Letter from Uplift America

I’m writing this letter in July 2020 as the COVID-19 pandemic is surging in many states across the country, including many of the rural communities Uplift America grantees serve. Clearly, our nation’s current crises—health, economic, and profound racial injustice—are top of mind to everyone who cares about rural America.

Much is uncertain about the future, but continued community investments in high poverty rural areas has never been more important. The Community Facilities Relending (CF Relending) program promotes such investments, improving community infrastructure and long-term resilience. Therefore, I am proud to share this report of Uplift America activities in 2019.

The CF Relending program is scheduled to end in the fall of 2021. With the prohibition on construction financing and delays in the US Department of Agriculture’s (USDA’s) consideration of potential projects, many Uplift grantees became concerned in 2019 about the “ticking clock” and whether they would have time to draw down valuable CF Relending funds. Opportunity Finance Network (OFN), a leading national network of community development financial institutions (CDFIs), worked with Uplift grantees to urge the USDA to extend the program for another five years to allow Uplift grantees to complete more community facility projects. The USDA was disinclined to act on its own so OFN approached Congressional leaders about an extension. While a final resolution will not come for several months, signs are very encouraging that Congress will require the USDA to give Uplift America grantees more time to draw down the CF Relending dollars. The House of Representatives has passed legislation to extend the program through 2026, and we are hopeful that the Senate will concur.

While uncertainty remains, it is inspiring to look back at what Uplift America grantees accomplished in 2019. Three projects demonstrate the breadth of impact Uplift America grantees are delivering to distressed rural communities:

• **A new wellness center on tribal land** in Oregon will offer primary care, mental healthcare, dental, alternative, and pharmaceutical services to the general public and a tribal population that is nearly 50 percent low-wealth and Medicaid eligible and 17.4 percent unemployed.

• **A new, fully equipped dental clinic** inside an existing Federally Qualified Health Center in Kentucky is helping low-wealth patients address oral health needs.

• **A new centrally located fire station run by volunteer firefighters** in a large, mountainous, rural fire service area in Montana will greatly improve response times.

Creating community facilities that provide needed services in rural America is what the Uplift America Fund is all about. Uplift America is a public-private partnership where federal resources, philanthropy, and bank financing all come together to direct capital to underserved areas throughout the country. CDFIs are a key part of the collaborations needed to pull these community facility projects off. They provide access to financial capital, technical expertise, knowledge of federal and other funding sources, and deep relationships with other local actors. They are often the glue that helps make these projects happen.

The Uplift America partnership is built on the belief that rural people’s ingenuity and experience combined with financial resources and technical support can overcome challenges of underinvestment and other barriers. The partnership continues to look for ways to make sure Native communities, people of color and low-wealth areas across rural America have a better shot at real economic opportunities.

We would like to extend our gratitude and appreciation to our partners, whose commitment to reducing persistent poverty has made this effort possible: USDA Rural Development, Bank of America, Ford Foundation, F.B. Heron Foundation, JPMorgan Chase Foundation, Northwest Area Foundation, Winthrop Rockefeller Foundation, Prosperity Now, OFN, and the 20 community development institutions that received Uplift grants.

We are pleased to share this annual report that describes some of the progress and challenges facing this work.

With appreciation,

Justin Maxson
Chief Executive Officer
Mary Reynolds Babcock Foundation
THE PROBLEM OF PERSISTENT POVERTY

There are 353 persistently poor counties in the United States, meaning 20 percent or more of the population has lived in poverty for at least the past three decades. More than 80 percent of these counties are rural, and most are concentrated in four regions: Central Appalachia, the Deep South (parts of Alabama and Mississippi in particular), the Colonias (Texas-Mexico border), and Native reservations. These areas of concentrated poverty often lack the infrastructure and facilities that contribute to residents’ quality of life and upward mobility. And finding capital sources to finance infrastructure and building projects can be difficult.

A collaboration among the US Department of Agriculture (USDA), numerous foundations, and Bank of America created Uplift America in 2016 to address these financing challenges. The public-private partnership leverages federal resources, bank financing, and private grants to direct capital to rural areas with high and persistent poverty.

