



Rural Development IDAHO  
Fiscal Year 2003  
Annual Report

*“Making a Difference in Rural Idaho”*



Rural Business-Cooperative Services  
Rural Utilities and Community Facilities  
Rural Housing Services

## Ann M. Veneman Secretary of Agriculture



The Bush Administration has made great strides in supporting investments in America's rural communities. From the successful implementation to the 2002 Farm Bill to passage of the Healthy Forest Restoration Act, President Bush's policy are helping strengthen the economic health of rural America.

In 2003, we saw record net cash farm income, which is expected to total \$65 billion, up 33 percent over 2002, and strong exports, which are expected to reach \$56.2 billion for 2003. The demand for farm products is being spurred by the President's tax cuts, low interest rates and inflation and decline in the value of the dollar. Expanding payrolls and declining unemployment in the coming year are expected to further accelerate food demand.

Also fueling this growth are the programs being implemented by USDA's Rural Development. Through USDA's Rural Development programs, it is estimated that over 510,000 jobs have been created or saved since the beginning of the Bush Administration. USDA has invested nearly \$2.5 billion for rural business development in the form of loans, grants and technical assistance.

We are also working with local communities to build and strengthen economic development partnerships with state and local governments. Some \$183 million has been invested in Empowerment Zones and Enterprise Communities (EZ/ECs). This investment is complemented by the leveraging of USDA funds to help attract \$422 million in other federal investments and \$739 million in non-federal investments to EZ/ECs and other supported communities.

To improve economic and community development opportunities in underserved rural areas, the Administration has entered into agreements with 20 National Centers of Excellence and Historically Black Colleges and Universities to advance business development through improved information technologies and entrepreneurial skills training.

Major investments have been made in developing value-added industries, with a focus on promoting renewable energy. Over \$35 million has been provided to support the development and marketing of renewable energy and the creation of energy efficient systems in rural areas.

Rural infrastructure, such as education, healthcare, telecommunications, water treatment and community facilities, has been supported by more than \$13 billion in grants and loans. More than \$10.2 billion has been invested in rural housing, much of which supports the President's ambitious goal to increase minority homeownership by 5.5 million by 2010

## Message from Acting Under Secretary for Rural Development

Citizens and community leaders throughout rural America share a common desire to bring economic opportunity and an improved quality of life to their community. There is a remarkable cohesiveness amongst rural citizens that allows the energy and enthusiasm of local citizens to harness the resources needed to bring solutions to economic and social issues facing their community.

As rural America's venture capital bank, USDA Rural Development seeks to support local efforts by providing financing to create housing, business development, technology and community infrastructure and essential community facilities. Over the last year, the Bush Administration through USDA Rural Development has provided over \$13 billion in capital financing to assist rural citizens and communities invest in their future.

USDA Rural Development capital investments in FY 2003 include; assisting over 43,000 families realize their dream of homeownership; assisting over 100 rural agri-businesses with financing of energy efficiency and renewable energy systems that support energy independence for America and that supports President Bush's national energy plan; assisting with the financing of over 12,000 business ventures to create or save nearly 90,000 jobs; and assisting with the financing of community infrastructure and facilities that will benefit an estimated 7 million rural citizens. In total, over 350,000 jobs are expected to be created or saved as a result of the financing provided by USDA Rural Development.



*Gilbert Gonzales  
Acting Under-Secretary  
USDA Rural Development*

USDA Rural Development has a dedicated team of professional with over 40 financial and technical assistance programs available to assist rural communities improve their economic opportunities and an improved quality of life. I encourage you to contact our staff in (Name of State) to learn more about ways that USDA Rural Development can be of assistance to you and your community.

## Message from the State Director

Fellow Idahoans:

We are pleased to report on the activities of Idaho USDA Rural Development for Fiscal Year 2003.

In this annual report, you'll find information about USDA Rural Development programs and how they help the people of our state. After reviewing it, we hope you'll have a better idea of how USDA Rural Development is fulfilling its mission to create new opportunities for rural Idahoans.

