

United States
Department of Agriculture



\$85 Million

*Working to Improve the Quality of Life
for the People of Rural Arizona*



A large green graphic shaped like the state of Arizona. Inside the map, there is a circular inset showing a desert landscape with a saguaro cactus, a river, and a sunset over mountains. Below the map, the words "Rural Development Arizona" are written in a stylized, 3D font. To the right of the map, there is an inset photo of a fire truck and a hummingbird perched on a branch with pink flowers.

Fiscal Year 2002
Annual Report



Thomas C. Dorr
Under Secretary for Rural Development
U.S. Department of Agriculture



A strong and vibrant economy in rural America serves as the cornerstone of President Bush's economic agenda. USDA Rural Development is working hard to expand economic opportunities and improve the quality of life for all of the 59 million Americans living in rural communities. Through the efficient and effective delivery of Rural Development initiatives, new jobs have been created, home ownership has increased and families and businesses have been strengthened. New investments and entrepreneurial spirit will continue to grow, bringing increased opportunity to rural areas.

I know and understand that rural Americans are resilient and share a pioneering spirit that will once again forge new frontiers in the future. In this same spirit, USDA Rural Development's challenge is to look beyond today and to envision a better way to work with America's rural communities to improve existing partnerships, and forge new ones.

In looking back over the last year, we have begun to build an economic foundation, shaped like what President Bush advocates. I am proud of the aggressive efforts by USDA Rural Development employees to quickly turn many of the 2002 Farm Bill provisions into new economic hope for America's farmers, ranchers and rural families. These efforts ensured the delivery of \$703 million to finance 377 communities' water and wastewater infrastructure projects. Additionally, \$37 million helped support the development of 231 agricultural value-added ventures that will bring new opportunities for increased revenues to our American farmers and ranchers. In total, over \$12 billion was invested through USDA Rural Development programs in rural America in Fiscal Year 2002.

From fire hydrants to fiber optic cable -- from sewers to symphonies -- USDA Rural Development financial and technical assistance is making a positive difference. In Fiscal Year 2002 alone -- 42,000 rural residents became first time homeowners, nearly 7,000 homeowners received loan and grant funding to make needed repairs and improvements, and 1,400 loans and grants were provided to assist communities finance essential community facilities. Electricity, telephone, water and wastewater infrastructure funding totaled over \$6.8 billion. Distance learning and telemedicine funding helped communities in 37 states gain access to modern technologies. Over 1,100 rural areas have clean drinking water and sanitary waste systems.

I am proud of what we have been able to accomplish. However, to meet ongoing and future challenges, USDA Rural Development will focus in 2003 on four critical areas of economic opportunity: Housing; Broadband; Bio-Mass; and Equity Capital.

Housing -- Rural Development has created a Five Star commitment to improving single-family housing lending to rural minority families as part of the President's minority homeownership initiative.

Broadband -- Rural Development will implement approximately \$1 billion in Broadband programs, including a one-time "Community Connect" grant program to help small communities obtain access and training related to broadband services.

Bio-Mass -- Rural Development will assist in the development of alternative energy combustibles to replace petroleum-based products through value-added grants and business and industry loan guarantees.

Equity Capital -- The Farm Bill provides \$44 million in operational assistance grants and \$280 million in debenture guarantees for the Rural Business Investment Program (RBIP). The RBIP will increase the amount of capital available for investment in rural businesses and will provide technical assistance to these businesses.

Again, we have accomplished much in Fiscal Year 2002. I commit USDA Rural Development to administer all our programs and policies fairly, equitably, and honorably. It is the right thing to do, it is what I believe, and I will tolerate nothing less. Through our collective hard work, we will continue to increase the economic opportunities in rural communities and improve the quality of life for all rural Americans.



Ann M. Veneman
Secretary of Agriculture

This past year the Bush Administration continued a strong commitment to expanding jobs and bringing renewed economic opportunities to rural America through strong leadership and strengthened programs.