Through the Community Facilities Relending Program (CF Relending), the USDA is providing $405 million in long-term, low-cost financing to community lenders, particularly community development financial institutions (CDFIs), to finance community facilities projects in economically distressed areas.

Uplift America combines these federal funds with a $22 million pool of private foundation grants—the Uplift America Fund (UAF) managed by the Mary Reynolds Babcock Foundation—that provides critical capacity-building support (such as staffing, technical assistance, and community planning) and net assets (stronger balance sheets) to the lenders. Additionally, Bank of America is guaranteeing up to $100 million of CF Relending activity for five years from origination.

THE ROLE CDFIs PLAY IN ALLEVIATING PERSISTENT POVERTY

CDFIs provide financial products and services to underserved, low-wealth communities. Institutions such as banks, credit unions, and loan funds can be CDFIs. However, CDFI services extend beyond those of traditional financial institutions. CDFIs also develop innovative programs, engage in policy advocacy, provide community leadership, and forge relationships with their borrowers to empower communities.

Low-wealth, rural communities often have substandard or inadequate access to community facilities, such as hospitals and schools. These facilities are the foundation of communities and vital resources for people. They create jobs, provide services, and offer a space for people to gather and learn. With their mission to increase opportunity in economically distressed communities and expertise in financing complex local projects, CDFIs can help rural areas invest in community facilities.

CDFIs are:

1. **Mission-focused.** CDFIs work to create economic opportunity for low-wealth people and places, with the overarching goal of reducing poverty.

2. **Community-based.** Most CDFIs have firsthand knowledge of the services their communities need and existing relationships with potential borrowers.

3. **More than Lenders.** CDFIs provide technical assistance and counseling to borrowers. In the case of Uplift America, some borrowers lack the capacity to put together complex financing projects for community facilities. CDFIs can support these borrowers by providing technical assistance or helping them secure construction financing, an ineligible use of CF Relending funds.
4. **Diverse and Innovative.** CDFIs offer multiple financial products and broad programs to address community needs. They can provide a wide range of products and services, such as small business loans, small-dollar lending programs, and New Markets Tax Credits. This versatility makes CDFIs a sort of one-stop shop for borrowers. Additionally, CDFIs offer specialized programs tailored to the needs of their communities, and they advocate for policies that benefit their service areas.

The USDA community facilities program has existed for more than 30 years. By partnering with values/mission focused CDFIs and introducing the CF Relending program, the USDA has extended the reach and impact of the program to new communities.

**HOW UPLIFT AMERICA STRENGTHENS CDFIs**

Uplift America makes private sector grants available to CDFIs to strengthen their balance sheets, enabling them to borrow the CF Relending funds from the USDA. The grants also provide capacity building support, allowing CDFIs to focus on staff development, programmatic changes, and increased community outreach. The ultimate goal is to position CDFIs as enduring resources for their communities in the long term.

Uplift America has also encouraged CDFIs to integrate their capital sources and expand their reach. Some organizations have paired CF Relending funds with other tools, such as New Markets Tax Credits, to make a greater impact. Moreover, Uplift America has increased connectivity within communities, as CDFIs reach out to a more diverse group of borrowers to find projects eligible for CF Relending dollars.

**Project Spotlight: York Fire Services, Helena, Montana**

The York Fire Service Area is one of the nine rural fire service areas run by volunteer firefighters in Lewis and Clark County, Montana. The large area and mountainous nature of the fire service area make it difficult to respond to emergencies without a well-located fire station. MoFi, a CDFI serving the Northern Rockies, has committed a $225,000 loan to help the York Fire Service Area build a new fire station that stores equipment in a more accessible and central location in the York Fire Service Area. The new station will allow firefighters to greatly improve response times in the service area.

The project was approved by the USDA in July 2019, and the project was expected to draw down funds in April 2020.
THE UPLIFT AMERICA GRANTEEES

Twenty CDFIs participate in Uplift America. These 20 CDFIs were allocated $322 million in USDA CF Relending funds and received $19 million in grants from the Uplift America Fund to implement their community facilities strategy.1 (See Table 1.)