Helping to create quality jobs, housing, safe drinking water, and reliable and modern infrastructure for rural communities remains a top priority. Rural Development employees in Idaho are working in partnership with federal, state, tribal and local government officials as well as the private sector to make certain our financial resources are invested wisely and have the greatest impact on improving the quality of life in rural areas of our state.

We want to thank our partners: the private, nonprofit, and government entities that have participated with us in many of these projects. With their assistance, we have helped rural residents statewide.

We recognize that the best solutions to rural problems are developed by those on the ground. We stand ready to assist Idaho's rural communities by being an active participant in their growth.

Sincerely,



Michael A. Field  
State Director



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## Rural Business-Cooperative Service

### Accomplishments

<b>Program Name</b>	<b>Dollars Obligated</b>	<b>Participation Amount</b>	<b>Total Investment</b>	<b># Jobs</b>
Business and Industry Loan Guarantee	4,518,500	747,232	5,265,732	152
Business and Industry Loan Guarantee (CAIP*)	4,560,000	400,000	4,960,000	118
Rural Business Enterprise Grant (RBEG)	381,000	3,945,448	4,326,448	664
Intermediary Relending Program	300,000	45,000	345,000	19
Rural Business Opportunity Grant (RBOG)	47,000	3,000	50,000	38
Energy Value Added Producer Grant	1,010,000	3,043,000	4,053,000	N/A
	<u>1,353,635</u>	<u>1,353,635</u>	<u>2,707,270</u>	<u>N/A</u>
<b>TOTAL</b>	<b>\$12,170,135</b>	<b>\$9,537,315</b>	<b>\$21,707,450</b>	<b>991</b>

\*Community Adjustment and Investment Program

Rural Development provided financing to promote the start-up or expansion of rural business or cooperatives, creating or preserving 991 jobs in the rural areas served. \$10,816,500 in Rural Development, Rural Business Cooperative Services (RBS) program assistance was provided to rural projects as guaranteed loans, grants made to third parties, or loans made to intermediaries to facilitate the development of rural businesses and cooperatives, or grants made to eligible agricultural producers/ producer groups. RBS program assistance was leveraged with \$8,183,680 from our Partners, for a total investment in rural projects and communities of \$19,000,180. Idaho RBS provided technical assistance services to cooperatives and cooperative steering committees to facilitate Empowerment Zone/Enterprise Community Initiative.

### Business & Industry Guaranteed Loans: Fiscal Years 2002 & 2003

<b>Lender</b>	<b>Location</b>	<b>Number of Loans FY 2002</b>	<b>Amount of Loans FY 2002</b>	<b>Number of Loans FY 2003</b>	<b>Amount of Loans FY 2003</b>
American West Bank	Pullman, WA	1	\$ 699,600		
American West Bank	Orofino	1	\$ 572,000	1	\$ 600,000
Bank of Whitman	Colfax, WA	1	\$ 575,000		
DL Evans	Twin Falls			1	\$ 1,716,000
Farmers & Merchants	Meridian	1	\$ 2,602,713		
Intermountain Community Bank	Nampa			1	\$ 396,000
Mountain West Bank	Meridian			1	\$ 1,118,000
Panhandle State Bank	Sandpoint			2	\$ 4,560,000
US Bank, NA	Preston			1	\$ 188,500
Washington Trust Bank	Boise	1	\$ 3,000,000		
Wells Fargo Bank, N.A.	Lewiston	1	\$ 400,000		
Wells Fargo Bank, N.A.	Coeur d'Alene	2	\$ 755,000		
Zions Bank	Blackfoot	1	\$ 525,000		
Zions Bank	Moscow			1	\$ 500,000
<b>Totals</b>		<b>9</b>	<b>\$ 9,129,313</b>	<b>8</b>	<b>\$ 9,078,500</b>

