



Community Facilities Programs  
Rural Transportation  
Infrastructure: Information  
and Guidance

Together, America Prospers



***If we're going to "Do Right and Feed Everyone," we need better infrastructure to connect cash crops to markets, milk from dairy farms through the supply chain to the grocery stores, timber to lumber mills, clean water to rural households, affordable electricity to factories, teachers to students, and patients to doctors."***

– Agriculture Secretary Sonny Perdue

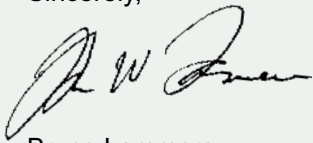
Dear Rural Partner:

At USDA, we believe there is a direct link between robust transportation infrastructure and a rural community's ability to attract and sustain economic development and prosperity. Rural economic development in particular depends on the modernization of traditional infrastructure elements like roads, waterways, railways, and airports. This infrastructure is the very bedrock from which growth springs in America's small towns and communities.

Rural Development is deeply committed to facilitating prosperity and economic development in rural America. Our mission is carried out by more than 4,000 dedicated professionals, many of whom live and work in the very communities we support. Our staff works diligently to help maintain and upgrade the infrastructure investments so important to quality of life in rural America. Together, we ensure our programs are delivered efficiently, effectively, and with integrity and a focus on excellent customer service.

Please join me in sharing this important resource for rural transportation infrastructure. Let's work to bolster partnerships in support of the rural workforce and way of life. Because together, America prospers.

Sincerely,



Bruce Lammers

Administrator for Rural Housing Service



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# Why is Rural Transportation Infrastructure Important?

Rural productivity, prosperity, and quality of life are priorities for the United States Department of Agriculture (USDA). USDA Rural Development's mission is to create economic opportunity and improve the quality of life in rural America. Investments in critically-needed rural transportation infrastructure will help rural communities prosper.

America's rural communities are an important link in the nation's transportation network. Coast-to-coast, border-to-border, city-to-city, and farm-to-market, rural transportation systems connect our country. According to the U.S. Department of Transportation, rural America is home to many of the nation's most critical infrastructure assets, including 444,000 bridges, 2.98 million miles of roadways, and 30,500 interstate highways and inland waterways.



Most of the country's food, fiber, manufactured goods – and even most of its energy – comes from rural America. Therefore, investing in rural infrastructure, especially transportation infrastructure, is vital not just to the people who live there, but for every American and our overall national economy.

Investing in transportation infrastructure helps rural communities in many ways. Strong infrastructure:

1. Ensures that critically-needed services for rural residents remain accessible and available;
2. Reduces downtime for repairs to other critical infrastructure and essential facilities;
3. Increases the capacity of rural communities to deliver goods and services;
4. Attracts new business, industry, and skilled workers to rural communities; and
5. Enables rural communities to modernize and compete in the global economy.

Rural communities need modern infrastructure to thrive, and if we address critical infrastructure needs, many of the other challenges facing rural communities will become much more manageable. Robust rural transportation infrastructure can help **increase the competitiveness of rural communities** to attract and retain businesses and industries that provide employment and services for their residents.





## About USDA Rural Development

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Rural Development is the only mission area within the U.S. Federal government with the primary responsibility of serving rural America. Rural Development's mission is to create economic prosperity and improve the quality of life in rural America.

Rural Development programs literally can help build a community from the ground up by providing access to capital and funding for critical community infrastructure to spur economic growth by attracting new business and quality jobs.

USDA Rural Development's loan portfolio exceeds \$224 billion, making it one of the largest "banks" in the country. Information on all USDA Rural Development programs is available online at [www.rd.usda.gov](http://www.rd.usda.gov) or from our state and area offices.

# How can Community Facilities Programs Support Rural Transportation Infrastructure?

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USDA Rural Development's flexible Community Facilities Programs can help bring needed resources and innovation to create a framework for rebuilding transportation infrastructure in rural America.

Gaining access to sufficient capital for transportation infrastructure is a threshold condition for spurring economic growth. While rural communities share some common challenges with distressed urban areas, they also face some unique challenges in accessing financing and attracting private-sector investment. Rural communities have smaller populations, lower population densities, a smaller tax base, and sometimes lack resources for loan repayments. In addition, rural projects often lack economies of scale, and rural communities frequently lack the capacity and expertise necessary to negotiate complex financing transactions. However, it is possible to overcome these challenges and deliver critically-needed investments for transportation infrastructure to rural areas.

Community Facilities Programs, in partnership with capital credit markets, financial consultants, industry experts, and other stakeholders such as Federal, state and local entities, can contribute to building and strengthening rural transportation infrastructure. Community Facilities Programs provide long-term, fixed-rate, low-cost direct loans and loan guarantees for commercial banks to help rural communities finance the development and/or improvement of rural community infrastructure and essential community facilities for public use. Community Facilities Loan Programs can finance more than 100 different facility types, including rural transportation infrastructure such as roads, bridges, airports, inland waterways, port-and railroad-related infrastructure, intermodal terminal facilities, and street improvements.