Table 1: Uplift America Grantees

<table>
<thead>
<tr>
<th>Name of Grantee</th>
<th>UAF Grant Awards</th>
<th>USDA Loan Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arcata Economic Development Corp.</td>
<td>$335,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Citizen Potawatomi Community Development Corp.</td>
<td>$837,500</td>
<td>$25,000,000</td>
</tr>
<tr>
<td>Coastal Enterprises, Inc.</td>
<td>$1,340,000</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Community Ventures Corp.</td>
<td>$1,005,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Craft3</td>
<td>$2,000,000</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Dakota Resources</td>
<td>$1,125,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Fahe</td>
<td>$1,340,000</td>
<td>$50,000,000</td>
</tr>
<tr>
<td>Hope Enterprise Corp.</td>
<td>$1,200,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Hope Credit Union</td>
<td>$1,340,000</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>Kentucky Highlands Investment Corp.</td>
<td>$837,500</td>
<td>$25,000,000</td>
</tr>
<tr>
<td>Local Initiatives Support Corp.</td>
<td>$670,000</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>MoFi</td>
<td>$750,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>National Council of Agricultural Life and Labor Research Fund, Inc.</td>
<td>$335,000</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>North Carolina Community Development Initiative Capital</td>
<td>$306,106</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Prestamos CDFI</td>
<td>$250,000</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Rural Community Assistance Corp.</td>
<td>$1,340,000</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>Rural Electric Economic Development, Inc.</td>
<td>$1,045,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>South Carolina Community Loan Fund</td>
<td>$1,340,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Southern Bancorp Capital Partners</td>
<td>$1,087,500</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Carolina Small Business Development Fund</td>
<td>$502,500</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>$18,986,106</td>
<td>$322,000,000</td>
</tr>
</tbody>
</table>

1 Seven lenders not participating in Uplift America were allocated the remaining $83 million in USDA CF Relending funds. The balance of the $21.3 million Uplift America Fund ($2.3 million) covers the learning, advisory committee support, communications, regular data collection and analysis, and administrative expenses of the program. One grantee was not able to participate, and its $700,000 grant was rescinded.
The CF Relending program and our partnerships with the USDA and Uplift America have helped to deepen our mission impact in Maine and other rural regions. The projects we financed would not have happened without CF Relending funds, creating good jobs, increasing childcare slots and healthcare access, and providing needed community gathering spaces, all benefitting people with low incomes.”

DANIEL WALLACE, COASTAL ENTERPRISES, INC. (CEI)
PROGRESS TO DATE

Overview

As of December 31, 2019, Uplift America grantees were working on 74 community facilities projects totaling $181 million in loans, representing 57 percent of their CF Relending allocations. Thirty-one of these projects totaling $85.8 million in loans (representing nearly 27 percent of the CF Relending allocation) have been approved by the USDA.2 (See Table 2.)

The 43 projects not yet approved by the USDA are in the pipeline. The pipeline includes projects in various stages, from determining project feasibility, financing needs and eligibility to underwriting, preparing for submission to the USDA, and awaiting a USDA decision. Pipeline projects account for a reported $95.9 million in loans.3

Ten of the 31 approved projects have drawn down nearly $24 million. This is in part because many projects experience a 12- to 18-month construction period before they can draw down CF Relending funds for permanent financing.

Table 2: Uplift Grantees’ Project Status as of December 31, 2019

<table>
<thead>
<tr>
<th>Number of Projects</th>
<th>Dollar Amount of Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved and Drawn Down</td>
<td>10</td>
</tr>
<tr>
<td>Approved and Not Yet Drawn Down</td>
<td>21</td>
</tr>
<tr>
<td>Total Approved by the USDA</td>
<td>31</td>
</tr>
<tr>
<td>Pipeline</td>
<td>43</td>
</tr>
<tr>
<td>Total</td>
<td>74</td>
</tr>
</tbody>
</table>

Projects Successfully Financed

CF Relending projects financed through Uplift America grantees have closed and drawn down USDA funds. Last year included six additional project closings, with several more nearing completion at the start of 2020. Some of the projects completed in 2019 include a $775,000 loan to a healthcare facility in rural Kentucky for leasehold improvements and the purchase of dental equipment, a $9 million loan to expand a South Dakota K-12 school, and a $3 million loan to renovate and upgrade an assisted senior living center in Kansas. Uplift America grantees anticipated an additional nine projects would successfully receive financing for an estimated $23.4 million in the first half of 2020, bringing the total amount of CF Relending funds successfully financed to $47.4 million by June 30.

