

**USDA RURAL DEVELOPMENT BRIEFING REPORT
FOR THE SENIOR PLENARY SESSION OF THE INTERAGENCY GROUP ON INSULAR AREAS
FEBRUARY 26, 2013**

The USDA Rural Development agency maintains the mission of “*improving the quality of life and increasing the economic opportunities in rural communities.*” The Hawaii State Office has an extended region that spans across the Western Pacific to include the Insular Areas of the U.S. Territories of Guam and American Samoa and The Commonwealth of the Northern Mariana Islands. In addition, The Hawaii State Office mission area includes U.S. affiliated areas of the Republic of Palau, the Federated State of Micronesia and the Republic of the Marshall Islands.

Rural Development offers over 40 financing programs to support essential public facilities and services as water and sewer systems, housing, health clinics, emergency service facilities and electric and telecommunication service. Rural Development promotes economic development by providing loans to businesses through banks and community-managed lending pools, while also assisting communities to participate in community empowerment programs with financing and technical assistance resources.

HIGHLIGHT ACTIVITIES IN THE U.S. INSULAR AREAS

GUAM

RURAL HOUSING PROGRAMS

- Since 2010, USDA has assisted 265 first-time homeowners with over \$50 million in Direct and Guaranteed housing loans.
- 2010 - \$26.9 Million in Direct and Guaranteed Loans.
- 2011 - \$9.5 Million in Direct and Guaranteed Loans.
- 2012 - \$9.9 Million in Direct and Guaranteed Loans.
- 2013 (YTD) - \$4.6 Million in Direct and Guaranteed Loans.

COMMUNITY PROGRAMS

- **Community Facilities Direct and Guaranteed Loans and Grants** - Since 2010, over \$53.8 million in Community Facilities Direct and Guaranteed Loans and Grants were made for essential community facility projects. Some of the key projects were:
 - ❖ **Guam Community College** - In FY 2012, Rural Development approved a \$3.5 million CF Direct loan in favor of the Guam Community College. The \$3.5 million, in addition to \$1,497,403 in other funds, was used to renovate and harden the existing Foundation building. The renovated building will be a two-story structure that will house a bookstore, classrooms, a café lounge, meeting rooms, and supporting spaces such as storage, restrooms, and utility rooms. The project has received certification under the Leadership in Environmental and Energy Design (LEED) rating system.

- ❖ **Guam International Airport Authority (GIAA)** - In FY 2012, Rural Development approved an \$11.9 Community Facilities Guaranteed loan through First Hawaiian Bank in favor of Guam International Airport Authority. The GIAA is the primary regional airport serving passenger and cargo needs between Guam and the United States, Asia, Australia and various islands in the Pacific region. Rural Development guaranteed funds will be used to finance energy efficient upgrades that are expected to save GIAA about \$1.9 million annually in energy costs.
- ❖ **Port Authority of Guam** - In FY 2010, Rural Development approved \$50 million (\$25 million Community Facilities Guaranteed/\$25 million Community Facilities Direct loan) award in favor of the Port Authority of Guam for port modernization projects. The USDA \$50 million will be leveraged with another \$50 million provided by the Department of Defense (through the US Dept. of Transportation) that will fund much needed port modernization projects that will accommodate organic growth and the military build-up.
- ❖ **Guam Community College** - In FY 2010, Rural Development approved a \$2,250,000 Community Facilities Direct Loan in favor of the Guam Community College. USDA loan proceeds were leveraged with \$2,050,000 in other funds to construct a 22,000 square ft., LEED-certified Learning Resource Center (LRC). The LRC is a state-of-the-art library where students can study, conduct research, and work on school projects. The LRC is the first Leadership in Energy & Environmental Design (LEED) certified building on campus. (NOTE: Funding was made available through the Secretary's Library Initiative).

