaker of the House
29 Pablo	Ledezma	Motivation Education & Training, Inc.
30 Linda	Logan	Texas Council for Developmental Disabilities
31 David	Long	TSAHC
32 Barbara	Lusinger	Texas Workforce Commission
33 Samatha	Maggiari	Texas Homeless Network
34 Warren	Maupin	Maupin Development
35 Mark	Mayfield	Texas Housing Foundation
36 Tina	McCann	Assisted Care Management
37 Ginger	McGuire	Austin Stone
38 Mayte	Mendez	Motivation Education & Training, Inc.
39 Enrique	Montalvo	Motivation Education & Training, Inc.
40 Franklin	Montgomery	Motivation Education & Training, Inc.
41 Kate	Moore	Kate Moore Consulting
42 Lora	Myrick	BETCO Consulting
43 Karen	Paup	Texas Low Income Housing & Information Service
44 Martha	Perez	farmworker - c/o Motivation Education & Training, Inc.

45	Angie	Ruddock	Commercial Insurance Solutions
46	Jim	Shaw	Capital Area Housing Finance Corp.
47	William	Sowell	MWS Management, Inc.
48	Michael	Sowell	MWS Management, Inc.
49	Jeanne	Talerico	TALHFA
50	Stacey	Taylor	Motivation Education & Training, Inc.
51	Janie	Taylor	TSAHC
52	Tim	Thetford	Representative Giddings Office
53	Kathy	Tyler	Motivation Education & Training, Inc.
54	Lisa	Vecchietti	Lancaster Pollard
55	Eric	Weiner	TDHCA
56	Royce Ann	Wiggins	RRHA of Texas

6-Mar-15 Registered but unable to attend

First Name	Second Name	Organization
Perla	Cavazos	Senator Sylvia Garcia
Donna	Chatham	Senator Lucio Office
Daniel	Collins	Senator Jose Rodriguez
Jeff	Crozier	General Land Office
Roxanne	del La Garza	Senator Hinojosa Office
Richard	Dominguez	Senator Royce West Office
Jeanie	Donovan	Senator Judith Zaffirini
Michelle	Filut	Texas Workforce Commission
Larissa	Garcia	Senaor Hinojosa Office
Todd	Hunter	Representative
Frank	Jackson	TAAHP
Diana	Lopez	Guadalupe Economic Services Corporation
David	Mintz	Texas Apartment Association
Cheryl	Rogers	Colony IV, Inc.