Looking at progress over time, Figure 1 shows the number of projects by quarter since the program’s inception. The top line represents the total number of projects, both approved and in the pipeline. The bottom line shows a slow and steady increase in projects approved by the USDA.

2 Several projects approved by the USDA subsequently chose to pursue alternative financing outside of CF Relending or are not moving forward for other reasons. These projects are included in Figures 1 and 2 in the quarters they were still seeking financing but are otherwise excluded from this report.

3 This figure does not include one project that is too early-stage for the lenders to estimate requisite financing.
The total number of projects decreased initially in 2019 after seeing a slight increase at the end of 2018 and stayed level for the duration of 2019. The project pipeline continued to see turnover throughout 2019 as relenders explored project feasibility and assessed eligibility during the underwriting process, and borrowers decided whether to proceed with their projects through CF Relending. At the same time, project approvals continued to steadily increase every quarter of 2019 and six new projects received approval in 2019. Construction has begun on several of these projects and they will draw down USDA funds upon construction completion.

Looking at the dollar amount of projects offers another perspective on grantees’ progress in implementing CF Relending. In Figure 2, the top line represents the total amount of approved and pipeline projects. The initial decrease at the start of the year was the result of a sizable $20 million project involving five relenders seeking alternative financing. The project had already received initial approval through the USDA, resulting in a decrease in the total project dollars (the top line) as well as approved project dollars (the bottom line). Following the initial setback caused by the loss of such a large project, grantees successfully increased project approvals steadily throughout the rest of 2019 and ended the year with $85.8 million in approved projects.

Uplift America grantees ended 2019 with just under $95 million in their project pipeline (the middle line), a net decrease of approximately $46 million from the same time in 2018. As grantees receive USDA approval for projects the pipeline proportionally decreases, however the decrease in pipeline since the start of the year exceeded USDA approvals during the same time. Grantees located additional projects throughout the year as borrowers decided not to use the CF Relending program (see project pipeline numbers in Figure 1), but the new borrowers were often seeking less financing, resulting in the overall decrease during the year.

---

4 The project did receive financing through an alternative source of funding. The technical assistance provided by relenders throughout the initial eligibility and underwriting process prepared the borrower to find alternative financing through the USDA.
The Uplift America program has enabled Kentucky Highlands Investment Company to provide capital for the expansion of several rural hospitals and healthcare providers. Those community facilities provide much needed medical services and are often some of the largest employers in their communities.”

— BRENDA MCDANIEL, KENTUCKY HIGHLANDS INVESTMENT COMPANY

Project Spotlight: Dayspring Health, Inc., Williamsburg, Kentucky

When Kentucky Highlands Investment Corporation (KHIC), a CDFI serving Southeastern Kentucky, began working with Dayspring Health, Inc., KHIC immediately recognized Dayspring was a perfect fit for the Uplift America Fund. Dayspring is a Federally Qualified Health Center that wanted to open a new dental clinic at its Williamsburg, Kentucky location.

With the help of KHIC, Dayspring was able to make leasehold improvements to the property in order to prepare the facility for the dental clinic, as well as purchase and install all dental equipment for the facility. KHIC made an initial $500,000 loan for working capital followed by a second $775,000 Uplift America loan for leasehold improvements and equipment purchases. Dayspring can now offer a full range of dental services for all ages at this location. Services include exams, cleanings, fillings, extractions, root canals, and crowns. The dental clinic offers a sliding fee scale for qualifying patients and plans to offer evening and weekend hours to accommodate clients’ diverse work schedules.

