IDAHO STATE DEPARTMENT OF AGRICULTURE

C.L. “Butch” Otter, Governor
Celia R. Gould, Director

IDAHO RURAL ECONOMIC DEVELOPMENT AND INTEGRATED FREIGHT TRANSPORTATION (REDIFiT)

LOAN PROGRAM GUIDE

IDAHO RURAL ECONOMIC DEVELOPMENT AND INTEGRATED FREIGHT TRANSPORTATION PROGRAM

The mission of the Idaho Rural Economic Development and Integrated Freight Transportation Program is to assist businesses and industries to develop and expand options for shipping freight and products to market. The state's interest is served by maintaining competitive transportation services for Idaho's freight shippers, reducing public roadway maintenance and repair costs, increasing economic development opportunities, increasing domestic and international trade, creating and preserving jobs, and enhancing safety. State funding for projects is contingent upon appropriate private sector partnerships with the participation and cooperation of state and local governments.

REVOLVING LOAN FUND/LOAN CRITERIA

A Revolving Loan Fund (RLF) was created in the state treasury for the specific purpose of assisting qualified short line rail or intermodal freight shippers to upgrade, expand, rehabilitate, purchase or modernize equipment and facilities for Idaho's freight shipping infrastructure. Any unexpended funds, together with interest earned, repayments and any penalties assessed and received for failure to repay loans on time, are credited to the fund to be allocated for the purposes of the program.

1. Revolving loan funds cannot be used for operating costs. Loans can fund up to ninety percent (90%) of eligible program costs. The loan recipient must provide a funding match of at least ten percent (10%) of eligible project costs. Expenditure of the funding match is required before revolving loan funds may be drawn down. Interest payments are an eligible program cost and can be applied toward the required match. If applicable, the state may work with applicants to provide loans at lower amounts than requested in applications. The total amount available for all loans is $5 million.

2. Interest is based upon the loan repayment period. Current interest rates are:

   - Loans repaid within the first thirty six (36) months will have an interest rate of 2 percent (2%) APR annually;
   - Loans repaid within the period from thirty seven (37) months to ninety six (96) months will have an interest rate of 3 percent (3%) APR annually;
   - Loans repaid within the period from ninety seven (97) months to one hundred eighty (180) months will be 4 percent (4%) APR annually.

3. The loan repayment period may not exceed one hundred eighty (180) months.

4. All loan applications must be reviewed by the Interagency Working Group as created by *Idaho Code* § 49-2902 and approved by the Director of the Idaho State Department of Agriculture (ISDA). To ensure effective use of revolving loan funds, loan contracts are to be executed within sixty (60) days of receiving approval. Final requests for disbursement are to be submitted within ninety (90) days of the approved project's completion.

5. The applicant must be in good standing in all its obligations to the State of Idaho.

6. The applicant must demonstrate to the satisfaction of ISDA the ability to repay the loan and provide one or more forms of collateral. In addition, the applicant must specify the collateral that will be used to guarantee repayment of the loan. Documentation of collateral must be received by ISDA before the first draw can be processed.

   (a) Collateral may include an acceptable irrevocable letter of credit from a financial institution that is sound and in good standing with its regulating authority. If there is any reason to believe the financial institution does not meet the criteria, ISDA has the right to refuse a letter of credit from that financial institution. The wording in the irrevocable letter of credit must unconditionally bind the institution to promptly repay the debt should the applicant fail to do so. The cost of the letter of credit may be considered an eligible project expense.

   (b) Collateral may include a first lien on assets of sufficient value to guarantee repayment of the loan. If using this option, the applicant must identify what specific assets will be used as collateral, the value of the assets, and the basis for determining the value of the assets, e.g., an appraisal.

   (c) Collateral may include a first lien on reusable project materials. If the applicant is not the owner of the property on which the project will be constructed, both the applicant and the owner must stipulate to the use and the value of the project materials as collateral. For the purpose of collateral, project materials are defined as: track, ties, signals, and any other reusable and easy to salvage materials used in the project. In lieu of depreciating the materials over the life of the loan, the materials will be valued at 80% of the purchase value. Purchase value is defined as the price paid for the materials at the time of purchase, as reflected in a bill of sale, or the value of the charge to inventory for the materials, less any handling or delivery charges. In all cases, ISDA has the final determination of the value of the materials.