PHOTOS of EXEMPLARY RURAL MULTI-FAMILY HOMES



PASEO del ORO APARTMENTS

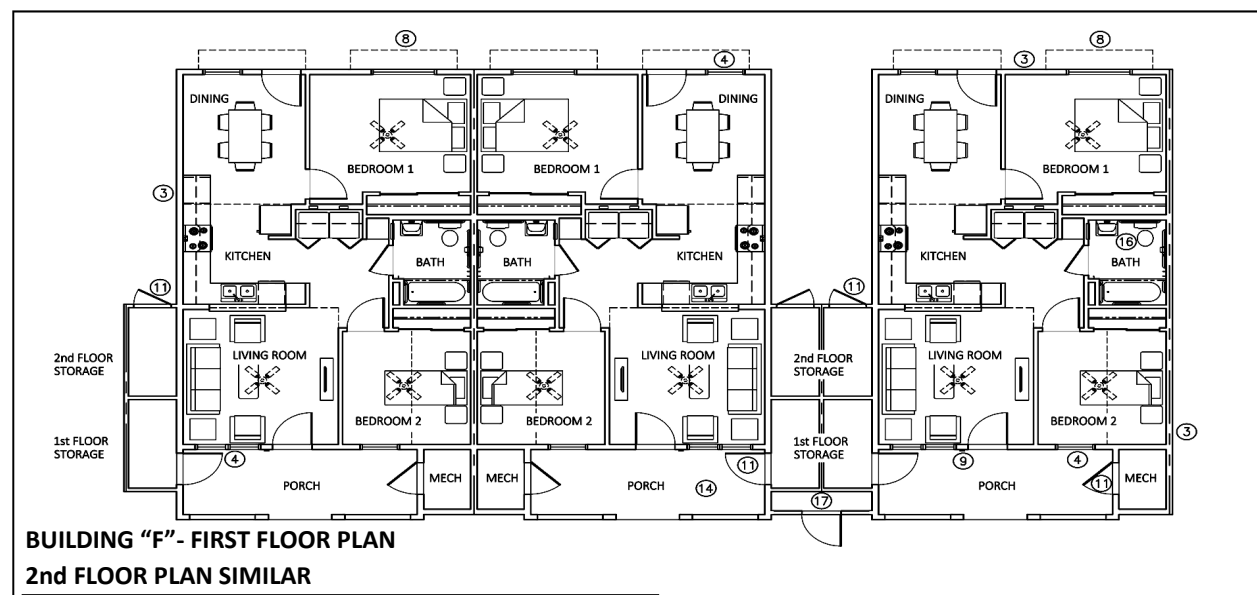
BEST PRACTICE– FLH IN THE PLANNING



BUILDING "F"-NORTH ELEVATION



BUILDING "F"-SOUTH ELEVATION



The Paseo del Oro Apartments are designed to provide quality affordable housing for farm workers and their families in the rural agricultural valley of the Rio Grande in southern New Mexico. The development is sponsored by Housing and Economic Rural Opportunity, Inc. HERO, a New Mexico & Texas nonprofit housing developer. HERO structured a limited partnership as a single asset legal entity to allow the partnership to leverage multiple federal housing resources for the development of this project. In addition to the USDA RD 514 farm labor loan, the partnership will use low-income housing tax credits which are allocated by the New Mexico Finance Agency.

The apartment complex is 24 units comprised of 2, 3 and 4 bedroom apartments. The unit layouts have been specifically designed with consideration for larger families. The apartment complex will have LEED Platinum Certification. The apartments will exceed the requirements to be certified as an Energy Star home under EPA guidelines. The development is also capable of achieving certification as a Water Sense Home. All building systems and materials will be specifically identified and installed to achieve highly insulated, efficient building envelopes.



FARM WORKER HOUSING OPPORTUNITIES

Las Cruces, New Mexico
210 E. Idaho • Las Cruces, NM •
Phone 575-541-0477

Anthony, New Mexico
880 Anthony Drive, Suite 3 C •
Anthony, NM • Phone 575-882-3554

El Paso, Texas
6801 Viscount Blvd • El Paso, TX •
Phone 915-771-0557

www.tierradelsolhousing.org



FARM WORKER HOUSING USING USDA RURAL DEVELOPMENT
SECTION 514 AND SECTION 516 FUNDING
PURPOSE & ELIGIBILITY INFORMATION

Farm Labor Housing Loans and Grants – Purpose:

The intended purpose of the USDA Rural Development Section 514 Farm Labor Housing loans and Section 516 Farm Labor Housing grants is to increase the number of available housing units for domestic farm workers. Funds from the loans/grants are used for the construction of new off-farm FLH units and related facilities for domestic farm workers and for the purchase and substantial rehabilitation of an existing non-FLH property.

Applicant Eligibility:

To be eligible to receive USDA Rural Development Section 514 loan for off-farm FLH, the applicant must be a broad-based non-profit organization, including community and faith –based organizations, a non-profit organization of farm works, a federally recognized Indian tribe, an agency or political subdivision of a state or local government, or a public agency such as a public housing authority; or a limited partnership which has a non-profit entity as its general partner. The applicant must be unable to provide the necessary housing from its own resources.

Additionally, to be eligible to receive a USDA Rural Development Section 516 grant, the applicant must be able to contribute at least one-tenth of the total development cost from non-Rural Development resources which can include leveraged funds. Section 516 grants for off-farm FLH may not exceed 90 percent of the total development cost.

Tenant Eligibility:

Tenancy in multifamily housing units constructed using RD Section 514/Section 516 grant and/or loan funds must be open to all qualified domestic farm workers.

Domestic farm worker is defined as person who receives a substantial portion of his or her income from the primary production of agricultural or aqua cultural commodities in the unprocessed or processed state and also includes the person’s family.

Eligibility includes persons who meet the definition of a “disabled domestic farm laborer” or a “domestic farm worker” or “retired domestic farm laborer”. Farm workers who are admitted to this country on a temporary basis under the Temporary Agricultural Workers [H-2A Visa] program are not eligible to occupy Sections 514/516 off farm FLH.