## Rural Business-Cooperative Service

### Success Stories

# **RK Tek**

RK Tek, LLC began operations during the spring of 2000 with the start-up of a light manufacturing business located in northern Utah. The business designs and constructs custom performance parts for snowmobiles, ATVs and motorcycles. In addition they produce highly specialized wax injection moldings used for investment castings. They initially leased a 1,200 sq. ft. building and after a few months of operation it became evident that they had outgrown the space. The business is such that nearly all raw materials and finished products are sold and purchased via the internet or by telephone. Accordingly, the location of the business is not critical to its success. They began to seek out potential locations and visited Preston, Idaho and were impressed with the community and decided to relocate. They obtained a long-term lease for property located within the City of Preston's Industrial Park and developed plans for a facility that would meet current needs as well as provide for additional growth. The project included the construction of a 3,500 sq. foot building, moving expense, debt refinance and purchase of additional equipment. US Bank utilized the Business and Industry (B&I) loan Guarantee Program for the project's term financing. The project created 3 jobs and saved 2 jobs.

### Rural Business Enterprise Grant

The economic base of North Central Idaho and the City of Lewiston has been dependent on basic natural resource-based industries for the last century. Accordingly, over the past decade the economy has been strained as the timber industry, and those industries that rely heavily on that sector, has been stressed for a variety of reasons. Diversification is the key to economic development in this region.

As the region's designated professional and technical school, the Lewis-Clark State College (LCSC) has participated in the development of the North Idaho Manufacturer's Association, an association of small and medium-sized manufacturing businesses. North Idaho Manufacturer's Association provides a means by which partners in the association can find each other and develop appropriate strategies to strengthen the manufacturing sector. One of the association's goals is to partner with industrial technology educators to provide students with training opportunities to prepare them for the manufacturing workforce.

LCSC identified a significant mismatch of employer needs and employee skills in the manufacturing sector. Members of North Idaho Manufacturer's Association have stated that one of the greatest barriers to their growth is an untrained workforce. Specifically, members of the association identified a critical shortage of skilled CNC Milling Machine technicians. The RBEG Project emerged from a collaborative effort among manufacturers, business and economic development agencies, and LCSC to upgrade and expand technician training.

RBS provided LCSC with a Rural Business Enterprise Grant (RBEG) of \$28,000 to purchase a Computer Numerical Control (CNC) Milling Machine to add to the training facilities at LCSC. The new machine, which mills metal, features the latest technology and will enhance the training of those students in LCSC's technical and industrial programs. The machine will give students an edge to potential employers because it gives them experience working with the latest transition codes. Students trained on the new equipment will help employers increase productivity and sales, and will give them the skills needed to seek jobs with better salaries. This project will be of benefit to local businesses because they are able to attract and keep a locally trained labor force to enhance their small and emerging businesses in the rural communities

LCSC estimates that technical training provided on this equipment will have the effect of creating/retaining 5% of existing jobs in this sector, or 13 jobs. This RBEG project is expected to have a significant impact on the small and emerging private businesses in the area.

Lewis-Clark State College,  
(LCSC) Milling Machine



Rhonda Merritt, Business Loan  
Assistant, and Dene Kay Thomas,  
President LCSC

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## Rural Business-Cooperative Service

### Success Stories (continued)

#### Value-Added Producer Grant



Salmon Creek Farms Marketing Association (SCFMA) represents over 189 family producers located in Idaho, Utah and Montana. They requested Value-Added Producer Grant (VAPG) funds to be used for working capital to assist them in implementing a business plan to add value to their hogs through a branded line of Natural Pork. They worked in conjunction with the Independent Meat Company (IMC), Twin Falls, Idaho and after completing test marketing and a feasibility study it was determined that a line of high quality natural pork would bring a premium in the market place. SCFMA developed standards for production including all aspects from herd genetics to feeds and herd health practices. Ultimately, the goal is that the producer will provide a consistent supply of quality hogs to be marketed under the Salmon Creek Farms Natural Pork label and by doing so they will receive an above market premium. SCFMA's mission statement, taken from their homepage on the internet, is as follows:

**Our mission is to provide each and every consumer of Salmon Creek Farms Natural Pork, the most complete and satisfying pork eating experience of their lives.**

"Our family farmers are producing the ultimate natural pork in the world using environmentally friendly, sustainable production and management techniques. Our program provides consistent premiums, incorporated into our pricing matrix, which are shared by everyone involved, from our genetic team through the production, processing and marketing of our products. Working together we have created a program that sets the industry standard for pork quality and wholesomeness. Our Association creates long-term sustainability and competitiveness for our producing families, ensuring a bright future for all of our families in this generation and generations to come. And we can provide the ultimate pork eating experience for you!"