Funding may be used to finance both public and nonprofit rural airports as well as bus and rail infrastructure. This includes facilities and services such as terminals, hangars, runways, parking areas, roadway, curbside, and administrative facilities. Community Facilities Program funds also may be used for infrastructure and space for commercial businesses that are customarily located on or near airport, rail, and bus infrastructure, such as facilities for rental car businesses, mechanical services, and parking operators. For these types of commercial businesses, the facility space must be owned by an eligible applicant and leased to the commercial entity. These types of commercial enterprises are essential to the operation of the underlying facility and not subject to leased space limitations.

Public bodies, non-profit organizations and Federally-recognized Indian Tribes can use program funds to construct, expand or improve rural transportation infrastructure in eligible rural communities with populations of 20,000 or fewer. The project must be located within an eligible rural area and primarily serve and benefit rural residents and communities.

Through its Community Facilities Programs, USDA Rural Development facilitates and strengthens Public Private Partnerships (P3) with capital credit markets, financial consultants and industry experts. Our goal is to improve rural America's access to capital for rural community infrastructure, and to leverage resources and expertise to better manage credit risk while fostering development in rural communities. By bringing together financial, project development and technical expertise, resources and innovation through the P3 approach, rural communities can build or repair rural transportation infrastructure quicker and at a lower cost.

These investments in critical rural transportation infrastructure can help ensure America's rural communities are repopulating, self-sustaining, and thriving economically.





## Key Steps for Putting Together Rural Transportation Infrastructure Projects

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Putting together a rural transportation infrastructure project generally follows the same steps and processes as any other community facilities project. However, the scale, cost and likelihood of multiple partnerships can increase its complexity and be more challenging to execute.

Rural Development's state offices and field-based staff are available to provide application materials and offer current program information. They also can assist in the preparation of applications. To manage expectations and provide better customer service, applicants and their consultants are encouraged to refer to Rural Development's website ([www.rd.usda.gov](http://www.rd.usda.gov)) and confer with field staff to obtain detailed guidance on how to prepare complete, quality applications. Communities should meet with Rural Development early in the planning phase to ensure the project moves from concept to implementation efficiently.



# Key Steps for Putting Together Rural Transportation Infrastructure Projects (continued)

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The application process for Community Facilities loans involves several steps that impact timeframes. In order for a project to proceed on time and within budget, it is important to properly plan for these critical time drivers:

## 1. **Developing a concept:**

Community infrastructure projects require input from a variety of stakeholders, accurate budgets, and effective communication with the public. It's especially important to engage the impacted community during the concept development stage of a transportation infrastructure project. This helps build critical community support for the project and increases the likelihood of success throughout the project's development.

## 2. **Determining eligibility:**

The eligibility of the applicant and the project must be determined early in the concept phase of a rural transportation infrastructure project. Rural Development's state and area offices can help explain and expedite this part of the process.

## 3. **Project planning:**

Effective planning helps the project proceed on time and within budget. This is the time to assess needs versus wants, analyze the market, and determine what is truly feasible. This is a good opportunity to identify your design team and select a contractor.

## 4. **Identifying capital sources:**

Identifying financing resources early in the project development process can save significant stress later. Rural Development's Community Facilities Programs are a powerful source of capital for rural transportation infrastructure projects, and this is the time to explore private capital for possible co-financing opportunities, along with state and Federal programs.





# Key Steps for Putting Together Rural Transportation Infrastructure Projects (continued)

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## **5. Commissioning a feasibility study:**

A feasibility study helps verify the financial assumptions made by the project team. Feasibility studies consider a variety of factors affecting budget and operations. The Community Facilities Program accepts three levels of financial feasibility reports based on loan amount requested, applicant experience and security. The three levels of financial feasibility reports are: 1) an analysis, 2) a compilation report, and 3) a report with examination opinion. An applicant should allow adequate time for a qualified independent third party to complete the financial feasibility compilation report or examination opinion. Rural transportation infrastructure projects may require additional studies based on the requirements established by other funding partners. These might include a detailed cost-benefit analysis, an opportunity cost analysis, and/or a risk assessment.

## **6. Conducting a market analysis:**

This analysis, typically a part of the feasibility study, defines user demand and identifies opportunities to attract additional users to a given project. A thorough market analysis can help identify anticipated demand, provide a comparative price and cost analysis, and a competitive analysis.

## **7. Designing the project:**

During this step, the project begins to move from concept to reality. This is the point at which an architect and/or engineer formally participates in the process and develops the design. This phase includes developing a preliminary architectural and/or engineering report, which provides project reviewers, including Community Facilities Program staff, with a thorough understanding of the project.

