Agricultural BMP Loan Program- 101

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Virginia Department of Environmental Quality
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Philip Davis
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Presentation Topics

• CWRLF Background
• Ag BMP Loan Program Background
• Guidelines Updates
• Loan Process
• Streamlining Initiatives
General Program Background

• Clean Water Revolving Loan Fund (RLF)
  • EPA grants
  • State match
  • Loan repayments

• Funding from EPA means federal requirements
  • Project eligibilities
  • Reimbursement procedures
  • Principal forgiveness amounts
Agricultural Program Background

- Ag BMP Loan program
  - Established in 2000
  - Total of 491 projects
- Suspended in 2016
  - Due to waning interest
- Restarted July 1, 2019
  - Recognized as critical in Virginia’s efforts to meet Chesapeake Bay goals
  - Administration supported additional incentives
  - Incentives required Code changes
Current DEQ Ag BMP Loan Program

• Restarted July 1, 2019 with $18 Million
• Additional $10 Million approved by the SWCB in December 2019
• Total revolving fund of $28 Million
• 0% interest for up to 10 years dependent on lifespan of practices and useful life (No Till Drill up to 7 years)
• Cost-share/financial assistance goes directly to VRA to pay down the principal as a balloon payment
### Ag BMP Loan Program - Current Dashboard as of 1-15-2021

<table>
<thead>
<tr>
<th>Application Status</th>
<th>Total Number</th>
<th>Total Value</th>
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<tbody>
<tr>
<td>Application Pending</td>
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<td>$240,000.00</td>
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<tr>
<td>Conditionally Authorized</td>
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<tr>
<td>Not Authorized</td>
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<td>$45,000.00</td>
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<tr>
<td>Credit Approved</td>
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<td>Application Withdrawn</td>
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<td>Loan Approved</td>
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<td>$0</td>
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<tr>
<td>Loan Closed</td>
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<tr>
<td>Construction Complete</td>
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<td><strong>Total Applications</strong></td>
<td><strong>142</strong></td>
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<table>
<thead>
<tr>
<th>Financial Summary</th>
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<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>$18,000,000.00</td>
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</tr>
<tr>
<td>Additional Funds Authorized by DEQ</td>
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<tr>
<td>Total Projects and Funds Obligated</td>
<td>$16,611,294.47</td>
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<tr>
<td>Total Unobligated Funds</td>
<td>$11,388,705.53</td>
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Key Guidelines Updates in 2020

• Added Soil and Water Conservation Districts as eligible applicants

• Removed language requiring the practice to be adjacent to the existing agricultural operation

• Added language that was already in the code regarding eligibility for local governments that start a local loan program

• Will allow for loans less than $10,000 if the total project cost is at least $10,000 (i.e. there is some cost share making up the difference)

• Maximum loan amount increased to $600,000 with $1 Million program cap
Key Guidelines Updates in 2020

- Changed "producer" to "applicant" throughout
- Changed wording to allow VRA to conduct credit review in addition to Farm Credit
- Updated Eligible Conservation Practices Table
  - Changed wording of purpose and description for several practices to be consistent with VACS wording changes
  - Added 4 new practices, 3 are to be consistent with VACS practice changes, 1 is the addition of SL-1, requested by producers
  - Noted 3 practices that will be removed next year to be consistent with DEQ 319 NPS practice changes
Guidelines Updates in 2020- Practice Changes

• DEQ NPS practices removed
  • LE-1T Livestock Exclusion with Riparian Buffers
  • LE-2T Livestock Exclusion with Reduced Setback
  • WP-2T Stream Protection (fencing)
Guidelines Updates in 2020- Practice Changes

- DCR practices
  - SL-1 Long Term Vegetative Cover On Cropland
  - WP-4LC Animal Waste Control Facility for Confined Livestock Operations
  - WP-4LL Loafing Lot Management System with Manure Management (excluding bovine dairy)
  - WP-4SF Seasonal Feeding Facility with Attached Manure Storage
Key Guidelines Updates in 2020

• VA SWCB approved the guidelines updates December 9, 2020

• Will take effect February 18, 2021 (pending no significant public comment)
DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER FINANCING and ASSISTANCE PROGRAM
APPLICATION FOR AGRICULTURAL BMP ASSISTANCE

APPLICANT INFORMATION

APPLICANT CONTACT:

BORROWER LEGAL NAME:

FARM NAME (IF ANY):

MAILING ADDRESS

CITY, STATE, ZIP CODE

PHONE:

FAX: EMAIL:

TYPE OF FARM OPERATION:

(DAIRY, POULTRY, SWINE, ROW CROP, BEET, EQUINE, ETC.)

Has a current Nutrient Management Plan (NMP) been developed for your farm?

☑️ NO

Has a Conservation Plan containing the proposed practice(s) been developed for your farm?

☑️ NO

Has the conservation plan been approved by the local soil and water conservation district?