FARM WORKER HOUSING



PRESIDIO DOLORES APARTMENTS

This is a 36 unit multifamily rental complex comprising a mix of two, three and four bedroom units. Financing is from USDA Rural Development, the Texas Department of Housing and Community Affairs and Low Income Housing Tax Credits. It is located in the greater metropolitan area of the City of El Paso, Texas, along the United States border with Mexico.



DESERT SUN APARTMENTS

Located in Southwestern New Mexico, this apartment complex was one of the first multifamily rental developments in New Mexico that used Low Income Housing Tax Credits with Rural Development Section 514 funding. It offers 56 unit mix of two, three and four bedroom apartments. The larger bedroom size accommodates larger farm worker families.

TECHNICAL ASSISTANCE SERVICES

Technical Assistance Services are to include all or some of the following as determined necessary by Tierra del Sol

- Determine Sponsor eligibility, capabilities, expectations, and training needs. Establish basis of technical assistance including key contact person (s) and enter into TA Agreement.
- Assist in identifying consultant to develop needs assessment/market study to ascertain housing need in the area.
- Assist in formation of development team of: architect, engineer, city officials (if necessary), management agent, etc.
- Locate potential sites that will meet USDA requirements taking into consideration environmental concerns, zoning, etc.
- Assist in discussions with localities for zoning approval, utility availability and any other site issues. Assist in any zoning/annexation process.
- Create initial project design, estimated costs and development schedule with Sponsor, including, staff, architect, engineer and RD State office. Determine pre-development cost needs and source of funds. Initiate activities to assist Sponsor in acquiring necessary funds.
- Assist in the development of a service plan based on local service providing agencies.
- Assist in the development of a property management plan and management agreement.
- Assist in the preparation of the USDA submittal.
- Assist with identification of team for Low Income Housing Tax Credits (if necessary) including LIHTC Consultant and LIHTC attorney.
- Assist in addressing any USDA questions/concerns
- Assist in financial commitment for any gap financing, construction loans (if necessary) after USDA award
- Assist with the final submittal to USDA including: final drawings, final construction estimates, and any other documents USDA deems necessary to move to closing.
- Assist with bid process in determining a contractor.
- Assist with the coordination of closing and assuring all documentation is complete.
- Assist with coordinating tasks throughout construction process; including inspections, reports, and documentation for Davis Bacon.
- Assist sponsor in process for initial rent – up, as applicable. Provide initial oversight in Implementation of property management plan, including staffing, tenant application processing, rental assistance procedures, screening practices, leases, USDA reporting requirements.
- Review sponsor’s accounting system, accounting procedures, and practices to safeguard the collection and disbursement of funds, during both Project development and on – going management phases. If necessary assist in hiring in – house staff or contracting with an independent firm.
- Coordinate sponsor’s role in post – construction final closing, including any construction punch lists after substantial completion, and construction warranties.



United States Department of Agriculture

Rural Development • Rural Housing Service

Farm Labor Housing Direct Loans & Grants

What does this program do?

It provides affordable financing to develop housing for year-round and migrant or seasonal domestic farm laborers.

Who may apply for this program?

This program assists qualified applicants that cannot obtain commercial credit on terms that will allow them to charge rents that are affordable to low-income tenants. Borrowers must have sufficient qualifications and experience to develop and operate the project. Qualified applicants include:

- Farmers, associations of farmers and family farm corporations.
- Associations of farmworkers and nonprofit organizations.*
- Most State and local governmental entities.*
- Federally-recognized Tribes.* [i](#)

*Eligible to apply for grants and loans.

What is an eligible area?

Housing may be constructed in urban or rural areas, as long as there is a demonstrated need.

How may funds be used?

Construction, improvement, repair and purchase of housing for domestic farm laborers is the primary objective of this program.

Funding may also be available for related activities including:

- Buying and improve land.
- Purchasing household furnishings.
- Paying construction loan interest.
- For a complete list see [7 CFR Part 3560.53](#).

Who may live in the rental housing?

- Domestic farm laborers, [i](#) including those working on fish and oyster farms and on-farm processing.
- Retired and/or disabled farm laborers.
- Must be a U.S. citizen or permanent resident.
- Very-low- to moderate-income households. [i](#)

What kinds of funding are available?

- Low interest loans.
- Grants based on need and may not exceed 90% of project cost.

What are the loan terms?