RURAL BUSINESS PROGRAMS

- **Business & Industry (B&I) Guaranteed Loan** – Since 2010, USDA has assisted businesses in Guam with over \$9.5 million in Business & Industry Guaranteed Loan funds. This has facilitated the creation or preservation of over 176 jobs in the Guam community.
- **Rural Business Enterprise Grant (RBEG)** – Since 2010, a total of \$177,400 Rural Business Enterprise Grants were awarded. The awards were made to public bodies and non-profit organizations in Guam for strategic planning, financial feasibility studies and technical assistance to small and emerging business enterprises. The RBEG awardees included the following organizations:
 - ❖ **Pacific Islands Microcredit Institute (PIMI)** - In FY 2012, PIMI was awarded a \$50,000 RBEG. Rural Development funds will be used for technical assistance and to fund a revolving loan fund in connection with the PIMI's microcredit lending program in Guam and the Commonwealth of the Northern Mariana Islands (CNMI). PIMI, in cooperation with numerous partners, works with individual entrepreneurs who are determined to work themselves out of poverty. PIMI assists these by providing microenterprise training and microcredit loans.

- ❖ **Guam Hotel & Restaurant Association (GHRA)** - In FY 2011, GHRA was awarded with a \$50,000 RBEG that will be used for technical assistance that will foster the continued development and implementation of training and education programs to small businesses involved in the tourism industry. GHRA consists of 47 active members representing 24 hotels and 23 restaurants as well as 142 allied members.
- ❖ **Guam Museum Foundation (GMF)** - In FY 2010, GMF was awarded a \$27,400 RBEG. Rural Development funds will be used for technical assistance and planning activities as it relates to potential economic opportunities relative to the construction of a new state-of-the-art Guam Museum. The project will focus on the development of small and emerging business enterprise that will compliment the mission of the new Guam Museum. This funding was part of the American Recovery and Reinvestment Act.
- **Rural Energy for America Program (REAP)** – Since 2011, USDA has awarded \$100,000 in Rural Energy for America Program grants for renewable energy projects and technical assistance and feasibility studies.
 - ❖ **Grand Pacific Hospitality, Inc.** – In FY 2012, a \$50,000 award was made in favor of Grand Pacific Hospitality, Inc. Rural Development funds will be used to purchase and install a 30KW photovoltaic, grid interconnected photovoltaic solar system to reduce hotel operator’s electricity dependency thereby reducing its electricity expense.
 - ❖ **Ocean Thermal Energy Corporation (OTC)** – In FY 2011, a \$50,000 REAP award was made to Ocean Thermal Energy Corporation (OTC). The award will help offset the cost of a feasibility study to determine the technical and economical feasibility of building and operating an ocean thermal energy conversion plant on Guam.
- **Intermediary Relending Program (IRP)** - In FY 2012, the Pacific Islands Development Bank (PIDB) was awarded with a \$400,000 IRP loan. Overall, since FY 2002, RD has awarded PIDB a cumulative total of \$2.4 million in IRP loan funds. The RD IRP loan funds were leveraged with an additional \$2.4 million in funds contributed by PIDB that created a revolving loan fund totaling \$4.8 million. The PIDB is a regional development finance institution established to assist member countries in accelerating their economic and social development through its lending and other programs. Current member countries include Guam, the CNMI, Federated States of Micronesia, Republic of Palau and the Republic of the Marshall Islands (RMI). (RMI only recently subscribed to PIDB in FY '12). IRP loans have been made to small businesses in Guam, CNMI and the Federated States of Micronesia (FSM). As of January 31, 2013, PIDB has approved 60 IRP loans in Guam (8), CNMI (5) and FSM (44) and Palau (3).

RURAL UTILITIES SERVICES

- **Public Television Digital Transition Grant** – In FY 2012, the Guam Educational Telecommunications Corporation was awarded a \$4,000 Public Television Digital Transition Grant. The funds will be used to purchase signal monitoring equipment necessary to ensure quality of digital transmission.