#### Section 9006 Energy Program

On September 3, 2003, Idaho's U.S. Senators Larry Craig and Mike Crapo announced three U.S. Department of Agriculture grants totaling more than \$1million for renewable energy systems in Idaho. "These three projects will be greatly enhanced by the grants announced today, and I am very proud of the forward-thinking efforts these gentlemen have undertaken to expand the role of renewable energy in our state," Senator Craig said.

Through the Fiscal Year 2003 Renewable Energy Systems and Energy Efficiency Improvements (Energy) Program, Rural Business-Cooperative Service (RBS) provided grants to agricultural producers and rural small businesses to purchase renewable energy systems and make energy efficiency improvements. The Energy Program is designed to help agricultural producers and rural small businesses reduce energy costs and consumption and help meet the nation's critical energy needs.

One of the projects announced by Idaho's U.S. Senators Larry Craig and Mike Crapo was an Energy Grant of \$500,000 made to Val E. Schwendiman. Mr. Schwendiman has been farming for over 50 years in eastern Idaho. He has been studying the wind resources on his farm since 2001 through multiple anemometer sites. Mr. Schwendiman also utilized data collected by the Idaho National Engineering and Environmental Laboratories (INEEL) renewable energy program. The project funded by the RBS Energy Grant includes the purchase and installation of a single 1.5 MW wind turbine. Power produced by the wind turbine will be sold under contract to PacifiCorp (Utah Power)

As noted by Tyler Schwendiman: "The grant has really helped speed things up. We'll call this a test project. If this can pay for itself, we might put in more."

# Rural Utilities and Community Facilities

## Accomplishments

Program Name	Dollars Obligated	Participation Amount	Total
Water & Waste Disposal			
Loans	\$5,531,000	} \$3,399,800	\$13,856,012
Grants	\$4,690,212		
Native American	\$235,000		
Pre-Development Planning			
Grants	\$30,000		\$30,000
ECWAG	256,000		\$256,000
Solid Waste Management Grants	\$79,000	\$22,000	\$101,000
Community Facilities			
Direct Loans	\$3,397,000	} \$500,000	\$5,392,464
Grants	\$75,000		
Guaranteed Loans	\$1,212,000		
Economic Impact Grants	\$208,464		
Totals	\$15,713,676	\$3,921,800	\$19,635,476

## Success Stories:

### Sandpoint Charter School, Inc.

In 1998 the Idaho Legislature created a new chapter in Idaho code that authorized charter schools. The Sandpoint Charter School, Inc. was opened in 2000 and was the 10th Charter School formed in Idaho. In Idaho, charter schools are non-profit, publicly funded and non-sectarian. They are operated independently within existing school districts.

The Sandpoint Charter School was formed and has operated with broad based community support including the strong support of the Lake Pend Oreille School Board. They were chartered for 7th, 8th, and 9th grades. Due to strong community support and word of mouth, they quickly outgrew their existing facilities and were in need of a larger building. The project has involved the purchase and remodel of a vacant 28,800 square foot commercial building in Sandpoint.

The project was made possible with a \$900,000 loan from Panhandle State Bank guaranteed by a USDA Rural Development Community Facilities Loan Guarantee, and a \$650,000 Community Facilities Direct Loan from USDA Rural Development. The Sandpoint Charter School has provided \$300,000 cash contribution, and has donated some labor for the project. Construction began in August 2003. The building should be complete in December 2003.



