



Committed to the future of rural communities.

USDA Rural Development

Washington State

2011 Annual Report



Table of Contents

3 - From the Top

4 - FY11 Funding Highlights

6 - Success Stories

8 - Congressional District

9 - Native American Funding

10 - Contacts

*Snoqualmie Falls, Washington.
Photo by Phil Eggman*

USDA Rural Development

USDA Rural Development’s mission is to help improve the economy and quality of life in rural America. Through our programs, we touch rural America in many ways.

Our financial programs support such essential public facilities and services as water and sewer systems, housing, health clinics, emergency service facilities, broadband, electric and telephone service.

We promote economic development by supporting loans to businesses through banks, credit unions and community-managed lending pools.

We offer technical assistance and information to help agricultural producers and cooperatives get started and improve the effectiveness of their operations.

We provide technical assistance to help communities undertake community empowerment and planning programs.

Nationally, USDA Rural Development has a \$115 billion portfolio of loans and will administer \$20 billion in loans, loan guarantees and grants through all our programs in the current fiscal year.

We achieve our mission by helping rural individuals, communities and businesses obtain the financial and technical assistance needed to address their diverse and unique needs.

With the goal to out-educate, out-innovate, and out-build global competition, USDA Rural Development is committed to the future of rural communities.



Staff from Washington State’s Olympia Area Office show the USDA Rural Development banner at the City of Tenino’s annual Oregon Trail Days Parade. Photo by Phil Eggman.

From the Top

Barack H. Obama , President United States of America



We’re ramping up our efforts to get capital to small businesses in rural areas. We’re doubling the commitment we’ve already made through key small business lending programs. We’re going to make it easier for people in rural areas looking for work to find out about companies that are hiring. We’re going to do more to speed the development of next-generation biofuels, and we’re going to promote renewable energy and conservation.

Tom Vilsack, Secretary U. S. Department of Agriculture



USDA Rural Development funding made an enormous difference in the lives of rural Americans in FY 2011. From helping tens of thousands of families repair or purchase a home, to large-scale investments to develop broadband infrastructure across dozens of counties, I am confident that the investments we have made will have a lasting, sustainable impact, and provide jobs and economic activity to keep rural America vibrant and prosperous in the future.

Dallas Tonsoger, Under Secretary USDA Rural Development



The Obama Administration recognizes how important rural America is to the continued economic health and vitality of the United States. Rural communities are home to more than 50 million people. Our goal of ensuring that rural areas are creating wealth, self-sustaining, repopulating, and thriving economically is especially critical in the aftermath of the economic downturn.

Mario Villanueva, State Director Rural Development, Washington



As an agency, along with other federal and state entities, we have embraced the responsibility of managing, with tangible results in the field, the task of helping our country travel down the path of economic recovery – and we are succeeding. We do a great job of deploying our programs in Washington – and that could be enough – but we also need to be about helping transform our rural communities as we do our work.

FY11 Funding Highlights by Program

Working in partnership with state, local, and tribal governments, and other federal agencies; as well as, rural businesses, cooperatives, and non-profit agencies, USDA Rural Development in Washington State obligated over \$873.2 million in Fiscal Year 2011. The following are highlights by program.

Rural Business & Cooperative Programs

- Over \$26.6 million obligated through 16 business loans and 41 grants.
- Overall funding projected to assist 269 businesses and create or save 545 jobs.
- Over \$1.9 million for *9005 programs.

Rural Housing Programs

- Over \$701.4 million obligated in Single Family home loan, home repair loan and grant programs, benefiting 3,875 households statewide.
- Over \$24.6 million obligated for rental assistance, serving 5,080 rural residents living in multi-family housing.
- Of the 318 USDA Rural Development Multi-

Family Housing properties in Washington State, 297 have Rental Assistance.

Community Facilities

- Over \$13.2 million was obligated in FY 2011, including \$4.6 million in direct loans; \$8.3 million in loan guarantees, and \$262,000 in grants.
- Twenty-six projects were funded from essential community facilities to critical first responder equipment to libraries, etc.

Water & Environmental Programs

- Over \$38.6 million obligated, including \$17.4 million in direct loans; \$16 million in loan guarantees, and \$5.1 million in grant funding.
- A total of 18 sewer and water projects were funded throughout rural Washington State.