One of the President's top priorities is to create new jobs and help spark economic growth. The tax relief package that the President signed into law in 2001 continues to help families throughout America and USDA's Rural Development programs are also creating new opportunities. In 2002, for example, economic grants and loans provided by USDA helped create or protect more than 150,000 rural jobs. As well, rural development programs provided more than \$12 billion in economic infrastructure grants and loans, helping improve education, health care, telecommunications, water treatment facilities, fire protection efforts, and other community centers.

However, USDA's commitment to improving rural America didn't stop there. Employees worked with local communities to provide homeownership financing for more than 42,000 families. These efforts are helping move closer to reaching the President's goal of increasing minority homeownership by fifty percent in five years.

The Farm Security and Rural Investment Act of 2002 signed by the President last May provides new resources and programs aimed at making continued progress in rural America. This includes new grant programs to assist in the development of renewable energy sources; funding to expand the availability of information technologies; and financing for community water and wastewater improvements.

As we embark upon a new year, we have a strong agenda and many opportunities to strengthen America's rural communities. The Administration will continue to build upon the principles outlined in our policy publication, *"Food and Agricultural Policy: Taking Stock for the New Century"*. Our team at USDA will continue working with all interested parties and build new coalitions to help families, create jobs and invest in America's rural sectors.

Edward (Eddie) L. Browning
USDA Rural Development - Arizona State Director



On behalf of the entire Arizona USDA Rural Development staff, it is my pleasure to present this Fiscal Year 2002 Annual Report for your review. This report quantifies our efforts to enhance the capacity of all rural residents, communities, and businesses to prosper.

In 2002, Rural Development employees traveled over 338,000 miles to deliver our programs to the rural residents of Arizona. We also serve the Navajo Nation in southern Utah and in northern New Mexico. We are very committed in delivering programs that are results-oriented, as it is our goal to improve the quality of life for rural Arizonans.

USDA Rural Development has had a long history of providing housing, basic infrastructure and community facilities to help strengthen our rural communities. Employees of Arizona Rural Development have played a vital role in the overall success of our programs.

We will continue to focus on the programs, as identified at the national levels, with one-on-one, face-to-face grass roots efforts to provide our services to the many needs of Arizona. I salute our past achievements and look forward to our future successes.



RURAL HOUSING SERVICE

Rural Housing Service (RHS) is one of the agencies within the United States Department of Agriculture's (USDA) Rural Development mission area. RHS is a lending agency, like its predecessor, the Farmers Home Administration, but RHS emphasizes a community development mission. RHS programs provide people in rural areas with loans and grants for repairing their homes or buying or building new ones. USDA provides financing for rental housing at affordable prices and rental assistance to the elderly, the homeless, farm laborers, and people whose income are less than those of most of their neighbors. In partnership with many other organizations, RHS creates packages of technical assistance and loan funds from several sources, rather than providing all the assistance for a project. This leveraging and partnering stretches resources to benefit more rural individuals and communities.

HOME OWNERSHIP LOANS	
<p>SEC. 502 DIRECT LOANS This program serves rural people whose incomes are at or below 80 percent of the median for the area where they live.</p>	<p><i>Fiscal Year 2002 - Rural Development assisted 275 families obtain a direct 502 RH loan for a total of \$17,631,103.</i></p>
<p>LEVERAGED LOANS This program uses 502 loans funds to expand homeownership opportunities for rural communities. The term leveraged loan refers to a home purchase that is financed by at least two lenders - Rural Development and another participating lender. Leveraging allows lenders to expand their market by making loans that they would not have been able to approve without Rural Development financing.</p>	<p><i>Fiscal Year 2002 - Rural Development provided \$1,513,290 to assist families in purchasing a home through the Leveraging program.</i></p>
<p>GUARANTEED LOAN PROGRAM Families with low to moderate incomes, but without funds for a down payment or closing costs, can buy home with loans made by a local bank and guaranteed by Rural Development.</p>	<p><i>Fiscal Year 2002 - Rural Development assisted 195 families obtain a guaranteed loan for a total of \$17,037,662.</i></p>