## Rural Utilities and Community Facilities

### Bruneau Water & Sewer Project

The Bruneau Water & Sewer District water system was condemned by DEQ in 1998 due to fluoride levels in excess of the maximum contaminant level (MCL). Bruneau applied to USDA-RD in early 2001 to build a small reverse osmosis (RO) water treatment facility, new water storage tank and new water meters to bring the system back into compliance for fluoride levels, and more recently arsenic levels in excess of the MCL.

Bruneau passed a revenue bond in May 2001 in the amount of \$145,000 to cover a portion of the project costs, and the USDA-RD funding was approved in July 2001 which consisted of a \$145,000 loan and \$435,000 grant. During subsequent project planning, DEQ expressed concern that Bruneau had only one well, with no backup. Although the existing single source is grand-fathered in, it does not meet current standards.

Given the limited size and income of the community, this was likely the only opportunity to bring the water system fully up to current standards. In addition, the RO pilot testing revealed that the existing source would be insufficient to meet the community's needs, as a certain portion of the treated water would go to waste. The existing funding package contained the maximum possible USDA-RD grant for the existing project budget, and was insufficient to complete the original project plus the second water source.

In November 2002, Bruneau requested a CDBG for \$265,600 to construct a second well, with additional piping to be added to the water improvement project. In April, 2003, the CDBG was approved, and the project moved forward. In August, 2003, an additional USDA-Rural Development grant for \$133,812 was approved to cover a cost overrun on the new tank and enable aeration and small booster pumps to be added to the water treatment plant. Phase I construction of the new water storage tank has started, and soon the community's water system will no longer be condemned.



# Rural Housing Service

## Accomplishments

Program Name	Dollars Obligated	Participation Amount	Percent of Participation
Single Family Housing Loans (Section 502)			
Very Low Income	\$10,113,352	\$1,557,379	16%
Low Income	\$10,301,817	\$1,610,400	16%
Repair & Rehabilitation Grants (Section 504)	\$287,730	\$2,000	.01%
Repair & Rehabilitation Loans (Section 504)	\$372,790	\$2,000	.01%
Mutual and Self-Help Housing Grants (Section 523)	\$547,660	\$-0-	N/A%
Single Family Housing Guaranteed Loans	\$34,290,946	N/A	N/A
Farm Labor Housing (Section 514)	\$497,700	\$-0-	0%
Multi-Family Housing Loans (Section 515)	\$5,259,177	\$-0-	10.4%
Rental Assistance(RA) (Section 521)	\$13,319,582	N/A	N/A
Technical Assistance Grants	\$60,000		
Labor Housing Grants	\$360,000		
MFH program Credit Sale	\$585,000		
<b>Totals</b>	<b>\$75,935,754</b>	<b>\$3,171,779</b>	

In 2003, Rural Housing Service provided approximately \$20,415,169 in direct funds and \$34,291,288 in guaranteed funds to help 608 rural families buy single family homes. Also \$659,492 in grant and loan funds assisted 122 very-low-income homeowners with removal of health and safety hazards or rehabilitation of their existing dwellings.

In total, Idaho's Rural Housing Service invested more than \$75,875,028 either as direct loans and grants, rental assistance, or guaranteed loans in rural housing.

## Success Stories:

### Two Year Search Pays Off Through 502 Program

Adrienne Mendoza and her three daughters lived in a noisy, run-down apartment complex for nine years. She felt very unsafe there after several of her neighbor's homes were burglarized. She was concerned about the environment she was raising her daughters in and wanted to find a home that would provide privacy, safety and an overall good environment for a family.

She tried to save for a home, but as a single mother with a limited income, her money never seemed to stretch far enough. She had looked for a home for two years before Magic Valley Bank told her about USDA Rural Development's leveraged loan program. She quickly applied with the bank, which then forwarded her application to Rural Development.

She was able to find an older home that a local contractor had gutted and completely refurbished to look like new.



Through the partnership efforts of Magic Valley Bank and USDA Rural Development who provided financing for the home, and Idaho Housing & Finance Association who provided a grant for closing costs, Ms. Mendoza is now a homeowner. Ms. Mendoza said, "I'm so happy. My girls and I are so proud of our home. My whole life has turned around lately. At Christmas, I invited my co-workers over to show off our beautiful home, and show them that dreams really do come true."

