Rural Development

Rural Energy for America Program (REAP)

RD Instruction 4280-B
7 CFR Part 4280 – Federal Register
REAP at a Glance

2002 Farm Bill: (Section 9006)
• Established as a grant and loan guarantee program;
• To assist agricultural producers and rural small businesses;
• To purchase/install renewable energy systems and make energy efficiency improvements.

2008 Farm Bill: (Section 9007) (renamed to REAP)
• Added grants for Feasibility Studies, Energy Audits and Renewable energy development assistance;
• Added Small Hydropower/hydroelectric and Ocean technologies.

2014 Farm Bill:
• Rescinded grants for Feasibility Studies
• Rescinded flexible fuel pump technologies
• Provided streamlined/simplified application
What is the Rural Energy for America Program?

- Program designed to assist farmers, ranchers and rural small businesses reduce energy cost and consumption with renewable energy and energy efficiency improvement projects

- Provides grants and loan guarantees for renewable energy and energy efficiency projects

- Helps meet the Nation’s critical energy needs
Renewable Energy Systems

Wind turbines
Solar panels
Renewable Biomass
  Biofuels
  Pellets
  Biomass boilers
Anaerobic Digestion
Geothermal
Hydroelectric
Hydrogen
Renewable Energy

Veterinary Hospital

- Rooftop solar panels
- $148,050 Total Cost
- $20,000 REAP Grant
- $128,050 Applicant Funds

30-40% reduction in operating expenses

Renewable Energy
Small Energy Company & Dairy Farmers

1 MW Anaerobic digester
- $4.15 Million Total Cost
- $100,000 REAP Grant
- $2.65 Million REAP Guarantee

Powers an equivalent of 700 homes/year
Rural Auto Repair Shop

11 kW micro-hydropower turbine

- $78,511 Total Cost
- $19,695 REAP Grant
- $58,816 Applicant Funds

51% reduction in energy costs
What is an Energy Efficiency Improvement?

Improvement to a facility, building, or process that reduces energy consumption.

This is determined by an Energy Assessment or Energy Audit.

Only cost identified in these reports are allowed!!!
Energy Efficiency Improvements

Some examples:

- Lighting
- Heating
- Cooling
- Ventilation
- Fans
- Automated Controls
- Insulation
- Equipment Replacement
### Chicken Farm

Radiant heat, fans, vents & computerized controls

- **$99,293 Total Cost**
- **$20,000 REAP Grant**
- **$79,293 Commercial Loan**

Improved egg production, reduced time and labor, energy savings

---

**Energy Efficiency**
Laundromat & Dry Cleaner

<table>
<thead>
<tr>
<th>Energy efficient equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$42,040 Total Cost</td>
</tr>
<tr>
<td>$10,510 REAP Grant</td>
</tr>
<tr>
<td>$31,531 Dealer Financing</td>
</tr>
</tbody>
</table>

52% energy savings
Nursery

Energy efficient glass roof, radiant heat, fans, vents, & computerized controls

- $287,855 Total Cost
- $71,964 REAP Grant
- $100,000 REAP Guarantee
- $115,891 Commercial Loan

40% reduction in energy costs
### Energy Efficiency

#### Rural Manufacturer

- **Efficient lighting system**
  - $78,511 Total Cost
  - $19,695 REAP Grant
  - $58,816 Applicant Funds
  - 50% savings on lighting bill

#### Grocery Store

- **Energy efficient cooler doors**
  - $41,363 Total Cost
  - $8,827 REAP Grant
  - $2,950 Electric Co-op Rebate
  - $500 per month savings
Energy Efficiency

Flower & Gift Shop

- Energy efficient heating & cooling, insulation
- $34,509 Total Cost
- $8,627 REAP Grant
- $17,200 REAP Guarantee
- $8,682 Applicant Funds

60% reduction in energy costs
Who is Eligible?