<p>SEC. 504 HOME REPAIR LOANS & GRANTS</p> <p>This program is offered to elderly persons and very low income families who own homes that need repair. Rural Development provides funds so the recipients can repair or replace a leaking roof, insulate a home, install electric lines, replace a wood stove with central heating, install running water, a bathroom, and a wastewater disposal system, or make a home accessible to family members with disabilities.</p>	<p><i>Fiscal Year 2002 - Rural Development assisted 203 rural families with the 504 program for a total of \$1,464,600.</i></p>
<p>SELF-HELP HOUSING LOANS</p> <p>Homes become more affordable because low and very-low income families perform 65% of the labor needed to construct their home. The families' investment or "sweat equity" reduces the total amount borrowed.</p>	<p><i>Fiscal Year 2002 - Rural Development provided 154 self-help housing loans for a total of \$10,027,650, and 4 technical assistance grants for a total of \$765,000.</i></p>
<p>SEC. 533 - HOUSING PRESERVATION GRANTS</p> <p>HPG funds are used to renovate deteriorating homes occupied by families whose incomes fall into the low and very-low categories. Nonprofit organizations and public bodies receive grants to repair these properties and bring them up to Uniform Building Code (UBC). This program encourages projects that bring in outside funds, so most grantees substantially leverage their Rural Development dollars with funding from other sources.</p>	<p><i>Fiscal Year 2002 - Rural Development funded 1 HPG for a total of \$58,740 for repair of 10 homes.</i></p>



An example of two separate self-help groups working side-by-side in San Luis, Arizona. Comite de Bien Estar, Inc., and Housing America Corporation of Somerton.

RURAL HOUSING SERVICE

MULTI-FAMILY HOUSING	
<p>SEC. 515 - RURAL RENTAL HOUSING LOANS</p> <p>Loans with interest as low as 1% are provided to developers of affordable rural rental housing for the construction or rehabilitation of apartment-type housing for low, very low, and moderate income households in rural Arizona.</p>	<p><i>Fiscal Year 2002 - Rural Development provided a total of \$4,370,967 in rural rental housing loans.</i></p> <ul style="list-style-type: none"> - 3 new construction loans for 70 units totaled \$3,000,000 - 4 rehabilitation loans totaled \$1,370,967
<p>SEC. 521 - RENTAL ASSISTANCE PROGRAM</p> <p>This program provides subsidized rent to low income individuals, families, and the elderly in rural rental projects across Arizona. Tenants living in units with rental assistance pay no more than 30% of their incomes for shelter.</p>	<p><i>Fiscal Year 2002 - Rural Development provided 448 units for a total of \$8,606,780 in rental assistance loans.</i></p>
<p>SEC. 538 GUARANTEED RURAL RENTAL HOUSING LOANS</p> <p>This Rural Rental Housing program guarantees loans made for development of affordable rental housing in rural Arizona. The apartments built under this program are intended for families whose incomes are no more than 115% of the median income for their area. Because the loan guarantee program serves low to moderate income tenants, it complements the Direct 515 Rural Rental Housing program.</p>	<p><i>Fiscal Year 2002- Rural Development funded 2 guaranteed rural rental housing loans for 46 units that totaled \$1,518,000.</i></p>



Los Quintas de Adobe Apartments - a 27 unit elderly housing complex located in San Luis, Arizona, to serve elderly, handicapped and disabled tenants of the area.



RURAL BUSINESS - COOPERATIVE SERVICE

6

The Rural Business-Cooperative Service (RBS) helps businesses and cooperatives develop and prosper in the global marketplace from the underserved rural areas of Arizona. RBS accomplishes this mission by investing its financial resources and/or technical assistance in businesses, cooperatives, and communities, and by building partnerships that leverage public, private, and cooperative resources to stimulate rural economic activity.

