There are many bright lights on the rural landscape, and the last year has resulted in several new ones in economically distressed counties across America:

- A high school aimed at creating health professionals in South Carolina now has a permanent, state-of-the-art facility.
- Major renovations to a critical access hospital in rural Montana are resulting in significant annual energy savings.
- A nonprofit childcare and education center in Maine has a new building that enables it to provide comprehensive support services to more families.

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.

Community development financial institutions (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, Opportunity Finance Network (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. And we are also pleased to share the news that OFN has joined our efforts as coordinating partner, helping to shepherd our learning, communications, and other efforts to move this work forward.

With appreciation,

Justin Maxson
Executive Director
Mary Reynolds Babcock Foundation
CDFIs are:

- Expertise in financing complex local projects. CDFIs can help rural areas invest in community facilities.
- Low-wealth, rural communities often have substandard or inadequate access to community facilities, such as leadership, and forge relationships with their borrowers to empower communities.
- Financial institutions. CDFIs also develop innovative programs, engage in policy advocacy, provide community 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.
- 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, cost-effective 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 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 of CDFIs in Alleviating Persistent Poverty

CDFIs provide financial products and services to underserved, low-income communities. Institutions such as banks, credit unions, and loan funds can all 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. 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:

- **Mission-focused.** CDFIs work to create economic opportunity for low-income people and places, with the overarching goal of reducing poverty.
- **Community-based.** Most CDFIs are community-based. They have firsthand knowledge of the services their communities need and existing relationships with potential borrowers.
- **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.
- **Diverse and Innovative.** CDFIs offer multiple financial products and broader 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 advocate for policies that benefit their service areas.

The Problem of Persistent Poverty

There are 353 counties in the United States that are persistently poor, meaning 20 percent or more of the population has lived in poverty for 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 American reservations. These areas of concentrated poverty often lack the infrastructure and facilities that contribute to residents’ quality of life and upward mobility. Furthermore, finding capital sources to finance important projects can be difficult.

Furthermore, finding capital sources to finance important projects can be difficult. Forty-one percent of the U.S. population live in counties that are persistently poor. This includes 353 counties in 21 states. These areas of poverty are also characterized by infrastructure deficiencies, reduced job opportunities, a lack of credit, and substandard living conditions.

The 353 counties are predominately rural, with only 21 percent of the population living in towns or cities. However, these counties are home to about 30 percent of the nation’s poor. In general, the counties in the list are primarily in the South and are underrepresented in the Midwest and the Mountain West.

The History of Uplift America

Uplift America makes private sector grants available to CDFIs to strengthen balance sheets and enable borrowing of 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, sustainable resources for their communities.

Uplift America also encourages 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 realize 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.

Uplift America

Uplift America was established in 2016 to provide capital to improve the quality of life in communities with high and persistent poverty. The organization was created by a partnership of the U.S. Department of Agriculture (USDA), numerous foundations, and Bank of America.

Project Spotlight: Orangeburg Consolidated School District 5 High School for Health Professions, Orangeburg, South Carolina

Located in a persistent poverty county, the Orangeburg Consolidated School District (OCSD) 5 High School for Health Professions is a bright spot in an underserved community. The South Carolina Community Loan Fund committed a $3,825,000 loan to OCSD 5 to cover the cost of acquiring real estate to serve as the new home for the school. The new facility offers state-of-the-art technology, including learning labs where students can gain hands-on experience in a variety of medical disciplines and a computer lab offering students access to technologically advanced computer equipment. The 16,500-square-foot space is situated on more than seven acres of land that will allow the school to expand as needed.

The school enrolls 372 students, 99 percent of whom receive free/reduced lunch. The school boasts a 98.5 percent graduation rate over its nine years of operation and many of its graduates have gone on to be the first students in their families to attend college. The project was approved by the USDA in October 2017 and drew down funds in June 2018.

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THE UPLIFT AMERICA GRANTEES

Twenty CDFIs participate in Uplift America. These CDFIs were allocated $322 million in CF Relending funds and received $19.7 million in grants from the Uplift America Fund to implement their community facilities strategy. (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>$1,006,106</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>$19,686,106</td>
<td>$322,000,000</td>
</tr>
</tbody>
</table>

—I think the greatest success of Uplift America has been unleashing more capital and investing in areas that need it. The benefit of availability of additional resources in a community can never be overstated.

JAMES CHATFIELD, SOUTH CAROLINA COMMUNITY LOAN FUND
**PROGRESS TO DATE**

**Overview**

As of December 31, 2018, Uplift America grantees were working on 80 community facilities projects, totaling $231 million in loans, representing 72 percent of their CF Relending allocations. Twenty-five of these projects totaling $92 million in loans (representing nearly 30 percent of the CF Relending allocation) have been approved by the USDA.² (See Table 2.)