Broadband Programs

- Over \$55.6 million funded for Fiber to the Premises (FTTP) broadband expansion.
- Over \$1.4 million in five Distance Learning & Telemedicine Grants awarded.

**Created by the 2008 Farm Bill. It makes incentive payments to all enrolled producers of "advanced biofuels." Rural and urban producers are eligible for these incentives.*



Total Fiscal Year 2011 Investment By Program/County

County	Housing Programs (SFH/MFH)	Community Facilities Programs	Water & Environmental Programs	Rural Broadband Programs	Business & Cooperative Programs	Funding-Total by County
Adams	\$4,876,624				\$2,341,000	\$7,217,624
Asotin		\$989,000	\$2,000,000		\$65,639	\$3,054,639
Benton	\$9,375,932				\$116,156	\$9,492,088
Chelan	\$7,865,865	\$6,700		\$487,148		\$8,359,713
Clallam	\$19,279,669			\$113,446	\$146,000	\$19,539,115
Clark	\$52,743,167					\$52,743,167
Columbia	\$634,360					\$634,360
Cowlitz	\$15,616,993	\$1,661,300				\$17,278,293
Douglas	\$4,657,512					\$4,657,512
Ferry	\$413,427	\$40,000			\$930,000	\$1,383,427
Franklin	\$29,299,654				\$3,500,000	\$32,799,654
Garfield		\$17,400				\$17,400
Grant	\$23,739,151	\$311,000			\$20,000	\$24,070,151
Grays Harbor	\$6,959,703	\$32,300	\$364,000		\$1,947,694	\$11,303,697
Island	\$15,492,472		\$1,500,000		\$49,990	\$17,042,462
Jefferson	\$4,849,523				\$1,200,000	\$6,049,523
King	\$34,516,951			\$215,025	\$121,928	\$34,853,904
Kitsap	\$60,674,668					\$60,674,668
Kittitas	\$7,742,668	\$120,000	\$543,000	\$24,823,000		\$33,228,668
Klickitat	\$3,238,530				\$50,000	\$3,288,530
Lewis	\$19,008,288		\$3,596,000	\$18,091,000	\$30,000	\$40,725,288
Lincoln	\$1,045,021		\$94,000			\$1,139,021
Mason	\$13,713,136	\$4,438,000			\$99,201	\$18,250,337
Okanogan	\$8,026,755	\$52,200			\$773,705	\$8,852,660
Pacific	\$3,242,829	\$26,300				\$3,269,129
Pend Oreille	\$1,610,619		\$49,000			\$1,659,619
Pierce	\$112,164,711	\$4,992,400	\$2,431,700			\$119,588,811
San Juan	\$6,598,331		\$1,686,800			\$8,285,131
Skagit	\$16,271,869	\$216,700			\$572,349	\$17,060,918
Skamania	\$1,850,732				\$156,510	\$2,007,242
Snohomish	\$139,141,118	\$44,000			\$8,132,204	\$147,317,322
Spokane	\$14,053,304				\$20,000	\$14,073,304
Stevens	\$3,349,509	\$58,700	\$102,000	\$314,910	\$684,000	\$4,509,119
Thurston	\$25,623,947		\$14,000,000	\$309,368	\$677,391	\$40,610,706
Wahkiakum	\$371,916	\$144,000	\$7,483,000	\$12,708,000		\$20,706,619
Walla Walla	\$1,000,067					\$1,000,067
Whatcom	\$41,098,251		\$687,000		\$4,816,025	\$46,601,276
Whitman	\$2,543,360	\$76,500	\$4,104,000		\$149,000	\$6,872,860
Yakima	\$26,088,560	\$12,500			\$32,068	\$26,133,128
Total by Program	\$737,678,771	\$13,239,000	\$38,640,500	\$57,061,897	\$26,630,863	\$873,250,231

2011 Successes From Around the State

Strategic Partners

The old adage that there is strength in numbers especially holds true when you build strong and strategic alliances.

Single Family Housing staff in Mount Vernon and Port Angeles made substantial contributions toward delivering housing program services to residents of Whatcom, Skagit, San Juan, Island, King, Snohomish, Kitsap, Clallam and Jefferson counties.

In the Mount Vernon Area, the office approved 89 direct loans totaling over \$16 million dollars, representing 26 percent of loans made in Washington State and 37 percent of funds spent.

The Port Angeles office approved 68 direct loans totaling over \$9.5 million dollars. This represents 20 percent of loans made in the State and 22 percent of funds spent.