   (d) If the applicant is a local unit of government or a county-based intermodal commerce authority, the applicant may pledge funds to the extent that the funds are attachable. A resolution from the governmental body or intermodal authority requesting the loan must pledge future allocations or receipt of funds to the extent needed to provide collateral for the loan.

7. Receipt of loan funds is contingent upon an executed promissory note with ISDA. Any costs incurred prior to contract execution are the sole responsibility of the applicant.

8. Repayment of loans shall be on an Equal Principal Payment Plan under which an equal sum is paid to principal on a regular basis. The annual principal payment is determined by dividing the principal amount of the loan by the number of payment periods. Interest will begin accruing with the first disbursement and accrued interest must be paid to date with each periodic payment. Payments will be due 60 days after the final disbursement.

9. Loans may be prepaid in whole or in part at any time without penalty. All extra pay-

ments shall be applied to the principal balance. The regular installment is required to be paid first in any year in which a prepayment occurs.

10. An informal repayment extension may be granted by the Director of ISDA for a period of sixty (60) days from the due date of the installment payment. Extension beyond sixty (60) days shall require a written application for extension, a current balance sheet, and a signed extension agreement. Loan term extensions may be granted only in clearly justified circumstances and for the shortest term possible. Financial crisis situations shall be reviewed by the Interagency Working Group and the Director of ISDA. Loan payment, due date, and other loan stipulations may be restructured if appropriate.

11. A ten-day grace period shall be allowed before default interest of eighteen percent (18%) is charged. If the default continues past ten (10) days, the default rate shall begin accruing on the installment and shall be retroactive to the due date of the installment. The ISDA will contact any borrower whose account is past due more than 10 days to determine the cause of the delinquency and establish a plan for repayment. Collection of payment on loans will be diligently pursued.

PROJECT ELIGIBILITY CRITERIA

1. Eligible Projects will be evaluated using selection criteria developed by ISDA and the Interagency Working Group to determine the relative importance of the project in relationship to the program's goals and objectives. Primary factors to be considered are the level of local financial commitment to the eligible project and the project's cost/benefit ratio as determined by ISDA and the Interagency Working Group.

2. Eligible applicants are qualified lines and shippers. "Qualified lines" are defined as class III short lines, branch lines of class I railroads leased or operated by a class III railroad, branch lines of class II railroads, and lines owned by public entities including port districts and intermodal commerce authorities. The definition of class I, II and III railroads shall be as defined by the federal railroad administration. "Qualified shippers" include port districts, counties, municipalities, towns or agencies thereof, a current or potential user of freight service, or intermodal commerce authorities as defined by *Idaho Code* § 70-2203.

3. The project must assist qualified rail lines or intermodal freight shippers to upgrade, expand, rehabilitate, purchase or modernize equipment and facilities for freight shipping infrastructure in the State of Idaho. Eligible projects for consideration must have the purpose of:

   - Rehabilitating or improving rail lines to preserve essential local rail service;
   - Purchasing or rehabilitating railroad equipment necessary to maintain essential rail service;
   - Construction of loading or reloading facilities or other capital improvements including building or improving local transportation infrastructure, to increase business and commerce and to improve shipping service; or
   - Coordinating intermodal traffic for integrated rural freight transportation.

APPLICATION PROCEDURE

1. Contracts for approved projects will be awarded by ISDA after the applicant satisfies all award contingencies.

2. Applications, together with supporting documentation may be submitted at any time. Review and selection will be conducted on a quarterly basis. Completed applications must be postmarked by the following dates to be considered for the respective quarter:

   - February 1
   - May 1
   - August 1
   - November 1

3. ISDA may provide revolving loan fund assistance at other times of the year for eligible projects.

4. Please submit one (1) original application to:

   Kelly Nielsen, Fiscal Officer
   Idaho State Department of Agriculture
   2270 Old Penitentiary Road
   Boise, ID 83712
   Phone: 208-332-8514
   Fax: 208-334-3431
   Email: kelly.nielsen@agri.idaho.gov