## **8. Contractor selection:**

This step should occur immediately after designing the project. Contractor selection must include criteria that indicate an understanding of the impacts, and mitigation measures required, for seasonal and extraordinary weather conditions. This is also the time to continue identifying other partnerships.

## **9. Understanding environmental requirements and ensuring environmental compliance:**

All construction projects financed by Rural Development are subject to the agency's environmental compliance review process which incorporates Federal Executive Orders and statutes to protect the natural and human environment. Projects receiving Federal funds are subject to the National Environmental Policy Act (NEPA) review process. This review may take several months to complete, so it is important to plan early for this process.

## **10. Financing construction:**

The construction phase of a project process entails special financing. Long-term capital typically will not participate during the construction phase because costs are well above revenues, which normally are non-existent at this point in the process. The project team therefore will need to work with its financial consultants to access short-term interim construction financing at rates favorable for construction.

# Community Facilities Resources

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Community Facilities direct and guaranteed loans can be used to support the development of rural transportation infrastructure.

## **Guaranteed Loan Program**

The Community Facilities Guaranteed Loan Program provides credit enhancement designed to bolster the availability of commercial bank credit in rural areas.

1. The Community Facilities Program can guarantee up to 90 percent of loss of both principal and interest on loans and bonds made by a commercial lender to a nonprofit or public body.
2. Loan proceeds can be used to construct, enlarge, or otherwise improve essential community facilities, including rural transportation infrastructure. This includes the purchase of equipment and vehicles, as well as reasonable professional service fees such as those for feasibility studies, legal, architectural and engineering services.

## **Direct Loan Program**

The Community Facilities Direct Loan Program primarily helps applicants who are unable to qualify for a guaranteed loan and can be leveraged with a combination direct and guaranteed loan, or with other funding in a senior parity position.

1. The direct loan program essentially mirrors the guaranteed loan program, except applicants may receive a better interest rate and longer terms.
2. The average direct loan size is \$4 million, though much larger loans are possible. The Community Facilities Program has funded projects greater than \$100 million.

## **Terms:**

1. The maximum term for all loans is 40 years.
2. Interest rates for the Community Facilities Direct Loan Program are determined quarterly and posted publicly.
3. Interest rates for the guaranteed loans may be fixed or variable and are determined by the lender and the borrower, subject to the agency's review and approval.
4. The repayment period is limited to the useful life of the facility or any statutory limitation on the applicant's borrowing authority.

## **Security:**

Bonds or notes pledging taxes, assessments, or revenues will be accepted as security if they meet the Community Facilities Program's statutory requirements. Where state laws permit, a mortgage may be taken on real and personal property. Tax exempt notes or bonds may be issued to secure direct loans but cannot be used for guaranteed loans.





## Collaborating with Partners

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Rural Development encourages rural communities to identify and partner with other public- and private-sector entities when undertaking rural transportation infrastructure projects. Partnerships can help bring technical expertise to the table and mobilize much-needed capital. They also can help identify mechanisms for long-term security and/or income-generating services.

There are many potential partners that can help address transportation infrastructure needs in rural America, including:

### 1. **Private sector partners**

Private sector partners such as capital credit markets (lenders and institutional investors), financial consultants, and industry experts, can provide critically-needed resources for implementing rural transportation infrastructure projects. In addition to capital, private-sector partners offer expertise, cost-saving ideas and innovations, and an ability to evaluate and share the risks that exist throughout a project's lifecycle.

# Collaborating with Partners (continued)

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## 2. Federal Highway Administration (FHWA)

U.S. Department of Transportation's FHWA develops and delivers national leadership, innovation, and stewardship of the surface transportation system through the work of its program offices. Each office works to advance the U.S. Department of Transportation's mission of ensuring a fast, safe, efficient, accessible, and convenient transportation system that meets our vital national interests and enhances the quality of life of the American people. FHWA also provides financial and technical assistance to state and local transportation agencies for the construction, maintenance and preservation of the nation's highways, bridges and tunnels. FHWA has several programs and resources that can be leveraged to support surface transportation needs in rural America. FHWA's Center for Innovative Finance can help connect partners with FHWA's field organization, which delivers programs and services and includes resource centers and state-level Federal-aid Division offices.

More information on the Federal Highway Administration is available at: [www.fhwa.dot.gov](http://www.fhwa.dot.gov)

More information on FHWA's Center for innovative Finance is available at: [www.fhwa.dot.gov/ipd/finance/](http://www.fhwa.dot.gov/ipd/finance/)

## 3. Federal Aviation Administration (FAA)

U.S. Department of Transportation's FAA's Airport Improvement Program (AIP) provides grants to public agencies — and, in some cases, to private owners and entities — for the planning and development of public-use airports. Eligible projects include improvements related to enhancing airport safety, capacity, security, and environmental concerns. In general, sponsors can get AIP funds for most airfield capital improvements or rehabilitation projects. Airports in rural areas may be owned and operated by state, county or municipal units of government, or by independent government authorities. In some cases, they may be owned by integrated port authorities (which may also operate seaports, bridges, tunnels or other transportation facilities). Some airports are publicly owned but rely upon commercial entities to operate key facilities. Rural communities can explore new or existing projects for airport-related structures such as additional terminals, hangars, and even some non-aviation development.

