



Rural Development

February 11, 2019

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Administrator

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TO: State Directors
Rural Development

ATTN: Community Programs Directors

FROM: Joel C. Baxley /s/ **Joel C. Baxley**
Administrator
Rural Housing Service

SUBJECT: Rural Development Priorities for Fiscal Year 2019 Community
Facilities Direct Loan and Grant

PURPOSE

This unnumbered letter provides guidance on how to implement lending priorities in the Community Facilities Loan and Grant Programs to support the Fiscal Year 2019 Rural Development goals and objectives.

Rural Development encourages applications that will help improve life in rural America. See information on the Interagency Task Force on Agriculture and Rural Prosperity found at www.usda.gov/ruralprosperity. Applicants are encouraged to consider projects that provide measurable results in helping rural communities build robust and sustainable economies through strategic investments in infrastructure, partnerships and innovation. The Calls to Action include:

- Achieving e-Connectivity for Rural America
- Developing the Rural Economy
- Harnessing Technological Innovation
- Supporting a Rural Workforce
- Improving Quality of Life

Within the above calls to action, Rural Development also encourages applications which support the Administration's goal to reduce the morbidity and mortality associated with Substance Use Disorder and those which include investments in Opportunity Zones.

EXPIRATION DATE:
February 29, 2020

FILING INSTRUCTIONS:
Community Programs

IMPLEMENTATION RESPONSIBILITIES

Consistent with the Rural Development's priorities and the existing regulatory frameworks for the Community Facilities Direct Loan Program found at 7 CFR Part 1942 and the Community Facilities Grant Program found at 7 CFR Part 3570, State Director Points and Administrator Points for Community Facilities Direct Loan Funds should be used to support funding for the following types of projects. (Community Programs Guaranteed Loans under 7 CFR Part 3575 do NOT provide similar administrative discretionary points):

- Essential community facilities advancing reliable and affordable high-speed internet connectivity through financing end-user equipment such as distance learning and telemedicine, and health information technology, as well as internal wiring and publicly available wi-fi capability within a facility.
- Essential community facilities advancing quality of life via modern utilities, efficient transportation, access to medical services, including those for the treatment of and recovery from Substance Use Disorder (more guidance below), improved public safety, and improved public education.
- Essential community facilities advancing career training and development, including apprenticeship opportunities, and other facilities, to provide rural communities, organizations, and businesses a skilled workforce such as technical colleges, business incubators, and vocational technical high schools.
- Essential community facilities advancing technological innovation, e.g. expansion of STEM education and research; infrastructure development; innovative technology research, development and manufacturing; and robotics. Examples include: charter schools, science and technology high schools, and college and university campus academic buildings.
- Essential community facilities advancing innovative farm technologies, energy security, agritourism, and sustainable forest management, such as community college and university academic buildings.

Substance Use Disorder – Rural Development encourages applications that will support the Administration's goal to reduce the morbidity and mortality associated with Substance Use Disorder (including opioid misuse) in high-risk rural communities by strengthening the capacity to address prevention, treatment and/or recovery at the community, county, state, and/or regional levels. Points should be awarded for projects which include:

- Prevention: Reducing the occurrence of Substance Use Disorder (including opioid misuse) and fatal substance-related overdoses through community and provider education and harm reduction measures;
- Treatment: Implementing or expanding access to evidence-based treatment practices for Substance use Disorder (including opioid misuse);

- Recovery: Expanding peer recovery and treatment options that help rural residents start and stay in recovery.

Opportunity Zones – Rural Development encourages projects located in rural Opportunity Zones. Community Program applicants would not realize the tax benefits of this investment; however, these areas have been identified as economically-distressed communities where projects should assist in building robust and sustainable economies. Localities qualify as Opportunity Zones if they have been nominated for that designation by the state and that nomination has been certified by the Secretary of the U.S. Treasury via his delegation of authority to the Internal Revenue Service. A list and map of approved Opportunity Zones can be found at:

<https://www.cdfifund.gov/pages/opportunity-zones.aspx>

The Agency should support these goals by using flexibilities permitted in the program regulations. For example, 7 CFR 1942.17(c)(2) outlines the project selection process for preapplications in the Community Facilities Direct Loan Program. Paragraph 1942.17(c)(2)(iii)(E) grants State Directors authority to add up to 15 points to an application's score:

to improve compatibility/coordination between Rural Development's and other agencies' selection systems and to assist those projects that are most cost effective. A written justification must be prepared and placed in the project file each time the State Director assigns these points.

Similarly, 7 CFR 3570.67 outlines the project selection process for applications in the Community Facilities Grant Program. Paragraph 3570.67(d)(1) grants State Directors the authority to add up to 15 points to an application's score:

to address unforeseen exigencies or emergencies, such as the loss of a community facility due to an accident or natural disaster or the loss of joint financing if Agency funds are not committed in a timely fashion. In addition, the points will be awarded to projects benefiting from the leveraging of funds in order to improve compatibility and coordination between the Agency and other agencies' selection systems and for those projects that are the most cost effective.

The Administrator has similar authority to add points to an application's score in both the Community Facilities Direct Loan and Grant Programs. For example, under 7 CFR §1942.17(c)(2)(vii) when states seek additional direct loan funding from the National Office, the Administrator:

may assign up to 15 additional points to account for items such as geographic distribution of funds and emergency conditions caused by economic problems or natural disasters.

For grants under 7 CFR 3570.67(d)(2), the Administrator:

may assign up to 30 additional points to account for geographic distribution of funds, emergency conditions caused by economic problems, natural disasters, or leveraging of funds.

The Administrator will use these authorities to the greatest extent allowed to support the Report goals noted above.

In addressing the Calls to Action in the Report, continue to take a close look at your statutory and regulatory requirements regarding rurality, project eligibility, applicant eligibility, financial feasibility and security, as applicable, for each loan and grant application. These requirements are further clarified in currently published Administrative Notices. Compliance with these requirements and guidelines is necessary to protect the integrity of the Community Facilities Loan and Grant Programs and ensure consistency in their implementation.

If you have any questions, please contact an Asset Risk Management Specialist for your region.