The combined total for SFH direct loans in the Mount Vernon Area Office service area was 157 loans and over \$25 million dollars. This represented 46 percent of the SFH direct loans made in Washington State.

Capital Markets

Creating great places to live and raise families is very important to our efforts at USDA Rural Development.

Business Programs work in partnership with the private sector and community-based organizations to provide financial assistance and business planning. We help fund projects that create or preserve quality jobs and/or promote a clean rural



Housing obligations in counties covered by Mount Vernon Area and Port Angeles offices represented over 46 percent of Single Family Housing Direct loans made in Washington State in FY11. Photo by Phil Eggman.

environment. The financial resources are often leveraged with those of other public and private credit source lenders to meet business and credit needs in under-served areas. Recipients of these programs may include individuals, corporations, partnerships, cooperatives, public bodies, nonprofit corporations, Indian tribes, and private companies.

Regional & Local Food Systems

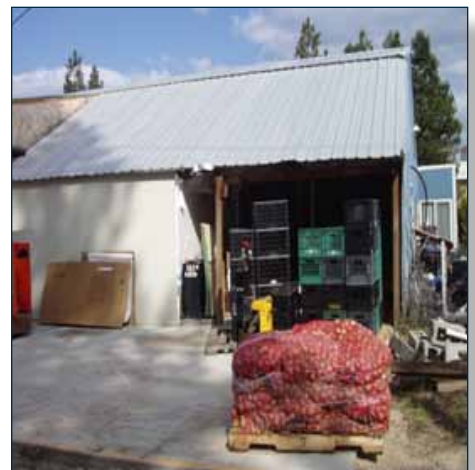
Building markets for local and regionally grown agricultural products makes great economic sense. Loon Lake Food Bank started over 20 years ago in Stevens County with a group of people that saw a need to fill the mouths of hungry families and seniors in their community.

The food bank started from the trunk of a car, to a single wide trailer home and eventually evolved into a building where food could be stored properly. The facility allowed for more food, volunteers and resources to combat hunger.

Though a great improvement from years past, the bank struggled with food storage capacity due to incredible donations and volunteer efforts to support the food bank and feed the hungry. With the in-

ability to get a loan from banks and limited resources from other funders, Loon Lake Food Bank sought the assistance from USDA Rural Development, which, in turn, partnered with Inland Northwest Community Foundation and Avista Foundation to fund the \$30,770 project. Even with this funding, the new building would not have been possible without support and help from Miller Hull

Continued Next Page



USDA Rural Development's Wenatchee Area partnered with Inland Northwest Community Foundation and Avista Foundation to help expand food storage. Photo by Rick Rose.

From Previous Page

Architects, Quality Steel Buildings and S.A. Parent Electric.

The Food Bank now has the capacity to take in more food and keep it longer, provide protection from the elements so volunteers can work safely and serve families and seniors in the surrounding communities with better food and health.

Loon Lake Food Bank is a thriving success that believes firmly in human compassion and taking care of the needy no matter the difficulty.

Regional Collaboration

Smaller, more remote rural communities don't have to be stand-alone economic engines in an oasis, each looking only from within for sustainability.

For years, residents of Parker had a serious problem—their water supply was contaminated. Parker is an unincorporated small town in central Yakima County, within the boundary of the Yakama Indian Nation reservation.

Water and sewer services were provided by 72 shallow, individual private wells and on-site septic systems; however, in the late 1990's, water quality tests conducted by the EPA revealed that several sources had the presence of dangerous fecal coli forms and nitrate levels. The source of the pollutants is believed to be caused by failing septic tanks.

A new well and the means to store water was needed for residents. This project will be the culmination of two decades of work, with talks beginning in earnest in between the Yakama Nation, Yakima County and USDA Rural Development in 1999.

The project is being funded by an Environmental Protection Agency (STAG GRANT) of \$433,700; a Washington State Community Development Block Grant of \$940,000; and a USDA Rural Development Water and Waste Water Disposal Direct Loan of \$200,000 and a Grant of \$1,367,000.



Improving the quality of life for rural Americans is the fundamental goal of USDA Rural Development through such projects as building a new apartment complex in Graham, Pierce County. Photo by Phil Eggman.

Community Building

Creating great places to live and raise families is very important to our efforts at USDA Rural Development.