- Up to 33 year payback period.
- 1% fixed rate.
- An allocation of loan funds is also available for on-farm labor housing and is funded on a first-come, first-served basis.
- Contact [your local RD office](#) for details applicable for your project.

How do we get started?

A two-phase application process starts with pre-applications accepted on an annual basis through a Notice of Funding Availability (NOFA) in the Federal Register. Selected pre-applications are invited to submit final applications.

Who can answer questions?

Contact your [RD State office](#) or you can find [Rural Rental Properties](#) online.

What governs this program?

- Off-Farm: [7 CFR 3560 Subpart L](#)
- On-Farm: [7 CFR 3560 Subpart M](#)
- Title V of the Housing Act of 1949

NOTE: Because citations and other information may be subject to change please always consult the program Instructions listed in the section above titled "What Law Governs this Program?" You may also contact your [local office](#) for assistance.

You will find additional forms, resources, and program information at www.rd.usda.gov



United States Department of Agriculture

Rural Development • Rural Housing Service

Multi-Family Housing Direct Loans

What does this program do?

This program provides competitive financing for affordable multi-family rental housing for low-income, elderly, or disabled individuals and families in eligible rural areas.

Who may apply for this program?

This program assists qualified applicants that cannot obtain commercial credit on terms that will allow them to charge rents that are affordable to low-income tenants. Qualified applicants include:

- Individuals, trusts, associations, partnerships, limited partnerships, nonprofit organizations, for-profit corporations and consumer cooperatives.
- Most state and local governmental entities.
- Federally-recognized Tribes. [i](#)
- Borrowers must have legal authority needed to construct, operate and maintain the proposed facilities and the services proposed.

What is an eligible area?

A list of designated eligible places is available from each [RD State Office](#).

How may funds be used?

Construction, improvement and purchase of multi-family rental housing for low-income families, the elderly and disabled individuals is the primary objective for this program.

Funding may also be available for related activities including:

- Buying and improve land.
- Providing necessary infrastructure.
- For a complete list see Code of Federal Regulations, [7CFR Part 3560.53](#).

Who may live in the rental housing?

- Very-low income to moderate-income families or individuals. [i](#)
- Elderly people aged 62 or older.
- People with disabilities.

What kinds of funding are available?

Direct, competitive loans.

What are the loan terms?

- Up to 30 year payback period.
- Lowest rate at either the time of loan approval or loan closing will be used.
- Contact your [local RD Office](#) for details and current interest rates applicable for your project.

How do we get started?

Applications for this program are accepted on an annual basis. A Notice of Funding Availability (NOFA) is posted in the Federal Register.

Who can answer questions?

Contact your [RD State Office](#) or you can find [Rural Rental Properties here](#) to apply as a tenant.

What governs this program?

- Code of Federal Regulation, [7 CFR 3560](#)
- [HB-1-3560](#)
- [HB-2-3560](#)
- Title V of the Housing Act of 1949

NOTE: Because citations and other information may be subject to change please always consult the program Instructions listed in the section above titled "What Law Governs this Program?" You may also contact your [local office](#) for assistance.

You will find additional forms, resources, and program information at www.rd.usda.gov



United States Department of Agriculture

Rural Development • Rural Housing Service

Multi-Family Housing Loan Guarantees

What does this program do?

The program works with qualified private-sector lenders to provide financing to qualified borrowers to increase the supply of affordable rental housing for low- and moderate-income individuals and families in eligible rural areas and towns.

Who may apply for this program?

Private lenders may apply for a loan guarantee on loans made to an eligible borrower who is unable to obtain commercial credit on reasonable terms without the guarantee.

Eligible lenders must be approved and active in one of the following programs:

- Fannie Mae, Freddie Mac, Ginnie Mae
- HUD
- Federal Home Loan Bank members.
- State or local housing finance agencies.

Eligible borrowers include:

- Most state and local governmental entities.
- Nonprofit organizations.
- For-profit organizations, including LLC's.
- Federally-recognized Tribes. [i](#)

Additional requirements include:

- Rent for individual units is capped at 30% of 115% area median income.
- Average rent for an entire project (including tenant paid utilities) cannot exceed 30% of 100% of area medium income, adjusted for family size.
- Complexes must consist of at least five units.
- Complexes may contain units that are detached, semi-detached, row houses or multi-family structures.

What is an eligible area?