<p>BUSINESS & INDUSTRY GUARANTEED LOANS</p> <p>This guaranteed program helps create jobs and stimulate rural economics by providing financial backing for rural businesses. This program guarantees up to 80% of a loan made by a commercial lender. Loan proceeds may be used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing.</p>	<p><i>Fiscal Year 2002 - Arizona ended the year with \$17,296,878 in 7 B&I guaranteed loans. Four out of the 7 obligations were Native American projects.</i></p>
<p>RURAL BUSINESS OPPORTUNITY GRANTS (RBOG)</p> <p>This funding provides for technical assistance, training and planning activities that improve economic conditions in rural areas. RBS has designed this program to promote sustainable economic development in rural communities with exceptional needs.</p>	<p><i>Fiscal Year 2002 - RBOG funding was not allocated to the states this year; however, reserve funding in the amount of \$137,962 was available from the National Office to fund a Native American project for a land use study.</i></p>
<p>RURAL BUSINESS ENTERPRISE GRANTS (RBEG)</p> <p>These grants help public bodies, private nonprofit corporations and federally recognized tribal groups finance and facilitate development of small and emerging private business enterprises located in rural communities.</p>	<p><i>Fiscal Year 2002 - Arizona utilized more than \$1,041,172. This funding assisted 11 different projects across rural Arizona that supported small business development and job creation. Six out of the 11 were Native American projects and one a Border Area project.</i></p>



Arizona provided an 80% guarantee on the \$4,860,000 permanent loan from Valley Independent Bank to Texas Hill following the completion of the pictured lettuce cooling facility.



7

RURAL UTILITIES SERVICE

The mission of the Rural Utilities Service (RUS) is to help improve the quality of life and promote economic development in rural America. It does this by administering USDA's rural utility programs in a service-oriented, forward-looking, and financially responsible manner.

<p>WATER & WASTE DISPOSAL PROGRAM</p> <p>RUS provides financial assistance through loan and grants for drinking water, sanitary sewer, solid waste, and storm drainage facilities in rural areas and cities and towns of less than 10,000 in population. Public bodies, nonprofit organizations and recognized Indian tribes may qualify for assistance. Funds can be used for improvements to existing systems or for construction of new projects.</p>	<p><i>Fiscal Year 2002 - A total of \$10,307,451 was funded to provide services to families in rural Arizona.</i></p>
<p>TECHNICAL ASSISTANCE AND TRAINING GRANTS</p> <p>The RUS can make grants to nonprofit organizations to provide technical assistance and/or training to associations located in rural areas and to cities and towns with a population of 10,000 or less. Assistance may be provided to identify and evaluate solutions to water and waste disposal problems, to improve the operation and maintenance of existing water and waste disposal facilities, and to assist associations in preparing applications for water and waste disposal facilities.</p>	<p><i>Fiscal Year 2002 - Arizona communities continue to receive technical assistance through funding provided to organizations, i.e., Nation Rural Water Association, the Arizona Small Utilities Association and Rural Community Assistance Programs. These programs provide funding for a circuit rider program that covers all parts of the state including tribal areas. The circuit rider's technician provides hands-on technical assistance on source, storage, treatment, distribution, operation and maintenance of existing systems.</i></p>



Town of Duncan Water Tank - Rural Development assisted this small mining town with a complete rehabilitation of its water system. The Town shows its pride in the local high school with this new tank. The tank is painted with the school's colors.