AMERICAN SAMOA

RURAL HOUSING PROGRAMS

- **Home Improvement and Repair Loan and Grant Program** – For FY 2010 – 2012 USDA Rural Development provided \$1.1 million in assistance to improving housing conditions for approximately 500 households. The very low income, elderly families were eligible to receive grant funding awards to assist in the removal of health and safety hazards or to remodel dwellings to make them accessible for household members with disabilities.
- **Communal Land Tenure System** – The communal land tenure system in the Territory of American Samoa has made it difficult to offer the full menu of housing programs to the community due the absence of conventional real estate security. USDA Rural Development is currently in discussion with the Development Bank of American Samoa (DBAS) on the concept of providing “security” for homeownership loans through a Memorandum of Understanding agreement.

COMMUNITY PROGRAMS

- **Community Facilities Grant Program** – In FY 2011 – 2012 USDA Rural Development provided approximately \$165,000 in grants under its Community Facilities Grant Program.
 - ❖ **LBJ Hospital** – The LBJ Hospital was assisted by the Community Facilities Grant Program with a grant in FY 2012 of \$55,200 for the purchase of an ambulance vehicle and a grant in FY 2011 of \$110,000 for the purchase of microbiology equipment.

RURAL BUSINESS PROGRAMS

- **Business & Industry (B&I) Guaranteed Loan** - A Business and Industrial Guaranteed loan was approved on January 29, 2010 to American Samoa Hawaii Cable, LLC (ASHC) and Samoa American Samoa Cable, LLC. The loan proceeds were used for the take-out of interim financing for the purchase of equipment (fiber optic cable). The loan was made by ANZ Amerika Samoa Bank in the amount of \$16,672,000 for 10 years. The Rural Development guarantee has not been issued due to an ownership structure change that does not comply with the B&I program rules that requires a 51% U.S. ownership. This obligation is in jeopardy of being cancelled if ASHC does not restructure its ownership to comply with Rural Development rules.

RURAL UTILITIES SERVICES

- **Broadband Initiative Program** - The American Samoa Telecommunication Authority (ASTCA) received a grant for \$81 million and a loan for \$10 million under American Recovery and Reinvestment Act (ARRA) being administered by the Rural Utilities Services of USDA Rural Development under the Broadband Initiative Program. ASTCA has awarded the construction contract and the construction work is in progress with a completion date set for September 2015.

The design and construction activities have created or preserved approximately 90 jobs. When complete it is estimated that an additional 40 to 50 new permanent jobs will be created. The new network will carry voice, video, and data and include submarine cable that will connect 5 islands.

COMMONWEALTH OF THE MARIANA ISLANDS (CNMI)

RURAL HOUSING PROGRAMS

- **Memorandum of Understanding** - The land tenure system established by Article 12 Commonwealth of the Northern Mariana Islands (CNMI) Constitution states that the acquisition of permanent and long-term interests in real property within the Commonwealth shall be restricted to persons of Northern Marianas descent. This provision has made it difficult for USDA Rural Development to offer the full menu of housing programs to the community due the absence of conventional real estate security. In order for USDA to process secured housing loans in the CNMI, a Memorandum of Understanding (MOU) between USDA and the Northern Marianas Housing Corporation (NMHC) was executed that would allow USDA to make secured loans subject to NMHC serving as “trustee” for USDA. Under the terms of the MOU, the primary responsibility of NMHC as Trustee is to maintain a cash reserve fund to cover any USDA housing loan delinquency.
- **Northern Marianas Housing Corporation (NMHC)** - The current outstanding loan portfolio balance is \$7.6 million. Of this outstanding balance, over 51% of the loans have been classified as delinquent. Due to the level of delinquencies, USDA has suspended secured loan making to provide time for NMHC to strengthen its financial capacity to fulfill the terms and conditions of the MOU.

COMMUNITY PROGRAMS

- **Economic Impact Initiative (EII) Grant** – In FY 2012, USDA Rural Development provided a \$79,276 Community Facilities Economic Impact Initiative grant to the CNMI Government, Department of Public Safety. The Grant funds were used to purchase two police vehicles that will assist in alleviating the critical shortage of village patrol vehicles.