Hawthorne Lane Apartments is a new family complex located in Graham, Pierce County, that started renting in late September 2011. There are 32 units; 4-one bedroom units, 10-two bedroom units, 16-three bedroom units, and 2-four bedroom units.

While there is no Rental Assistance, the proposed rents for Hawthorne Lane are well below the Housing and Urban Development (HUD) established fair market rents to make the units affordable to our very low, low and moderate income tenants.

USDA Rural Development provided a \$1 million loan to borrower: Hawthorne Lane Graham Associates, LLLP. Other investments included \$1.4 million from the Washington Community Reinvestment Association (WCRA); a \$2.9 million grant from the Washington State Housing and Finance Commission (WSHFC); and \$1.2 million from Pierce County as well as a \$46,208 investor contribution.

Alternative Energy

American development and use of alternative energies is good for our country and good for our environment.

USDA announced research projects aimed at developing regional, renewable

energy markets to generate rural jobs, and decrease America's dependence on foreign oil. Altogether, the five-year program will deliver more than \$136 million in research and development grants to public and private sector partners in 22 states.

A research team from the University of Washington received \$40 million to focus on using sustainably grown woody energy crops to produce biogasoline and renewable aviation fuel.

Another research team led by Washington State University received \$40 million to convert closed timber mills into bio-energy development centers, improving the economic potential of rural communities affected by the downturn in timber production.

Broadband and Continuous Business Creation

Expanding access to high-speed broadband is one of our greatest challenges and our highest priority.

In Lewis County, Toledo Telephone Broadband Project received a \$18 million USDA Rural Development Broadband Loan. Over \$14,150,000 was used for "outside plant" construction - the labor and material for fiber cable. The remaining funds were used for electronics and engineering fees.

The purpose of the loan was "fiber to the premises" - "FTTP". This loan includes funds for 292 miles of buried fiber cable for a full FTTP system to connect all of Toledo's subscribers.



Toledo Telephone Company's "Last Mile" fiber optics expansion project in Lewis County. Photos by Phil Eggman.

FY11 Funding By Congressional District

District	Housing Programs (SFH/MFH)	Community Facilities Programs	Water & Environmental Programs	Rural Broadband Programs	Business & Cooperative Programs	Total by District
1	\$17,586,693					\$17,586,693
2	\$213,193,923	\$260,700	\$3,873,800		\$13,570,568	\$230,898,991
3	\$110,555,282	\$1,831,600	\$11,079,000	\$31,108,000	\$560,711	\$155,134,593
4	\$111,277,276	\$450,200	\$543,000	\$25,310,148	\$6,054,863	\$143,635,487
5	\$35,951,375	\$1,233,800	\$6,349,000	\$314,910	\$2,626,705	\$46,475,490
6	\$104,334,505	\$9,212,700	\$2,672,700	\$113,466	\$3,343,694	\$199,677,195
7	\$1,172,272			\$215,025	\$121,928	\$1,509,225
8	\$111,944,852		\$123,000			\$112,067,852
9	\$31,662,593	\$250,000	\$14,000,000		\$352,391	\$46,264,984

Working in partnership with our Congressional Delegation is a priority for USDA Rural Development leadership in Washington State. The above graph is a breakdown of the \$872.9 million in Rural Development Funding in Washington State's nine Congressional districts.