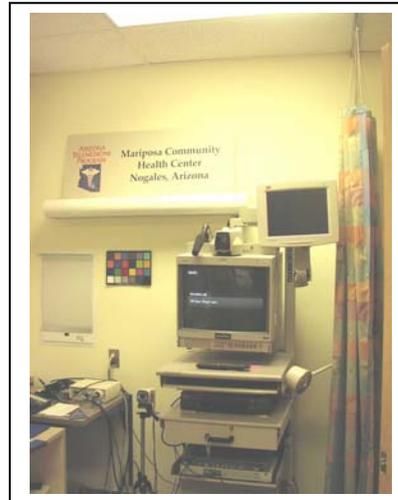
<p>COLONIAS ASSISTANCE PROGRAMS</p> <p>The Colonias Grant Program targets funds to rural communities near the U.S.-Mexico border. Colonias are residential subdivisions located within 150 miles of the U.S.-Mexico border and are generally characterized by sub-standard housing and a lack of potable water, adequate sewage, disposal systems, roads and/or drainage. Grant awards under this program help provide water and waste disposal systems in low-income Colonia communities where residents often face significant health risks as a result of the lack of services. The Colonia areas for the state of Arizona encompass those eligible communities located within 150 miles of the U.S./Mexico border and include nine tribal reservations: Ak-Chin, Cocopah, Colorado River, Gila River, Salt River Pima-Maricopa, San Carlos, Tohono O’odham, and the Pascua Yaqui Indian Reservations.</p>	<p><i>Fiscal Year 2002 - Rural Development awarded 11 Colonia grants/loans for a total of \$3,100,000.</i></p>
<p>306C WATER WASTE WATER DISPOSAL SYSTEMS GRANTS</p> <p>The 306C Grants facilitate the use of community water and/or waste water disposal systems by the residents of Colonias. This grant program pays reasonable costs for individuals to extend service lines from the system to a residence, connect service lines to a residence’s plumbing, charges or fees for connecting to a system; and the installation of plumbing and related fixtures when they are lacking or absent.</p>	<p><i>Fiscal Year 2002 - Rural Development assisted 110 families with the 306-C program for a total of \$478,435.</i></p> <p><i>Note: This program is funded under Rural Housing Service.</i></p>
<p>DISTANCE LEARNING AND TELEMEDICINE PROGRAM (DLT)</p> <p>The Rural Development RUS administers the DLT program. This program is specifically designed to meet educational and health care needs of rural America. Through loans, grants, and loan and grant combinations, advanced telecommunications technologies provide enhanced learning and health care opportunities for rural residents.</p>	<p><i>Fiscal Year 2002 - Rural Development funded one DLT project in the State for a total of \$391,455 in grant funding.</i></p>

RURAL UTILITIES SERVICE

Arizona Western College - Through a DLT grant, the college will be able to convert analog to digital signals thus improving the capacity and quality of their distance learning program. The enhancements will expand telecourse offerings, provide extended cablecast and will extend web-based instructional and learner support services. This distance education system will assist those students who cannot overcome the distance barrier (some drive 100 miles to attend class) while at the same time, provide a way to offer a range of courses and services needed by students, which are not currently available through instructional staff at remote locations. Counselors, advisers, registrars and other support staff spend more time traveling than they do in face-to-face interactions with students at rural sites. The most cost effective means to meeting community and learner needs in rural, economically-challenged areas is to implement this kind of comprehensive distance education system.



Maricopa Community Health Center, Nogales- This facility allows patients to receive quality medical attention from doctors across Arizona without leaving the clinic.





COMMUNITY FACILITY PROGRAMS

10

Rural Development has made important contributions to the economic welfare of rural communities through its Community Facility Programs. Loans and grants assist rural communities in financing essential public structures and services. These amenities help communities attract and retain businesses that provide jobs and services for their residents. Through CF programs nationally, USDA funding has been provided for more than 75 different types of projects, from child care centers to hospitals to fire trucks.