Areas that may be served include:

- Rural areas and towns with 20,000 or fewer people - [Check eligible addresses.](#)
- Federally-recognized tribal lands.

How may funds be used?

Construction, improvement and purchase of multi-family rental housing for low to moderate income families and individuals is the primary objective for this program. Funding may also be available for:

- Buying and improving land.
- Providing necessary infrastructure.
- For a complete list see Code of Federal Regulations, [7CFR Part 3565.205.](#)

What are the terms of a loan guarantee?

- The maximum guarantee is typically 90% for for-profit entities and 97% for non-profit entities.
- Minimum term of 25 years and maximum term of 40 years.
- Interest rate negotiated between the lender and the borrower is fixed for the life of the loan guarantee.

Who will service the loan?

Loans guaranteed through this program are serviced through the private lender that makes the loan, just as they would be without a guarantee.

Who may live in the rental housing?

- Low- to moderate- income families or individuals. [i](#)
- Is there a list of qualified private lenders in my area?
- Contact your [RD office](#) for a current list of lenders participating in the program.



United States Department of Agriculture

Rural Development • Rural Business-Cooperative Service

Business & Industry Loan Guarantee

What does this program do?

This program bolsters the existing private credit structure through the guaranteeing of loans for rural businesses, allowing private lenders to extend more credit than they would typically be able to.

Who may apply for this program?

Lenders with legal authority, sufficient experience, and financial strength to operate a successful lending program like:

- Federal or State chartered banks
- Savings and loans
- Farm credit banks
- Credit unions

What kind of borrower may the lender request a guarantee for?

- For-profit business
- Nonprofits and cooperatives
- Federally recognized Tribes ⓘ
- Public bodies

Are there restrictions on the borrower?

- Government or military employees may not own more than 20%
- Majority ownership must be held by US citizens or permanent residents ⓘ

What is an eligible area?

- Rural areas outside a city or town with a population of less than 50,000
- Urbanized areas near a city of 50,000+ may not be eligible
- The borrower's headquarters may be based within a larger city so long as the project service area is located in an eligible rural area
- The lender may be located anywhere

[Check eligible addresses for Business Programs](#)

How may funds be used?

Eligible uses include but are not limited to:

- Business conversion, enlargement, repair, modernization, or development
- Purchase and development of land, easements, rights-of-way, buildings, or facilities
- Purchase of equipment, leasehold improvements, machinery, supplies, or inventory
- Debt refinancing when new jobs will be created and other conditions are met
- Business and industrial acquisitions when the loan will keep the business from closing and/or save or create jobs

Guaranteed loan funds **MAY NOT** be used for:

- Lines of credit
- Owner-occupied and rental housing
- Golf courses
- Racetracks or gambling facilities
- Churches or church-controlled organizations
- Fraternal organizations
- Lending, investment and insurance companies
- Projects involving more than \$1 million and the relocation of 50 or more jobs
- Production agriculture, with certain exceptions ⓘ

What collateral is required?

Collateral must have documented value sufficient to protect the interest of the lender and the Agency. ⓘ The discounted collateral value will normally be at least equal to the loan amount. Lenders will discount collateral consistent with sound loan-to-value policy. Hazard insurance is required on collateral (equal to the loan amount or depreciated replacement value, whichever is less).

What is the maximum amount of a loan guarantee?

- 80% for loans of \$5 million or less
- 70% for loans between \$5 and \$10 million
- 60% for loans exceeding \$10 million, up to \$25 million maximum



United States Department of Agriculture

Rural Development • Rural Business-Cooperative Service

Rural Energy for America Program - Renewable Energy & Energy Efficiency

What does this program do?

Provides guaranteed loan financing and grant funding to agricultural producers and rural small businesses to purchase or install renewable energy systems or make energy efficiency improvements.

Who may apply?

- Agricultural producers with at least 50% of gross income coming from agricultural operations, and
- Small businesses in [eligible rural areas](#).

NOTE: Agricultural producers and small businesses must have no outstanding delinquent federal taxes, debt, judgment or debarment.

What is an eligible area?

- Businesses must be in an area other than a city or town with a population of greater than 50,000 inhabitants and the urbanized area of that city or town. [Check eligible business addresses](#).
- Agricultural producers may be in rural or non-rural areas.

How may the funds be used?