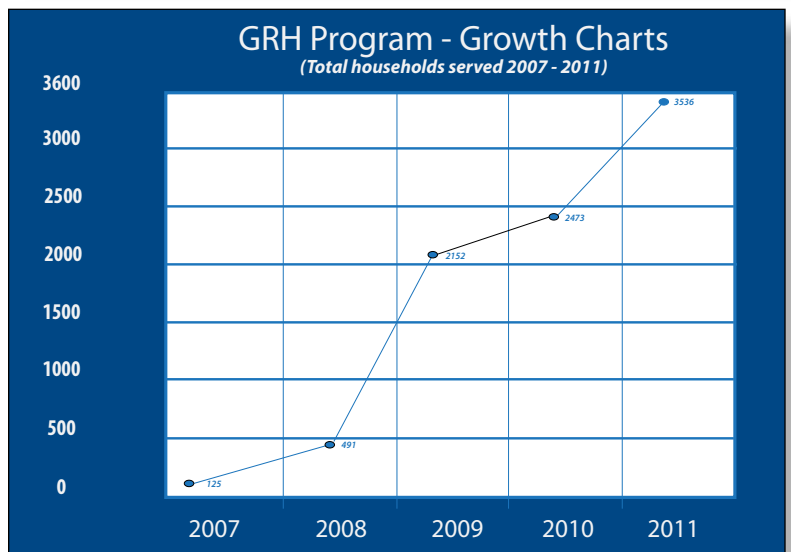
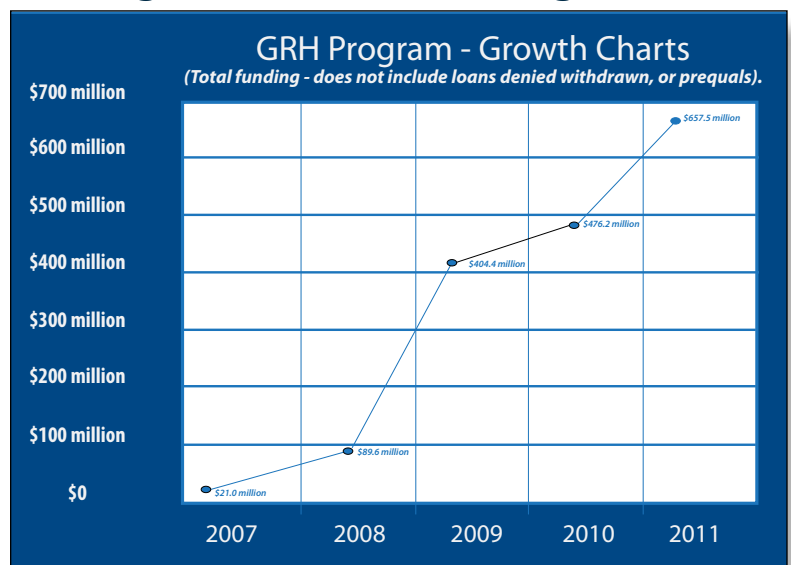
USDA Home Loan Guarantees in Washington State - A Growing Trend

More people in rural Washington are taking advantage of USDA Rural Development's Section 502 Home Loan programs, which include direct loans from the government or loan guarantees, in which USDA will repay a portion of the loan to a private lender if the borrower defaults.

The largest chunk of funding, by far, has come from the Guaranteed Rural Housing Program (GRH), where USDA Rural Development guarantees loans made by private sector lenders. The individual works with the private lender and makes his or her payments to that lender.

Given the current lending environment, it is hard to believe that anyone could buy a house today. It's a benefit that only one other loan product — VA Home Loans — can still provide. A common barrier to owning a home for many households is the inability to make a down payment. Under the terms of the program, an individual or family may borrow up to 102 percent of the appraised value of the home, which eliminates the need for a down payment.

The program is growing. Only 125 GRH loans were made in FY2007 compared to 3,536 loans made in FY 2011 - a 2,831 percent increase and the program continues to grow. In fact, about 8,777 Washington families in total have taken part in the GRH program since the subprime mortgage meltdown and ensuing financial crisis created a restrictive credit environment and made it significantly tougher for some to purchase homes or refinance. The availability of the loan guarantees from USDA Rural Development makes the reality of owning a home available to a much larger percentage of rural Washingtonians and that's good news for the economy.



FY11 Native American Funding

USDA Rural Development places a special emphasis on outreach and relationship building with the 29 federally recognized Native American Tribes in Washington State, as well as the Northwest Indian College and other Native American groups and organizations.

In Fiscal Year 2011, USDA Rural Development obligated over \$24.8 million, primarily in Water and Environmental Program projects (over \$14 million); Housing Programs (\$6.2 million); and Community Facilities (over \$4.4 million). Following are some funding highlights for Fiscal Year 2011.

Business & Cooperative Programs - \$147,201

- A Rural Business Enterprise Grant (RBEG) of \$48,000 was awarded to the Makah Indian Tribe to help modernize the packing processes currently in use by Cape Flattery Fisherman's Cooperative through purchase of a flake ice machine for a fillet plant.
- The Squaxin Island Tribe received a \$50,000 RBEG to purchase equipment for Salish Seafoods, a small and emerging private business.
- The Squaxin Island Tribe also received a Rural Business Opportunity Grant (RBOG) of \$49,201 to establish a small business incubator and mentorship program.