The 55 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 $139 million in loans.²

Four of the 25 approved projects have drawn down funds to date. 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>
<thead>
<tr>
<th>Table 2: Uplift Grantees’ Project Status as of December 31, 2018</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td><strong>Number of Projects</strong></td>
</tr>
<tr>
<td>------------------------</td>
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<tr>
<td>Approved and Drawn Down</td>
</tr>
<tr>
<td>Approved and Not Yet Drawn Down</td>
</tr>
<tr>
<td>Total USDA-Approved</td>
</tr>
<tr>
<td>Pipeline</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Looking at progress over time, Figure 1 shows the number of projects by quarter since program inception. The top line represents the total number of projects, both approved and in the pipeline. The bottom line shows that there has been a slow and steady increase in projects approved by the USDA, with a leveling off in the fourth quarter of 2018.

The middle line shows that the pipeline grew in the fourth quarter of 2017 and the first quarter of 2018, followed by a drop in the second and third quarters of 2018. The drop in projects can be explained by the pipeline development process. It takes time for relenders to develop each pipeline project: exploring project feasibility, assessing eligibility, and ultimately underwriting the deal. The 2018 drop can be attributed to projects the lender ultimately deemed infeasible, ineligible, or not creditworthy after assessing them. Other contributing factors are potential borrowers obtaining alternative financing or deciding not to pursue the project.

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 dollar amount of approved and pipeline projects. The bottom line shows that the net dollar amount of project approvals increased steadily until the second quarter of 2018 before leveling off in the third quarter of 2018. The slight decline from the second to the third quarter of 2018 is the result of the borrower for an approved project choosing not to seek CF Relending financing.

Uplift America grantees started with a robust project pipeline of approximately $180 million in the second quarter of 2017 (the middle line). As project approvals increased, the net dollar amount of pipeline projects proportionally decreased until late 2018 before beginning to climb, suggesting that as project approvals stabilized, grantees began seeking out new projects to rebuild their pipelines.
Project Spotlight: Missouri River Medical Center, Fort Benton, Montana

Built in 1959, the Missouri River Medical Center is a critical access hospital and rural health clinic in Fort Benton, on the banks of the Missouri River in north-central Montana. The hospital serves nearly 400 patients a year in a community with a countywide population of just under 6,000 residents.

Since its last major remodel was in 1974, the hospital was in dire need of updated building systems to stem increasing operating costs. However, like many rural hospitals across the country that are facing increasing financial pressures, the hospital was challenged to obtain affordable financing to make these improvements a reality.

Utilizing CF Relending, MoFi committed $1.2 million to install new heating, cooling, and water systems. The hospital estimates these updates will reduce energy costs by up to $50,000 per year and allow them to continue providing high-quality medical services to Fort Benton and the surrounding areas.

The USDA approved MoFi’s loan to the Missouri River Medical Center in June 2018, and the project drew down funds in November 2018.

These CF Relending projects are such huge wins for the community and it’s great to be associated with them.

DAVE CALLAHAN, NCALL LOAN FUND

Projects Successfully Drawn Down

Four CFRP projects financed through Uplift America grantees have closed and drawn down funds. The first was a $3.8 million loan for a high school for health professionals in South Carolina. This was followed by $1.5 million for a childcare and education center in Maine, $2.4 million for a YMCA in Maine, and $1.2 million for a medical center in Montana. (See Project Spotlights for descriptions of three of these facilities.) Uplift America grantees anticipate an additional 12 projects will draw down an estimated $27 million in the first half of 2019, bringing the total amount of CF Relending funds drawn down to $35.9 million by June 30.

What Types of Facilities Are Uplift America Grantees 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 constitutes the largest share of CF Relending projects (43 percent). This is followed by community support services (24 percent) and education (16 percent). Public facilities and public safety services make up the smallest share of projects (Figure 3).

Figure 3. Facilities by Type, USDA-Approved and Pipeline Projects (Number of Projects)
Where Are Uplift America Projects Located?

Uplift America projects are located in 22 states, with 23 of the 80 projects in Kentucky (Figure 4). Two-thirds of the projects are in high-poverty areas and one-third of the projects—representing 55 percent of the dollar amount—are in persistent poverty areas. Of the approved projects, the percentages are higher: 48 percent of the number and 68 percent of dollars are in persistent poverty areas.

The CF Relending is a brand new avenue to partner with USDA and it has deepened our relationship in ways we didn’t expect.

DAVE GLASER, MOFI

Project Spotlight: Seedlings to Sunflowers, Gorham, Maine

Seedlings to Sunflowers is a nonprofit offering childcare and education to children ages six weeks to five years as well as before and after school care programs for children ages five to ten. They offer a comprehensive daycare setting that caters to early childhood development. Seedlings to Sunflowers focuses on experiential learning at all ages and stages of development through arts, crafts, music, movement, reading, writing, dance, nutrition, and culinary activities. Coastal Enterprises, Inc. committed just under $1.5 million toward a new facility for the Seedlings to Sunflowers childcare facility. With the new facility, Seedlings to Sunflowers will serve up to 80 children annually, meeting the childcare needs of families in Gorham, Maine, and surrounding communities.