Rural Business Programs

- **Business & Industry (B&I) Guaranteed Loan** – In FY 2012, a Conditional Commitment was issued to the Commonwealth Utilities Corporation for a \$9.7 million B&I Guaranteed Loan for the purchase and installation of machinery and equipment. Due to environmental issues that need to be resolved, this loan currently has not closed.
- **Rural Energy for America Program (REAP)** – In FY 2011, a \$21,931 REAP award was made to the CNMI Oceana Consultancy, LLC for the purpose of conducting a feasibility study for a proposed anaerobic digester project.
- **Rural Business Enterprise Grant (RBEG)** – In FY 2010, an RBEG was awarded to CNMI Department of Commerce for technical assistance in the promotion of economic development for small businesses. Project involves exploring best practices and opportunities to pursue for overall economic growth of the CNMI economy.

RURAL UTILITIES PROGRAMS

- **Distance Learning and Telecommunications Grant** – In FY 2011, USDA awarded a \$231,366 DLT grant to the Marianas Eye Institute. The award is assisting clinics in the small, isolated rural areas in the Islands of Tinian and Rota with essential diagnostic equipment consisting of a retinal camera, an ocular coherence tomographer, and related computer devices that connect the equipment telephonically to Marianas Eye Institute on Saipan.

U.S. VIRGIN ISLANDS

RURAL BUSINESS AND COOPERATIVE PROGRAMS

- Since 2009, USDA has assisted the Rural Community of the Virgin Islands with 4 guaranteed loans, one each year totaling in the amount of \$28,200,000.

Business Coop & Cooperative Service	09	10	11	12
Guarantee	1,450,000	1,000,000	750,000	1,000,000
Number of Loans a year	1	1	1	1
Total amount of loans	1,450,000	1,000,000	750,000	1,000,000

ENERGY ASSISTANCE

- Made 7 grants for Renewable Energy and Energy Efficiency Projects to local small businesses on Saint Thomas and Saint Croix.

BUSINESS AND INDUSTRY GUARANTEED LOANS

- In 2009-A Business & Industry Loan Guarantee was approved for a 10,000,000 loan to Borinken Towing and Salvage, LLC to provide financing for the purchase and delivery of a new Tug Boat and new Barge. Funds will also be used for refinancing, provide reserve funds, and purchase of add-on equipment for the new Tug. Project to create 6 new jobs.
- In 2009-A Business and Industry Loan Guarantee was approved to for a \$2,450,000 loan to Love City Car Ferries, Inc. to finance the refurbishing of an existing ferry, refinance existing debt and provide additional working capital. Project to save 3 and create 9 jobs
- In 2010-A Business and Industry Loan Guarantee was approved to Windots Development, LLC and Trancom, Inc. for \$10,000,000 to buyout 50% of Tramcom Inc. and refinance a high-interest rate loan. Project to save 15 jobs and create 10 jobs.
- In 2011-A Business and Industry Loan Guarantee was approved for \$4,750,000 to Red Cape Marine, LLC to purchase a tug boat, install a new bow winch on the tug, provide reserve funds for 6 months, and closing costs. Project to create 4 jobs and save 8.
- In 2012-A Business and Industry Loan Guarantee for a \$1,000,000 loan to Subbase Drydock, Inc. was approved for the construction of a floating drydock. Borrower operates a full-service repair facility in St. Thomas. The new drydock is needed to meet demand for services. Project to create 10 high paying jobs.

RURAL HOUSING PROGRAMS

- Since 2009, USDA assisted **130** first-time homeowners with over **\$8.3** million in Direct and Guaranteed housing loans.

	2009		2010		2011		2012 (YTD)	
Rural Housing Services	#	\$	#	\$	#	\$	#	\$
502 Direct	21	\$ 2,247,427	9	\$ 885,205	20	\$ 1,623,973	6	\$ 1,040,538
502 Guaranteed	10	\$ 814,500	63	\$ 1,508,521	1	\$ 159,585	0	
504 Loan/Grant	12	\$ 75,214,000	8	\$ 66,160	0	\$ -	7	\$ 52,047
TOTAL	43	\$ 78,275,927	80	\$ 2,459,886	21	\$ 1,783,558	13	\$ 1,092,585

Rural Utilities Service

Broadband: (RUS) funded a Broadband loan in November 2012 **to Orbitel for \$62 million** to build a fiber-to-the-premises (“FTTP”) last-mile broadband system on the islands of St. Croix, St. John, and St. Thomas, collectively, the Virgin Islands of the United States (“US Virgin Islands”).