Single Family Housing - \$6,104,275

- One 504 Home Repair Loan of \$2,984 and one 504 Home Repair Grant of \$6,186 was awarded, in addition to 34 Section 502 Home Loan Guarantees totaling \$6,095,105 were awarded to Native American recipients around the state.

Multi-Family Housing - \$71,750

- Lummi Nation Housing Authority was awarded at Section 533 Home Preservation Grant of \$71,750 to carry out major repair and rehabilitation for 27 very low income tribal homeowners on the Lummi Reservation.

Water & Environmental Programs - \$15,302,184

The Nisqually Indian Tribe received a \$2 million Water Guaranteed Loan through



Native American Canoe Journey 2011 - La Connor, Skagit Valley. Photo by Bonny Rigley.

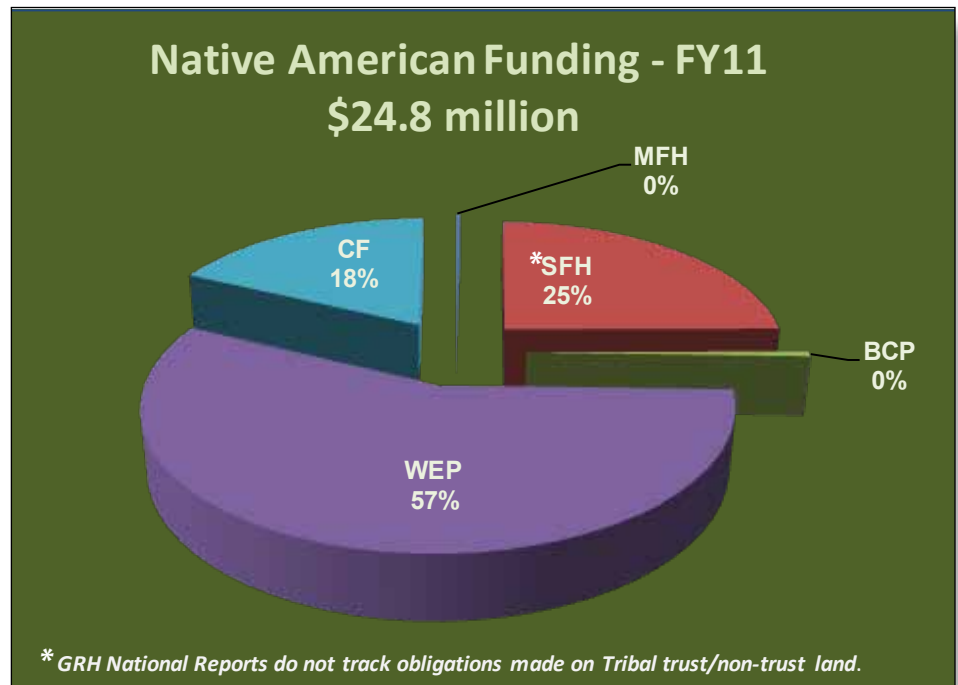
Bank of America for a new water well and a \$12 million Water and Waste Disposal Loan Guarantee for a new Wastewater Treatment System on tribal lands.

- The Kalispel Tribe of Indians was awarded a Water and Waste Disposal Direct Loan of \$49,000 to supplement a water storage and distribution project that was phased in two separate pieces. Prior funding was obligated for a project estimated to cost \$1,002,727. Phase one is complete and phase two has been

bid. The subsequent loan will fully fund the project and allow the Tribe to complete their water project and better serve their community.

Community Facilities - \$4,438,000

- The Squaxin Island Tribe received a Community Facility Loan Guarantee through Bank of America for \$4,438,000 to construct a Natural and Cultural Resources Center.



Olympia Area Office

Serve rural residents living in Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Kitsap, Lewis, Mason, Pacific, Pierce, Thurston, & Wahkiakum counties.

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Wenatchee Area Office

Serves Chelan, Douglas, Ferry, Grant, Lincoln, Okanogan, Pend O'reille, Stevens, & Spokane counties.

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Yakima Area Office

Serves Adams, Asotin, Benton, Columbia, Franklin, Garfield, Kittitas, Klickitat, Skamania, Walla Walla, Whitman, & Yakima counties

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Front Cover Photo
Sunflowers in the Skagit Valley.
Photo by Sharon Exley.

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Back Cover Photo
Farm Labor workers harvest tulips
near Mount Vernon.
Photo by Bonny Rigley.



***Committed to the future
of rural communities***

www.rurdev.usda.gov/wa/

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