Funds may be used for the purchase, installation and construction of renewable energy systems, such as:

- Biomass (for example: biodiesel and ethanol, anaerobic digesters, and solid fuels).
- Geothermal for electric generation or direct use.
- Hydropower below 30 megawatts.
- Hydrogen.
- Small and large wind generation.
- Small and large solar generation.
- Ocean (tidal, current, thermal) generation.

Funds may also be used for the purchase, installation and construction of energy efficiency improvements, such as:

- High efficiency heating, ventilation and air conditioning systems (HVAC).
- Insulation.

- Lighting.
- Cooling or refrigeration units.
- Doors and windows.
- Electric, solar or gravity pumps for sprinkler pivots.
- Switching from a diesel to electric irrigation motor.
- Replacement of energy-inefficient equipment.

What funding is available?

- Loan guarantees on loans up to 75% of total eligible project costs.
- Grants for up to 25% of total eligible project costs.
- Combined grant and loan guarantee funding up to 75% of total eligible project costs.

What are the loan guarantee terms?

- \$5,000 minimum loan amount.
- \$25 million maximum loan amount.
- Up to 85% loan guarantee.
- Rates and terms negotiated with the lender and subject to USDA approval.
- Maximum term of 30 years for real estate.
- Maximum term of 15 years, or useful life, for machinery and equipment.
- Maximum term of 7 years for capital loans.
- Maximum term of 30 years for combined real estate and equipment loans.

What are the grant terms?

Renewable Energy System Grants:

- \$2,500 minimum.
- \$500,000 maximum.

Energy Efficiency Grants:

- \$1,500 minimum.
- \$250,000 maximum.

Are there additional requirements?

- Applicants must provide at least 75% of the project cost if applying for a grant only.
- Applicants must provide at least 25% of the project cost if applying for loan, or loan and grant combination.
- Projects greater than \$200,000 require a technical report.
- Energy efficiency projects require an energy audit or assessment.

How do we get started?

Applications for this program are accepted year round at your [local office](#).

Who can answer questions?

Contact your [State Rural Development Energy Coordinator](#).

What governs this program?

- Basic Program – [7 CFR 4280, Subpart B](#)
- This program is authorized by Title IX of the [Agricultural Act of 2014](#), (2014 Farm Bill)

Why does USDA Rural Development do this?

This program helps increase American energy independence by increasing the private sector supply of renewable energy and decreasing the demand for energy through energy efficiency improvements. Over time, these investments can also help lower the cost of energy costs for small businesses and agricultural producers.

NOTE: Because citations and other information may be subject to change please always consult the program Instructions listed in the section above titled “What Law Governs this Program?” You may also contact your [local office](#) for assistance.

You will find additional forms, resources, and program information at www.rd.usda.gov

What are the loan terms?

- Maximum term on real estate is 30 years
- Maximum term on machinery and equipment is useful life or 15 years, whichever is less
- Maximum term on working capital not to exceed 7 years
- Balloon payments are not permitted
- Reduced payments may be scheduled in the first 3 years
- 10 percent or more for existing businesses, or
- 20 percent or more for new businesses.
- Key person life insurance may be required and the amount negotiated. A decreasing term life insurance is acceptable
- Personal and corporate guarantees are normally required from all proprietors, partners (except limited partners), and major shareholders (i.e., all those with a 20 percent or greater interest)

What are the interest rates?

- Interest rates are negotiated between the lender and borrower, subject to Agency review
- Rates may be fixed or variable
- Variable interest rates may not be adjusted more often than quarterly

What are the applicable fees?

- There is an initial guarantee fee equal to 3% of the guaranteed amount
- There is an annual renewal fee, currently 0.5% of outstanding principal ⓘ
- Reasonable and customary fees are negotiated between the borrower and lender

What are the underwriting and security requirements?

- The proposed operation must have realistic repayment ability
- New enterprises may be asked to obtain a feasibility study by a recognized independent consultant
- The business and its owners must have a good credit history
- At loan closing/project completion, the business must have tangible balance sheet equity position of:

How do we get started?

- Applications are accepted from lenders through our [local offices](#) year round
- Interested borrowers should inquire about the program with their lender
- Lenders interested in participating in this program should contact the USDA Rural Development Business Programs Director in the [state](#) where the project is located

Who can answer questions?

Contact our [local office](#) that serves your area.

What governs this program?