☑️ NO

PROJECT LOCATION AND WATERSHED INFORMATION

COUNTY WHERE FARM IS LOCATED:

STATE OR COUNTY ROAD:

NEAREST WATER BODY (NAME OF CREEK, RIVER, LAKE, ETC.):

DISTANCE IN DIRECTIONS FROM NEAREST CITY OR TOWN TO YOUR FARM

COST SHARE FUNDING INFORMATION

Did you apply for a Cost Share grant for any part of this project?

☑️ NO

If the answer is YES provide the amount of Cost-Share participation you expect

$ ____________________________

What is the amount of the Ag BMP assistance that you are requesting?

$ ____________________________

I wish to be considered for assistance from the Ag BMP program. I also agree to allow appropriate agency or program management personnel access to land under my control for the purposes of evaluating the proposed practices during the implementation of the practices for which the requested assistance is to be used.

SIGNATURE OF APPLICANT FOR DEQ AGRICULTURAL BMP ASSISTANCE

PRINTED NAME:

SIGNATURE:

DATE:

The completed application should be emailed to CRFP@pdeq.virginia.gov or mailed to this address:

Clean Water Financing and Assistance Program
Department of Environmental Quality
P.O. Box 1105
Richmond, Virginia 23218

For additional information you may contact Lars Bolam at (804) 698-4066 or lars.bolam@deq.virginia.gov

Agricultural BMP Loan Pre-Application Page 2 of 2

Application Process
Conditional Authorization

• Applications accepted year round
• Applications are batched on the 20th of each month
• Applications are ranked and presented to Division Director for approval the following month
  • TMDL Watershed projects are “High” Priority
  • Animal Units and/or Buffer Acres for are needed as part of ranking process
  • Based on DCR/DEQ NPS Practices
• Conditional Authorization Letter with credit review instructions and forms
Credit Review

• Applicants must provide required documents directly to the VRA
  • Secure upload link
  • US Mail, recommended with tracking
• Farm Credit provides the credit approval or disapproval
  • Not all applicants will qualify for a loan
• If permanent debt will be more than $80,000.00 **collateral will be required**
• Principal forgiveness consideration- Not a guarantee!!
Principal Forgiveness

- To qualify for principal forgiveness
  - Projects achieving high water quality benefit AND
  - Applicants demonstrating financial need
- Amount of principal forgiveness determined by
  - Availability of funds
  - Amount of funds needed for the project to proceed
  - Amount of other grant funds available for the project
Finalizing Closing

• Site visit scheduled upon credit review forms submitted (if not already completed)
• Once credit has been approved the following documents are required
  • Signed cost-share documentation, i.e. NRCS 1155, SWCD cost-estimate and approval letter, etc.
  • Signed Conservation Plan
  • Signed Nutrient Management Plan (for ag waste practices)
  • Construction bids/quotes for the entire project—No “in-kind” services
• Authorizing additional funds if needed
Finalizing Closing

• Additional documents may be requested by DEQ
  • Planning Maps, Designs, Sizing Calculations, etc.
• A project end date is determined by the applicant
• Upon review and eligibility determination DEQ compiles a closing packet
• Sent to VRA for processing and scheduling loan closing
Finalizing Closing

• VRA reviews and contacts applicant
  • Determine payment schedule (monthly, annually, bi-annually, etc.)
  • Explain closing process, notarized signatures, assignment of payment forms, and set a closing date
• VRA mails or securely emails closing packet to applicant
• Applicant returns all properly signed documents
• Loan is closed
Disbursements

• Applicant submits invoices for installed practices
  • DEQ reviews and determines eligibility
  • Makes site visit if necessary
  • Communication with conservation partner if necessary
• DEQ CWFAP Program Manager reviews and approves
• Sent to VRA for processing
  • Payment can take up to 3 weeks but usually within 7-10 business days from VRA receiving the request
• 95% of each DCR practice is disbursed until final SWCD and/or NRCS approval
Loan Payments

• First payment is set-up as a balloon payment equal to anticipated cost-share/financial assistance payments
  • Typically begin 3-6 months after the project end date
  • Permanent debt set-up for up to 10 years at 0% interest
  • Applicant chooses payment schedule
  • Can pay off early with no penalties

• If cost share/financial assistance is less than originally planned, VRA will re-amortize the payments

• If loan defaults VRA will pursue legal action to obtain repayment
Take Home Points

• Accurate application and good communication is key
• Not all applicants will be approved
• The earlier DEQ can obtain conservation documents the better
• Construction quotes needed to determine final loan amount
• 95% disbursed for each DCR practice until meets plan/specs
• When payments are made by conservation partners, please let the local regional DEQ project manager know so they can communicate this with VRA (item numbers/amounts)
Streamlining

• DEQ asked for comments on our streamlining initiatives list and any other ideas/comments from stakeholders on streamlining our program due Dec. 9, 2020.
• Our stakeholder virtual meeting to discuss these comments was on Wednesday Dec. 16, 2020.
• Updated Application
• Map to Closing
• Required Loan Documents Checklist
Questions?
Ag BMP Loan Program Contacts

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