GUARANTEED COMMUNITY FACILITIES LOANS

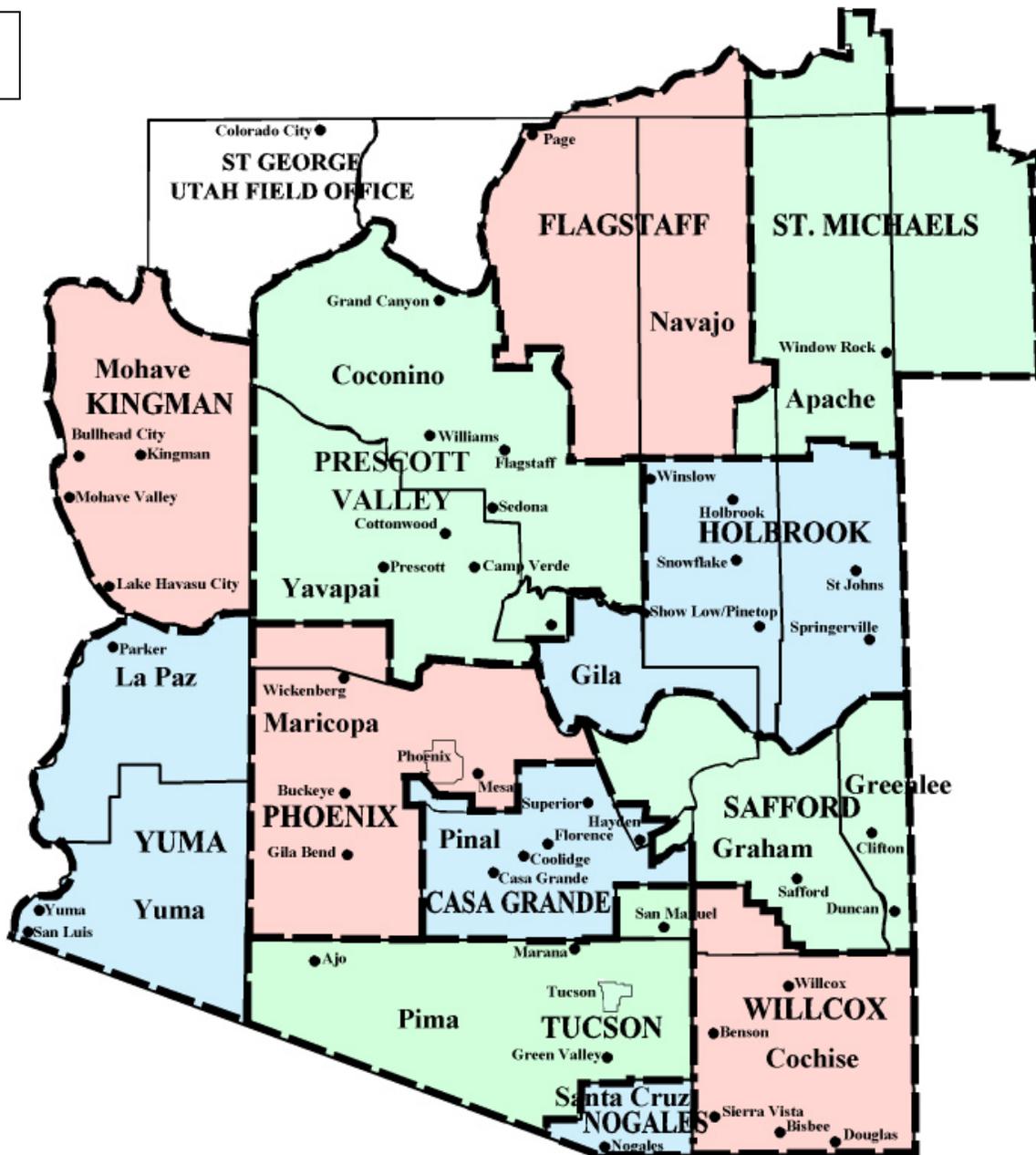
The Guaranteed CF program allows all loans to be eligible for up to 90% guaranteed against loss. They are made and serviced by lenders such as banks, savings and loans, and mortgage companies.



The Peoples Valley Fire Department is very proud of their new truck (nicknamed - Twinkie) which was purchased and renovated with a \$20,000 USDA Rural Development CF Grant. Its Town is very appreciative...



Mariposa Community Health Center - This is the second time Rural Development has helped the City of Nogales meet the health care needs of its residents. The facility has full dental and prenatal medical care services.



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