- Basic Program: [Code of Federal Regulation, 7 CFR 4279-A&B](#)
- Loan Servicing: [Code of Federal Regulation, 7 CFR 4287-B](#)
- This program is authorized by the Consolidated Farm and Rural Development Act (ConAct)

Why does USDA Rural Development do this?

This program improves the economic health of rural communities by increasing access to business capital through loan guarantees that enable commercial lenders to provide more affordable financing for businesses in eligible rural areas.

NOTE: Because citations and other information may be subject to change please always consult the program Instructions listed in the section above titled “What Law Governs this Program?” You may also contact your [local office](#) for assistance.

You will find additional forms, resources, and program information at www.rd.usda.gov

How do we get started?

Applications for this program are accepted on an annual basis. A Notice of Funding Availability (NOFA) is posted in the Federal Register.

Who can answer questions?

Contact your [State Rural Development office](#) or you can find [Rural Rental Properties here](#) to apply as a tenant.

What governs this program?

- Code of Federal Regulation, [7CFR Part 3565](#)
- [HB-1-3565](#)
- This program is authorized by Title V of the Housing Act of 1949

NOTE: Because citations and other information may be subject to change please always consult the program Instructions listed in the section above titled “What Law Governs this Program?” You may also contact your [local office](#) for assistance.

You will find additional forms, resources, and program information at www.rd.usda.gov



FACT SHEET

Energy Programs through NRCS and Rural Development

ADDITIONAL RESOURCES

USDA - NATURAL RESOURCES CONSERVATION SERVICE

National Energy Website: <http://www.nrcs.usda.gov/wps/portal/nrcs/main/national/energy/> Includes information on Farm Energy Efficiency, Conservation Energy Estimators and articles on various conservation practices. **National NRCS EQIP On-Farm Energy Initiative:** <http://www.nrcs.usda.gov/wps/portal/nrcs/detail/national/programs/financial/eqip/?cid=stelprdb1046252>

USDA – RURAL DEVELOPMENT

The Rural Assistance for America Program (REAP): http://www.rurdev.usda.gov/BCP_Reap.html

FOR ADDITIONAL INFORMATION

NRCS EQIP: local district conservationist

NRCS TECHNICAL CONTACTS FOR ENERGY PRACTICES:

Mark Northcut

mark.northcut@tx.usda.gov

254-742-9824

Catherine Nash

Catherine.nash@tx.usda.gov

254-742-9915

RURAL DEVELOPMENT:

Billy Curb Billy.Curb@tx.usda.gov

254-742-9775

NATURAL RESOURCES CONSERVATION SERVICE

(NRCS) has funding available through the Environmental Quality Incentives Program (EQIP) through the National On-Farm Energy Initiative. These funds are available for:

Agricultural Energy Management Plan – this provides a road map to energy savings on an agricultural operation. This plan is also considered an energy audit and will be completed by a third-party technical service provider.

Conservation Practice Implementation – operations that have an audit completed that meets NRCS requirements, regardless of whether it was funded by NRCS or not, can apply for EQIP funding of conservation practices identified in the audit. These may include, but are not limited to:

Farmstead Energy Improvement – the eligible scenarios include Exhaust Ventilation, Horizontal Air Flow Ventilation (greenhouses), Plate Cooler Refrigeration (dairy), Scroll Compressor Refrigeration (dairy), Variable Speed Drive (VSD) Controllers greater than 5 HP, Motors, Radiant Systems Air Heating (poultry), Building Air Heating, Attic Heat Recovery Vents for Air Heating, Grain Dryer for Drying

Lighting System Improvement – the eligible scenarios include Compact Fluorescent Lamps (CFL) Lighting, Light-Emitting Diode (LED) Lighting, Linear Fluorescent Lighting, Pulse-Start Metal Halide (PSMH) Lighting, Automatic Controller System. Proposed lights will be approved by integrator or others based on minimum lighting requirements established for its application. In addition to individual lights, typical replacement will include appropriate new dimmer switches each type of bulb.

Building Envelope Improvement – the eligible scenarios include Attic Insulation, Wall Insulation, Sealant (cracks or gaps in building perimeter), Greenhouse screens, Greenhouse insulation

RURAL DEVELOPMENT – the Rural Energy for America Program (REAP) provides grants and loan guarantees to rural small businesses and agricultural producers for energy efficiency and renewable energy.