The USDA approved Coastal Enterprises Inc.’s loan to Seedlings to Sunflowers in October 2017 and the project drew down funds in August 2018.

IMPACT

Uplift America is creating impact in underserved rural communities, strengthening critical partnerships, and expanding the capacity of CDFIs to finance much-needed community facilities projects.

Community Impact

A common thread throughout conversations with grantees is the impact of CF Relending projects 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:

- **Expanded access to free high-speed internet** and community meeting spaces through improvements to a rural library (Delmar, Delaware)
- **Local access to a new fire training facility** that saves the city and surrounding counties from having to send firefighters to a different state for training (Miles City, Montana)
- **Local business and resident retention** resulting from a new YMCA that helps demonstrate a vibrant healthy community to live and work in (Pikeville, Kentucky and Damariscotta, Maine)
- **New education opportunities** provided by a community college that will train healthcare professionals seeking to stay in the area (Coos Bay, Oregon)
New Partnerships

Uplift America has expanded and strengthened partnerships that will help drive continued investment in rural communities. Grantees highlighted partnerships with each other as well as with new communities and borrowers. Grantees also mentioned CF Relending’s positive effect on their partnerships with the USDA and other funders.

Several grantees cited instances where multiple grantees are working together to finance a single project, which allows for larger loan sizes to accommodate a wider range of facilities. Because of these new partnerships, rural communities gain access to facilities that would not otherwise be financed by any individual Uplift America grantee. Four USDA-approved projects include multiple grantees working to finance a single project.

Grantees shared that CF Relending has helped them develop relationships with new borrowers and new communities. The process for finding eligible CF Relending deals requires significant relationship building and business development through which many grantees have developed deeper relationships with institutions and municipal governments. When additional financing might be required for future rural community facilities projects, borrowers will have a partner to help them secure it. In fact, one project that has drawn down funding is considering an additional CF Relending loan.

Several grantees discussed the role of CF Relending in expanding relationships with state USDA offices, as well as with other funders. For some grantees, this is their first time partnering with their state USDA office. Additionally, one grantee mentioned that their work with CF Relending helped them secure a program-related investment for community facilities lending from a large foundation.

Increased Capacity

In addition to financing specific CF Relending projects, grantees discussed their increased internal capacity to finance community facilities in general. For some grantees, CF Relending is their first experience sourcing and maintaining a portfolio of community facilities loans, while other grantees have robust portfolios and years of experience with community facilities lending. A few grantees mentioned that CF Relending has helped them expand their rural community facilities lending outside of CF Relending by increasing their expertise in this asset class and helping them improve the technical assistance they provide to facilities borrowers. As a result, nonprofits, municipalities, and other potential borrowers will have more opportunities to secure facilities financing in the future.

IMPLEMENTATION CHALLENGES

Like any new program, CF Relending has presented some implementation challenges for the participants. These include large demands on staff time, sourcing construction financing, developing stable pipelines, and inconsistencies among state USDA offices.

Staff Time

Uplift America grantees are devoting significant time to prepare borrowers for CF Relending funds. Several grantees commented on the amount of technical assistance borrowers must receive prior to requesting USDA approval. Technical assistance includes document preparation in advance of loan approval, securing revenue sources and business consultants to ensure borrowers can repay their loans, and helping prepare applications for USDA approval. No two projects are similar, thus, CF Relending technical assistance does not benefit from economies of scale; each borrower and project require tailored services, which increases grantees’ operating expenses.

Construction Financing

In the last year, grantees have had to figure out how to cash flow projects during construction when other sources of construction financing are not available. As CF Relending projects approach the construction phase, grantees are figuring out which of their funds can be used to finance construction until permanent take-out financing can be drawn down from the USDA. Cash flowing large construction projects limits grantees’ ability to finance other projects until construction is complete.

Stable Pipeline

While some grantees have robust CF Relending pipelines, others have mentioned that eligibility requirements are sometimes difficult to meet, which increases the costs and amount of time required to find eligible deals. To increase awareness of CF Relending’s long-term, low-interest capital, several grantees are considering or have already implemented focused marketing campaigns to inform potential borrowers about the program.

Inconsistencies among State USDA Offices

State USDA offices have discretion in how they implement many aspects of CF Relending. While this can have benefits, some grantees have noticed that the USDA’s document requirements and process for approving projects are not uniform across USDA state offices. These differences have created confusion and sometimes unnecessary delays, which in turn can discourage potential borrowers and disrupt projects.

CONCLUSION

Initiated in late 2016, CF Relending has now completed its first two years. In this time, the Uplift America grantees as well as the national and state USDA offices have experienced learning curves. With 80 projects totaling $231 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 the 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