# Rural Housing Service

## Success Stories (continued)

### Partners Help Elderly Homeowner

Norma, a 62 year old grandmother, raising her 2 grandchildren and also caring for her terminally ill 30 year old son, was in need of a new home.

They were living in Norma's first home which was built in 1948. It was falling down around them. The roof was buckling and the foundation was failing. The interior of the home was in poor repair as well. The bathroom did not have a sink or medicine cabinet, vice grips were required on the bathtub faucet to turn on the water. There were also major plumbing problems in the kitchen area. The lawn was watered by flood irrigation which left a huge mud hole in the middle of the yard where the water pipe protruded. These were just a few of the issues.



After working through the details with all of the partners involved – the existing home was demolished and a new home was constructed for Norma's family. It included a new sprinkler system.



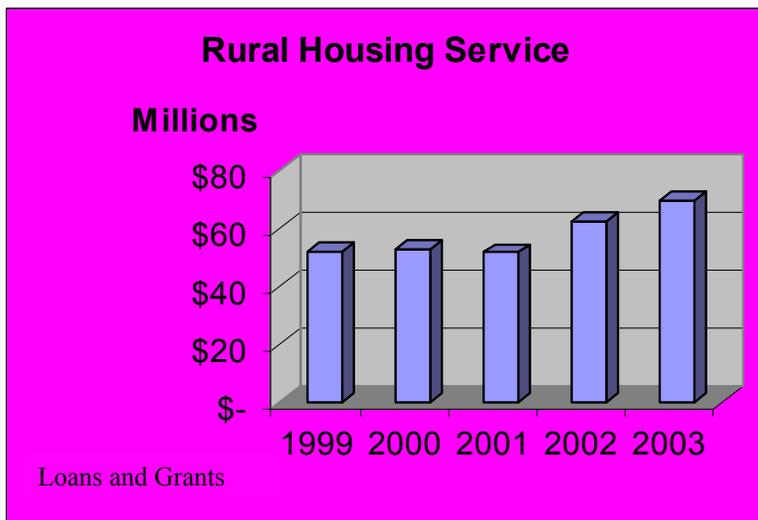
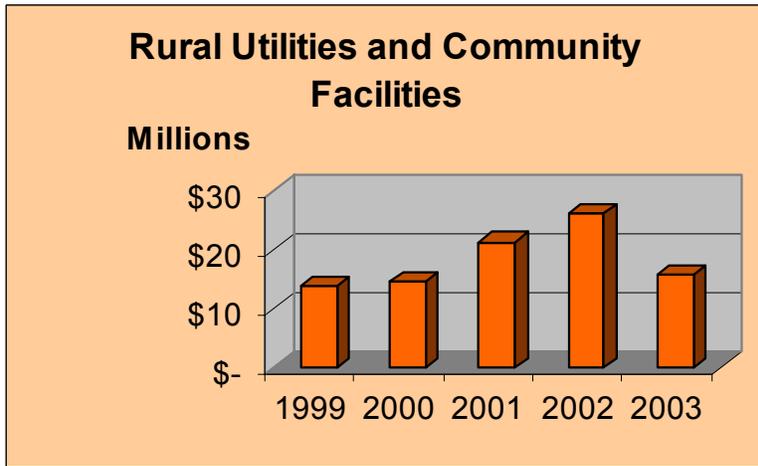
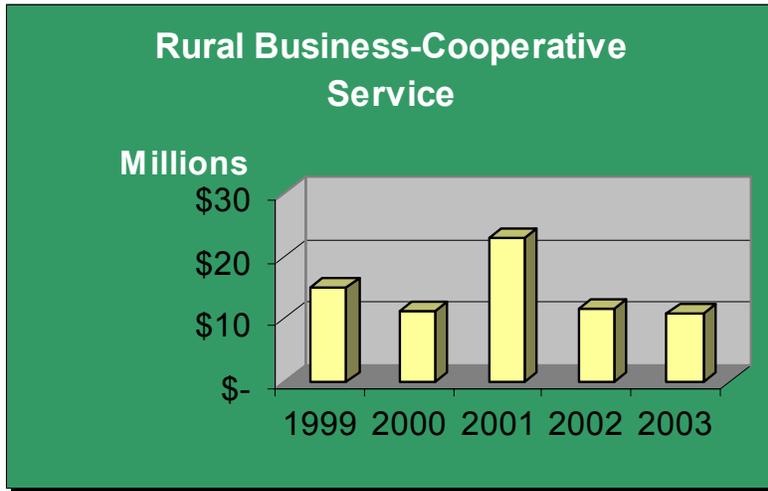
The following partners contributed to make this project a success:

