



To: State Representative Kerry White
Chairman
Legislature Interim Committee on Study of State Labs at MSU Bozeman

From: Charles Robison
Montana State Director
USDA Rural Development

Chairman White,

In April, I met with the Montana Legislature's Interim Committee on Study of State Labs at MSU Bozeman to present information on USDA loan guarantee programs and how our loan guarantees can facilitate public-private partnerships in construction of State facilities.

Agriculture Secretary Sonny Perdue has challenged Rural Development to prioritize infrastructure, partnerships, and innovation to facilitate rural prosperity and economic development. I appreciate the opportunity to provide more information on how USDA can assist the State of Montana in meeting its infrastructure needs.

To recap briefly, USDA Business & Industry Loan Guarantees are available for bank and credit union loans to for-profit businesses, nonprofits, cooperatives, federally-recognized Tribes, public bodies, and individuals to finance projects in rural communities (census population 50,000 or less). Most relevant to your Committee, an eligible borrower could use a USDA-guaranteed loan to buy, construct or renovate a lab (or other building) for lease to the State of Montana or other tenants. Terms and conditions of guaranteed loans are set by the lender. We often see terms up to 30 years and fixed interest rates on USDA guaranteed real property loans; all terms and conditions are determined by the lender.

In the context of constructing or renovating space for a lab or other State needs, the USDA guarantee can help control project costs and make a project more feasible.

In conversations with builders and developers in Montana, I have concluded that many developers are open to building structures that could be leased to the State of Montana on privately owned land or land leased from the State of Montana. In the scenario where the land is leased, the State has the ability to have structures built on existing State office or school campuses for better efficiency and proximity.

There are a number of different and innovative leasing structures that the State could pursue with private developers, including a standard straight lease or a lease with the option to purchase. In a lease with the option to purchase, the State would have the

Rural Development • Montana State Office
2229 Boot Hill Court • Bozeman, MT 59715
Voice (406) 585-2580 • Fax (855) 576-2674

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benefit of purchasing the building after a predetermined time. This could allow the State to reserve funds for future purchases over time instead of committing cash up front. This also gives the state flexibility to delay purchase and continue to lease a building depending on the fiscal climate of the state at any given time.

By way of example, I believe the Department of Fish, Wildlife & Parks currently has a lease for 15,000 sf of office space in Helena at \$18.50/sf. I believe the lease includes janitorial, utilities and other costs. My understanding is that construction costs for similar space would probably run around \$4.5 million (or more) today. A lease like this can provide the Legislature with options beyond paying the up-front cost and provide flexibility as the State's needs change over time.

If the Legislature decides that public-private partnerships are an efficient way to meet State facilities needs, developers and the State can work together in innovative ways to continue to invest and build infrastructure across the State of Montana. USDA's loan guarantees can make these public-private partnerships more affordable for private owners, which should translate to lower costs for the State of Montana.

I appreciate the opportunity to provide the Committee with this information, and I wish you the very best in finding a solution to the needs of the state labs. Please feel free to reach out Nate Brown, our USDA Business-Cooperative Program Director, who can speak to the technical specifics and eligibility rules regarding this program. Don't hesitate to call anytime I can help or answer questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'C Robison', with a long horizontal flourish extending to the right.

Charles Robison
State Director