The project was approved by the USDA in March 2019 and KHIC drew down funds in April 2019.
Types of Facilities Uplift America Grantees are Financing

CF Relending funds can be used to invest in rural facilities offering community support services, education, healthcare, local food systems, public use, and public safety services, among other services. Healthcare facilities constitute the largest share of CF Relending projects (30 percent). This is followed by community support services (27 percent) and education (19 percent). Public facilities and public safety services make up the smallest shares of projects. (See Figure 3.)
Uplift America Projects Locations

Uplift America projects are located in 18 states, down from 22 in 2018. More than one-third (27) of the 74 projects are in Kentucky (Figure 4). Nearly half of projects are in high-poverty areas, down from two-thirds of the projects in 2018. Forty percent of projects—representing 45 percent of the dollar amount—are in persistent poverty areas, a slightly higher percentage of projects and a lower percentage of dollars than in 2018. Of the approved projects, the percentages are lower: 33 percent of the number and 18 percent of dollars are in persistent poverty areas.

Figure 4: Uplift America Projects by Status as of December 31, 2018

---

5 Projects in Arkansas, Arizona, North Carolina, and Pennsylvania fell out because their projects were either determined to be ineligible for CF Relending or found other funding after USDA approval.

6 One-third of the projects—representing 55 percent of the dollar amount—were in persistent poverty areas in 2018. The geographic analysis in this section relies on zip-code centroid to analyze persistently poor and high poverty areas. Zip-code centroids are an imperfect geographic measure. Zip-codes and counties often intersect and overlap with one another. Zip-code centroids were used in the 2019 analysis as several projects lacked street address information because there are several new construction projects in the pipeline. To ensure uniformity of geographic data, zip-code centroid was used for all analysis of persistently poor and high poverty areas. This method likely resulted in an undercount of the percentage of projects in persistently poor and high poverty areas.
Project Spotlight: Coquilla Indian Tribe, Coos Bay and North Bend, Oregon

The Coquille Indian Tribe is a federally recognized Tribe with approximately 1,100 members in Coos Bay and North Bend, Oregon. CDFIs Craft3 and Coastal Enterprises, Inc. (CEI) committed a $7 million loan to the Coquille Indian Tribe that the tribe will leverage into a New Markets Tax Credit structure to finance the expansion of the Ko-Kwel Wellness Center. Once the project is completed, the wellness center will be the first tribal health center in Oregon to offer primary care, mental healthcare, dental, alternative, and pharmaceutical services all under one roof. Nearly 50 percent of the Native population is low-wealth and Medicaid eligible, with an unemployment rate of 17.4 percent. The wellness center will serve the Native community as well as the general public—offering another option for those struggling to find a primary healthcare provider in the area.

The expansion is expected to increase the capacity of the health facility to allow an additional 14,000 patient visits every year.

Construction will begin in 2020. Craft3 and CEI anticipate drawing down CF funds once the project is completed in the summer of 2021.
IMPACT

Uplift America is creating an impact in underserved rural communities and strengthening critical partnerships.

Community Impact

Grantees continue to identify CF Relending projects that will have a lasting impact in their communities. Grantees made it clear that CF Relending projects are more than just new or rehabilitated buildings; they provide critically needed resources for their communities. Examples of how select projects have benefited specific communities include:

- A safe place to stay and access to resources for homeless individuals (Beatyville, Kentucky);
- Access to healthcare and dental services in underserved communities (multiple locations); and
- A new housing model for seniors so that aging seniors can stay near the community they call home (Smith Center, Kansas)

Strengthened Partnerships

Uplift America continues to strengthen partnerships that will help drive continued investment in rural communities. Many Uplift America grantees have developed a strong and positive relationship with their state USDA offices. After three years implementing CF Relending, grantees have more experience navigating the approval process and eligibility requirements with their state USDA offices. Grantees have made improvements gathering the appropriate underwriting and eligibility documents, which has reduced burdens on borrowers and improved project approval times.