- **Grants** – maximum of 25% of the project funded with federal funds.
- **Guaranteed loans** – maximum of 75% federal funds or assistance for the project
- **Grants + Guaranteed Loans** – limited to 75% of project with federal funding



REQUIREMENTS AT A GLANCE

	NATURAL RESOURCES CONSERVATION SERVICE ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	RURAL DEVELOPMENT RENEWABLE ENERGY	RURAL DEVELOPMENT ENERGY EFFICIENCY
AGRICULTURAL PRODUCERS ELIGIBLE	YES	YES	
RURAL SMALL BUSINESSES (NON-AG PRODUCERS)	NO	YES – must meet location and business size requirements	
ENERGY AUDIT REQUIRED	YES	NO	YES
ADJUSTED GROSS INCOME LIMITATIONS	YES	N/A	
FUNDING AMOUNT	Typically 50-75% of practice cost (not based on actual invoices)	Grant – 25% of actual cost (\$2500-\$500,000 awarded) Guaranteed Loan -- up to 75% of actual cost	Grant -- 25% of actual cost (\$1500-\$250,000 awarded)
FUNDING FOR THE ENERGY AUDIT	YES	NO	
ELIGIBLE PROJECTS OR PRACTICES	Farmstead Energy Improvement (374) Lighting System Improvement (670) Building Envelope Improvement (672) Other practices identified in the energy audit	Energy production using: biomass; geothermal, hydrogen, solar, wind, hydroelectric, and ocean	Purchase and installation of non-residential energy efficiency improvements to a building of process resulting in reduced energy consumption
APPLICATIONS	Submit application year-round	Deadlines: April 30, 2015 and June 30, 2015	
FUNDING ALLOCATED FOR ENERGY IN TEXAS		\$2.6 Million	

COULD AN AGRICULTURAL PRODUCER RECEIVE FUNDS FROM BOTH NRCS AND RURAL DEVELOPMENT FOR ENERGY?


Yes. As long as the funds from each do not pay more than 100% of the cost to install the same conservation practice or plan. Rural Development limits federal funding of a project to 25% grant and 75% guaranteed loan (if the bank requires a guarantee).


As an example, a Texas dairy wants EQIP funding to install Lighting System Improvement using LED lighting (more energy efficient) in the facility as identified in their Agricultural Energy Management Plan (energy audit). The actual cost of the project is \$50,000. The EQIP amount funded is \$23,000. This project would not be eligible for a

REAP grant because it already exceeds 25%; however, REAP could provide a loan guarantee for an additional \$14,500, which brings the maximum federal funding to 75% of the actual cost.

As a different example, a Texas poultry facility plans to insulate their barns, install LED lights and install solar panels for electrical generation. The facility elects to utilize EQIP for Lighting System Improvement (the insulation and lighting upgrades). They can then use REAP funding for the new electrical generation.




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Farm Loan Programs

Farm Operating Loans & Microloans

FSA's [Direct Farm Operating](#) loans are a valuable resource to establish, maintain and strengthen your farm or ranch. Under its direct loan program, FSA loan officers are responsible for every aspect of the [loan application process](#), and funding is provided through [Congressional appropriation](#).

Microloans are direct farm operating loans with a shortened application process and reduced paperwork designed to meet the needs of smaller, non-traditional, and niche type operations. Apprentice and mentorship programs, non-farm business experience, and farm labor experience are acceptable alternative solutions for helping to meet farm experience and managerial requirements.

Operating loans may be used to purchase items such as:

- Livestock and feed
- Farm equipment
- Fuel, farm chemicals, insurance and other operating costs, including family living expenses
- Minor improvements or repairs to buildings
- Refinance certain farm-related debts, excluding real estate

Operating loan funds cannot be used to finance nonfarm enterprises, including exotic birds, tropical fish, dogs or horses used for non-farm purposes (racing, pleasure, show and boarding).


There is no minimum loan amount. The maximum loan amount for a Microloan is **\$50,000**. The maximum loan amount for a Direct Farm Operating Loan is **\$300,000**. There is no down payment requirement.

We encourage you to contact your local office or USDA Service Center to learn more about our programs and the information you will need for a complete application. To locate your local FSA office, [click here](#) or find a listing in the telephone directory in the section set aside for governmental/public organizations under the U.S. Department of Agriculture, Farm Service Agency. Our local FSA offices will be happy to provide you with further information and a loan application.

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