Orbitel will offer broadband data, voice, and digital video service to the US Virgin Islands. In addition, Orbitel will also be offering HD/DVR service, residential alarm monitoring, and business webhosting service.

HIGHLIGHT ACTIVITIES IN THE U.S. AFFILIATED AREAS

REPUBLIC OF PALAU

RURAL HOUSING PROGRAMS

- **Memorandum of Understanding** – Similar to The Commonwealth of the Northern Mariana Islands, the land tenure system in the Republic of Palau (ROP) has made it difficult to offer the full menu of housing programs to the community due the absence of conventional real estate security. In order for USDA to process secured housing loans in ROP, a Memorandum of Understanding (MOU) between USDA and the National Development Bank of Palau (NDBP) was executed that allows USDA to make secured loans subject to NDBP serving as “trustee” for USDA. Under the terms of the MOU, the primary responsibility of NDBP as Trustee is to maintain a cash reserve fund to cover any USDA housing loan delinquency.
- The current housing loan portfolio outstanding balance is \$3.2 million, representing 186 loans and grants. Of this amount, only 9 loans are classified as delinquent.
- NDBP has acquired new leadership on its Board and Management and is intending commence loan making after receiving training from USDA Rural Development.

COMMUNITY PROGRAMS

- **Community Facilities Grant Program** – In FY 2011, the Republic of Palau Ministry of Education was award a Community Facilities Grant in the amount of \$8,622 for the purchase of computer equipment for the Palau High School.
- **Undisbursed Grant Obligations** – Currently there are \$1.1 million in undisbursed grants that are pending matching funds from various recipients.

RURAL BUSINESS PROGRAMS

- **Intermediary Relending Program (IRP)** – A \$750,000 Intermediary Relending Program award was made in favor of the National Development Bank of Palau (NDBP) during FY '09. The USDA award will be leveraged with \$750,000 from NDBP that will create a \$1.5 million revolving loan fund for small businesses. IRP funds will be primarily used for micro-finance, agriculture, fishing, small business, and commercial lending. Additionally, IRP funds will target renewable energy and alternate energy projects. The economic activity generated by these loans is expected to create and save at least 100 jobs.

REPUBLIC OF THE MARSHALL ISLANDS

RURAL HOUSING PROGRAMS

- **Memorandum of Understanding** – Similar to The Republic of Palau, the land tenure system in The Republic of the Marshall Islands (RMI) has made it difficult to offer the full menu of housing programs to the community due to the absence of conventional real estate security. In order for USDA to process secured housing loans in RMI, a Memorandum of Understanding (MOU) between USDA and the Marshall Islands Development Bank (MIDB) was executed that allows USDA to make secured loans subject to MIDB serving as “trustee” for USDA. Under the terms of the MOU, the primary responsibility of MIDB as Trustee is to maintain a cash reserve fund to cover any USDA housing loan delinquency.
- **Mutual Self-Help Housing Program** – RMI has the only active Mutual Self-Help Program in the Western Pacific. Since 2006, the Self-Help Program has assisted 70 families who are first-time homeowners. This Self-Help project received over \$3.3 million in loans funding through the Rural Development Rural Housing Program. In FY 2012, 11 new Self-Help loans were made.

COMMUNITY PROGRAMS

- **Community Facilities Grant** – In FY 2010, the College of the Marshall Islands was awarded a \$257,576 Community Facilities grant. Grant proceeds were used to furnish the college library and for the purchase of equipment.