- Agricultural Producer or Rural Small Business
- Own the Project
- Own or have control of project site
- No Fed Judgments, Delinquencies, Debarment
Eligible Applicants

**Agricultural Producer**
- Individual or entity that receives 50 percent or more of their gross income from agricultural production – crops, livestock, aquaculture, forestry operations, nurseries, dairies

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

A. Purchase a Renewable Energy System or Make Energy Efficiency Improvements
B. Commercially Available Technology
C. Technical Merit (Determined by Tech Report)
D. Rural Area (Under 50,000 Population) - Business
E. Applicant = Owner, control of O&M, 3rd party can be used to manage
F. Site controlled by applicant for financing term
G. Revenue sufficient to cover O&M, management, debt service for the life of the project.
What Cost Are Eligible?

1. Purchase and installation of new or refurbished equipment
2. Construction, Retrofitting, replacement and improvements in association with the RES or EEI project
3. EEI identified in an Energy Audit or Assessment
4. Permit and License Fees
5. Professional Service Fees, except for application prep

Eligible Project Cost are only those that have been incurred after a Complete Application has been received.
What Cost are NOT Eligible?

- Pre-application cost or improvements incurred
- Residential improvements
- Energy efficiency improvements related to new construction
- Vehicles or Agricultural tillage equipment
- Lease payments or federal debts
- Application Preparation or grant writer fees
- Applicant in-kind contributions
- Any with a Conflict of Interest or the appearance thereof
Environmental Review

- Environmental review process should be initiated as early as possible with RD office
- Complete Form RD 1940-20, Request for Environmental Information
- This process can be started even before the application is submitted.
- Contact your local office at:
  or State Energy Coordinator to begin the process.
# REAP Grant Assistance

Up to 25% of Eligible Project Costs

<table>
<thead>
<tr>
<th>Renewable Energy Systems</th>
<th>Energy Efficiency Improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Minimum Grant Request</strong></td>
<td><strong>Minimum Grant Request</strong></td>
</tr>
<tr>
<td>$2,500</td>
<td>$1,500</td>
</tr>
<tr>
<td>Total eligible project costs &gt; $10,000</td>
<td>Total eligible project costs &gt; $6,000</td>
</tr>
<tr>
<td><strong>Maximum Grant Request</strong></td>
<td><strong>Maximum Grant Request</strong></td>
</tr>
<tr>
<td>$500,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Total eligible project costs &gt; $2 million</td>
<td>Total eligible project costs &gt; $1 million</td>
</tr>
</tbody>
</table>
Application Submittal

• Applications can be submitted at any time

• Competition dates contained in regulation
  ✓ No longer dependent upon annual notice
  ✓ Allows public the ability to plan
  ✓ Allows Agency the ability to plan

• Annual funding amount posted on website
Rural Development’s Guaranteed Loan Programs

Back ing the Business of Rural America

USDA Rural Development - the leading advocate for rural America at the federal level.
✓ **LOAN SIZE**
  - Minimum Loan Amount: $5,000
  - Maximum Loan Amount: $25,000,000 (Up to 75% of project cost)

✓ **GUARANTEE**
  - 85% for loans $600,000 or less.
  - 80% for loans over $600,000 up to $5 Million
  - 70% for loans over $5 Million up to $10 Million
  - 60% for loans over $10 Million
✓ MAXIMUM TERM LIMITS
• Working Capital – 7 Years
• Machinery & Equipment – 15 Years (or useful life, which every is less)
• Real Estate – 30 Years

✓ OTHER FUNDS REQUIRED
• 25% of project costs (cash equity)

✓ INTEREST RATE
• Fixed or Variable; if variable cannot adjust more then quarterly
• Negotiated between lender and borrower
✓ **FEES**
  - One-time guarantee fee of 1%
  - ¼% annual renewal fee

**COLLATERAL**

✓ Must be sufficient collateral
✓ Appraised Collateral discounted consistent with typical discount factors.
✓ Typical Discount Factors:
  ✓ Real Estate – 80%
  ✓ M&E – 70 to 75%
  ✓ Inventory & A/R – 60%
B&I/REAP Differences/Opportunities

✓ Guarantee Percentage
  • REAP allows for an 85% Guarantee on loans $600,000 or less

✓ Equity
  • B&I has tangible balance sheet equity requirement
    ▪ 10% of existing business
    ▪ 20% for start up
    ▪ 25-40% for energy projects
  • REAP requires that 25% project costs are other funds and could include:
    ▪ Equity injections
    ▪ Other borrowed funds (including a B&I loan)