- Idaho Development & Housing Organization
- Caldwell Urban Renewal
- Intermountain Community Bank
- USDA, Rural Development
- Neighborhood Housing Services, Inc (CDFI Funds)

In addition, there were many local vendors, contractors, & sub-contractors who assisted by discounting or donating their materials and labor.

Norma's payment before -	\$401.00 / month
Current house payment with taxes & insurance -	\$347.02 / month

# Historical Trends



## Office Locations for Rural Development IDAHO

### Coeur d'Alene Area Office

Morris E. (Mac) Cavasar, Rural Development Manager  
7830 Meadowlark Way, Suite C  
Coeur d'Alene, Idaho 83815  
phone: 208-762-4939,  
fax: 208-762-9799  
email: [mac.cavasar@id.usda.gov](mailto:mac.cavasar@id.usda.gov)

### Grangeville Outreach Office

Patricia Patoray (Patty)  
Rural Development Specialist  
Route 1, Box 2  
Grangeville, Idaho 83530  
phone: 208-983-1050  
fax: 208-983-0519  
email: [patty.patoray@id.usda.gov](mailto:patty.patoray@id.usda.gov)

### Lewiston Outreach Office

Zeeta Augello, Rural Development Specialist  
1630 23rd Ave., Ste. 6  
Lewiston, Idaho 83501  
phone: 208-746-9621  
fax: 208-798-3164  
Email: [zeeta.augello@id.usda.gov](mailto:zeeta.augello@id.usda.gov)

### Blackfoot Area Office

Gary Gamble Rural Development Manager  
727 Jensen Grove Drive, Suite 1  
Blackfoot, Idaho 83221  
Phone: 208-785-5840, fax: 785-6561  
Email: [gary.gamble@id.usda.gov](mailto:gary.gamble@id.usda.gov)

### Weiser Outreach Office

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Rural Development Specialist  
845 East 9th  
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phone: 208-549-4280  
fax: 208-549-4229  
Email: [nicholes.partin@id.usda.gov](mailto:nicholes.partin@id.usda.gov)

### Rexburg Outreach Office

Christie Robertson  
Rural Development Specialist  
265 E 4<sup>th</sup> N, Rexburg, Idaho 8440  
Phone 208-356-7248, fax: 356-7240  
Email: [Christie.robertson@id.usda.gov](mailto:Christie.robertson@id.usda.gov)

### Caldwell Area Office

M. Stewart Brent  
Rural Development Manager  
2208 E. Chicago, Ste C  
Caldwell, ID 83605  
Phone: 208-454-8691  
Fax: 208-459-9762  
Email: [stewart.brent@id.usda.gov](mailto:stewart.brent@id.usda.gov)

### Twin Falls Area Office

Larry Stachler  
Rural Development Manager  
1441 Fillmore, Suite C  
Twin Falls, Idaho 83301  
Phone: 208-733-5380  
Fax: 208-734-0428  
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### Mountain Home Outreach Office

Louise McBride  
Rural Development Specialist  
795 South Haskett  
Mountain Home, Idaho 83647  
Phone: 208-5878-9791  
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### Rupert Outreach Office

Manuel A. (Tony) Ballestero  
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Fax: 208-436-3098  
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### Soda Springs Outreach Office

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