RURAL BUSINESS PROGRAMS

- **Rural Business Opportunity Grant (RBOG) Program** – In FY 2012, the Tobolar Copra Processing Authority (TCPA) was awarded a \$50,000 Rural Business Opportunity Grant (RBOG). TCPA is a government-owned processing plant that purchases copra from individual copra farmers who reside throughout the numerous, mostly isolated, coral atolls. The copra is then exported and used to produce crude coconut oil, coconut feed (a by-product of the copra milling process), coconut-based soaps and body oils, and refined coconut bio-fuel. The project to train copra farmers in improving their harvesting and processing methods is designed to not only to improve economic activity in the outer islands, but it also has the potential to contribute to the nation’s development in general by increasing income across several sectors.
- **Rural Energy for America Program (REAP)** – In FY 2011, a \$33,357 Rural Energy for America Program (REAP) grant was awarded to Robert Reimers Enterprises, Inc. This project financed energy efficiency upgrades for the Robert Reimers Hotel that provide annual savings of approximately \$135,000 in displaced electric costs.

RURAL UTILITIES SERVICES

- **High Energy Cost Grant (HECG) Program** – The High Energy Cost Grant (HECG) program is designed to assist communities that face extremely high energy costs. The funding can be used for the acquisition, construction, installation, repair, replacement, or improvement of energy generation, distribution, or transmission facilities. In FY 2011 – FY 2012, USDA Rural Utilities Services provided over \$4.7 million in HECG to The Republic of the Marshall Islands.

- ❖ **Island Economic and Environmental Company** – In FY 2012, Island Economic and Environmental Co. was awarded with a \$1,000,786 HECG. Funding will be used to aid the rural un-electrified Arno Atoll, providing solar powered lighting and refrigeration to 75 households in five communities.
- ❖ **Marshall Energy Company** – In FY 2011, Marshall Energy Co. was awarded a \$2,317,388 HECG. Funding will be used by the company for a complete overhaul of Engine #7, one of two main generators in the Power Station #2 facility in RMI's capital atoll of Majuro. This rehabilitation of a major core asset is one of the most urgent needs identified under the Comprehensive Recovery Plan adopted by the Marshalls Energy Company. The company has a history and record of being one of the most reliable electric utilities in the Pacific region. The eligible community served stretches more than 30 miles from the village of Laura at the western end of Majuro atoll to the island of Ejit on the eastern side. This area includes a total of more than 27,000 people living in more than 3,600 households.
- ❖ **Island Economic and Environmental Company** – In FY 2011, Island Economic and Environmental Co. was awarded a \$1,395,525 HECG. Funds will be used by the Island Economic & Environmental Company (Island Eco) of Majuro, to support renewable solar energy projects in the Marshall Islands in collaboration with local communities. With this new grant, Island Eco and local governments will install solar photovoltaic (PV) powered systems and refrigeration units for residential electrification in remote atoll communities. The grant will allow expansion of its USDA-supported residential solar electrification project to about 127 additional homes.

FEDERATED STATES OF MICRONESIA

RURAL HOUSING PROGRAMS

- **Home Repair and Rehabilitation Loan and Grant Program** – The Home Repair and Rehabilitation Loan and Grant Program is a loan and grant program that is available to the very-low income families in rural communities who own and occupy dwellings in need of repair or rehabilitation. The funds are used for repairs to improve or modernize a home or to remove health and safety hazards. Over FY 2010 – 2012, the Federated States of Micronesia (FSM) received over \$160,000 in repair or rehabilitation loans and grants. Year-to-date FY 2013, the FSM families have received approximately \$52,000.

COMMUNITY PROGRAMS

- **Community Facilities Grant Program** – Over FY 2010 – 2012, the local FSM Governments and community organizations were awarded approximately \$173,000 in Community Facilities grants. These funds were used for a variety of projects including building renovations, procurement of public safety and transportation vehicles, and renewable energy lighting.
- **Economic Impact Initiative Grant Program** – Over FY 2010 – 2012, local FSM State Governments were awarded approximately \$170,000 in Economic Impact Initiative grants. These funds were used by the local governments to purchase police vehicles and a Special Needs van.