State USDA offices have also identified areas where the CF Relending program and Uplift America grantees can offer support for their direct loan program and in one case called on a grantee to help circumvent bureaucratic hurdles that would have otherwise delayed the approval of a direct loan through the state USDA office.

Uplift America grantees continue to face some challenges implementing the CF Relending program with their state USDA offices, but in most cases, grantees have developed strong relationships and partnerships. They are better equipped to resolve obstacles as they arise.

Uplift America grantees have continued to develop relationships with other community facility relenders. There are currently five approved and pipeline projects involving more than one grantee, which allows for larger loan sizes to accommodate a wider range of facilities. Grantees continue to explore the possibility of participation loans with each other and their feasibility with the USDA. To date, grantees have only successfully partnered on projects through a side-by-side loan structure rather than through participation loans. These partnerships allow rural communities to build community facilities that may not otherwise happen.

IMPLEMENTATION CHALLENGES

Like any new program, CF Relending has presented some implementation challenges for the participants. These include developing stable pipelines, competing with other lenders and the USDA, and disbursing CF Relending funds before the program expires in 2021.
**Stable Pipeline**

Grantees continue to experience significant turnover in their CF Relending pipelines (see Figure 2). Some grantees are close to obligating the full amount of the USDA allocation, while others are still finding it difficult to identify eligible borrowers and projects that meet the USDA’s requirements before the program expires. Grantees have engaged in outreach efforts and focused marketing campaigns with some success. Unfortunately, grantees are finding that many nonprofits, local governments, and other eligible borrowers are unwilling to take on additional debt, even the long-term, low-interest capital offered through CF Relending.

**Competition**

Uplift America grantees are often competing with other lenders or sources of financing that can offer a more competitive product with fewer eligibility criteria. Banks, bond financing, and even the USDA direct loan program compete with CF Relending financing. Several Uplift America grantees mentioned the difficulty of competing with the terms of the USDA direct loan program. Borrowers seeking USDA direct loans have some access to potential grant funding, and in the last year there have been several rate reductions to the direct loan program that have made it even more difficult for grantees to offer a competitive product. Uplift America grantees can overcome some of these challenges, and many have over the last year, by offering more responsive services, technical assistance, and improved processes.

**CF Relending Expiration in 2021**

Grantees are concerned about deploying their allocation of CF Relending funds before the program expires in the fall of 2021. Large community facility construction projects often experience unexpected delays and unforeseen challenges. The start-up time, learning curve, and time to build new relationships when implementing a new public-private partnership resulted in slower than expected pipeline development and USDA approvals. Many Uplift America grantees suggested they’ve finally built momentum to sustain their pipeline and deploy their CF Relending funds and they would welcome an extension to the program to maintain their continued success and impact in persistently poor and rural communities.

In partnership with the grantees, OFN has advocated for a five-year extension to the program to ensure Uplift America grantees have adequate time to deploy CF Relending funds and borrowers have time to complete their projects before the funds expire. While a final resolution will not come for several months, signs are very encouraging that Congress will require USDA to give Uplift America grantees more time to draw down the CF Relending dollars. The House of Representatives has passed legislation to extend the program through 2026 and we are hopeful that the Senate will concur.

**CONCLUSION**

Initiated in late 2016, CF Relending has now completed its first three years. In this time, the Uplift America grantees, as well as the national and state USDA offices, have financed schools, healthcare facilities, fire training facilities, and other public service buildings. These community facilities serve low-wealth and rural communities and offer vital community resources that contribute to vibrant rural communities.

With 74 projects totaling $181 million approved or in the pipeline, the program is clearly meeting needs in high and persistent poverty rural communities. The relenders and USDA state offices must continue to dedicate their efforts to this important program to realize the enormous impact that $322 million in allocated USDA funds can have in high poverty rural communities.
Key Uplift America Partners

Along with Mary Reynolds Babcock Foundation, six additional philanthropic foundations contributed to the pool of grant funds:

- Bank of America
- Ford Foundation
- F.B. Heron Foundation
- JPMorgan Chase Foundation
- Northwest Area Foundation
- Winthrop Rockefeller Foundation