✓ Fees
  ▪ 1% (REAP) vs. 3% Guarantee Fee
  ▪ 0.25% (REAP) vs. 0.50% Annual Renewal Fee
Guaranteed Loan Benefits
WHAT CAN IT DO FOR THE BANK

✓ Mitigate Risk
  • Guarantee is a “loss” guarantee

✓ Increase Capital and Improve Bank Liquidity
  • Sale of Loan Note Guarantee on Secondary Market

✓ Help satisfy Community Reinvestment Act requirements

✓ Limit financial exposure — Guaranteed portion doesn’t count against lending limits

✓ Increase Bank Returns
  • Receive servicing fee from Secondary holder
WHAT IT CAN DO FOR BORROWERS

Assists in providing stability and growth through energy efficient improvements and renewable energy utilization.

Provides the ability to receive:
- Higher Loan Amounts
- Competitive Interest Rates
- Longer Repayment Terms
How to Apply

• Contact the local RD Office for application materials and resources:
  • Application materials will also be available at this website: [http://www.rd.usda.gov/REAP](http://www.rd.usda.gov/REAP)

• Submit applications any time of year.

• Applications compete for funding throughout the year based on a scoring process.
GGS Cookeville LLC – Biomass Biodiesel Refinery
Putnam County
Grain Dryer – *Union City Area*
Newman Farms (poultry)
49.6 kW Solar

GroWild Nursery
25.38 kW Solar
Naifeh’s Food Rite
Coolers’ Doors
Improvement
Energy Efficient Improvement Grant

Volunteer Energy
LED Lightning
Energy Efficient Improvement Grant
Other Assistance Provided by
Rural Development through its Business Programs

Business and Industry Guaranteed Loans (B&I)
Intermediary Relending Program (IRP)
Rural Business Development Grant (RBDG)
Rural Economic Development Loan (REDLG)
Value Added Producer Grant (VAPG)
Rural Cooperative Development Grant (RCDG)
Small Socially Disadvantaged Producer Grant (SSDPG)
USDA Rural Development
Rural Energy for America Program (REAP)

www.rd.usda.gov/tn

Union City Office
Tyler Hayes
731-985-6480 x 4
800-342-3149 x 1497
Tyler.Hayes@tn.usda.gov

Nashville Office
Lola Maratita
615-783-1359
800-342-3149 x 1359
Dolores.Maratita@tn.usda.gov

Cookeville Office
Jimmy Allen
931-526-6539 x 2
800-342-3149 x 1493
Jimmy.Allen@tn.usda.gov

Knoxville Office
Chuck Morris
865-523-3338 x 4
800-342-3149 x 1491
Charles.Morris@tn.usda.gov

Greeneville Office
Chad Stovall
423-636-4171 x 4
800-342-3149 x 1490
Chad.Stovall@tn.usda.gov

Jackson Office
Roe Hughes
731-665-2091
800-342-3149 x 1495
Roe.Hughes@tn.usda.gov

Lawrenceburg Office
Susan Shuff
931-762-6913 x 4
800-342-3149 x 1494
Susan.Shuff@tn.usda.gov

Chattanooga Office
Alisa Farmer
423-756-2207 x 2
800-342-3149 x 1492
Alisa.Farmer@tn.usda.gov

Adia Holland
State Energy Coordinator
Nashville, TN 37203
615-783-1373
800-342-3149 x 1373
Adia.Holland@tn.usda.gov

USDA is an equal opportunity lender, provider and employer. To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Ave. S.W., Washington, D.C. 20250-9410 or call 800-795-3272, TDD 615-783-1397.
Rural Energy for America Program (REAP)

www.rd.usda.gov/reap

Adia Holland
Energy Coordinator
3322 West End Avenue, Ste 300
Nashville, TN  37203
615-783-1373
adia.holland@tn.usda.gov

USDA is an equal opportunity provider and employer. To file a complaint of discrimination, write: USDA, Office of the Assistant Secretary for Civil Rights, Office of Adjudication, 1400 Independence Ave., S.W., Washington, DC 20250-9410 or call (866) 632-9992 (Toll-free Customer Service), (800) 877-8339 (Local or Federal relay), (866) 377-8642 (Relay voice users).