More information on FAA resources is available at: [www.faa.gov](http://www.faa.gov)

## 4. State Departments of Transportation

Each state in the U.S. has a department that is responsible for transportation planning, design, construction, operations and maintenance. State agencies offer a wide array of financing programs. Depending on the state and agency, these may take the form of bonds, tax credits, loan programs, or grants.

The form of capital provided may make a significant difference in its effectiveness for a rural transportation infrastructure project. For example, a project short on equity might benefit most from grants or tax credits, while a project that lacks a willing lender could gain the most from a bond program.

More information for State Departments of Transportation is available at:  
<https://fhwaapps.fhwa.dot.gov/foisp/staffnetStateDOT.do>





## Success Stories

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### Attracting businesses through downtown revitalization projects

- In North Carolina, the historic Bladen County community of Elizabethtown used a \$1.6 million Community Facilities loan to implement a robust downtown revitalization project. The city buried overhead utilities, installed street lighting, spruced up landscaping and replaced the sidewalks along Broad Street, bolstering curb appeal, community pride, and economic development in this town of about 3,500.
- In a great example of Public-Private Partnerships (P3), the City of Pottsville, Pennsylvania leveraged a \$5 million Community Facilities loan with a \$2.8 million private donation from Yuengling Brothers and \$750,000 in funding from the Greater Pottsville Area Sewer Authority to build an \$8.56 million, multilevel parking garage. A key economic force in Schuylkill County, Pottsville has undertaken a revitalization plan designed to draw people back to downtown businesses. Access to adequate, convenient parking will help them meet their goal.
- Located on the Winooski River in Chittenden County, Vermont, Winooski considers itself a “City of Strivers” – people looking to build a better life for themselves and their families. Recently, Winooski used a nearly \$7.5 million Community Facilities loan to make street improvements as part of its downtown Gate Corridor revitalization effort. Undertaken in conjunction with improvements to water and wastewater treatment, the Gateway Corridor project makes downtown Winooski more walkable, and thus, more attractive to businesses and shoppers. Instead of undertaking improvements in a piecemeal, lot-by-lot fashion, this holistic effort changes the overall aesthetic and feel of Main Street, promoting more in-fill and mixed-used development in a coordinated manner.



# Success Stories (continued)

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## Enhancing safety and access to strengthen the regional economy

In another strong example of using the P3 approach, the town of Smithfield, North Carolina, used a \$2.8 million Community Facilities loan for roadway improvements at a nearby Interstate 95 interchange. The Department of Transportation – which required completion of the project to eliminate traffic hazards at the interchange – provided \$950,000 in funding, and a regional lender financed an additional \$2.8 million. In addition to improving safety, easing access also is bringing new rural economic development opportunities to the region.

## Improving economic opportunities through airport expansion

Located in Decatur County, Iowa, the Lamoni Municipal Airport used a \$750,000 Community Facilities loan to help extend a runway and build a six-bay hangar. Rural Development's investment was used as the community's local matching funds with other partners, including the Iowa Department of Transportation and the Federal Aviation Administration. Access to an airport that can support commercial-sized aircraft has opened the entire region to new rural economic development opportunities. "A mile of highway will take you a mile; a mile of runway will take you anywhere." – City of Lamoni council member.





# Conclusion


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USDA Rural Development strongly encourages the consideration of public-private partnerships (P3s) in the development of rural transportation infrastructure projects. P3s provide a mechanism for greater private-sector participation in all phases of the development and financing of such projects. Early involvement of the private sector promotes creativity, efficiency, and brings capital to bear when addressing complex transportation infrastructure projects.

One of the best ways for an organization or community to begin the rural transportation infrastructure project process is to speak with a local USDA Rural Development representative. Even if, ultimately, Community Facilities Program funding is not the final outcome for the project, USDA is always available to assist rural communities and will be able to connect prospective project teams with successful peers and resources in the region. USDA state office information is available at [www.rd.usda.gov/browse-state](http://www.rd.usda.gov/browse-state).

Rural communities play a vital role in our nation's economy and need modern, reliable infrastructure to thrive. In partnership with rural communities, other Federal and state government partners, and the private sector, USDA can champion the development of critical rural transportation infrastructure.





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Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [How to File a Program Discrimination Complaint](#) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: [program.intake@usda.gov](mailto:program.intake@usda.gov).

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