



Rural Development

RD AN No. 4858 (1942-A, 1942-C, 3570-B, 3575-A)
March 8, 2018

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TO: State Directors
Rural Development

ATTN: Community Programs Directors

FROM: Curtis M. Anderson /s/ *Curtis M. Anderson*
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SUBJECT: Business Incubators

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is issued to provide clarification on the eligibility of business incubators in the Community Facilities Direct Loan, Guaranteed Loan, and Grant Programs (Community Facilities Programs) in support of the objectives and recommended actions of the Task Force on Agriculture and Rural Prosperity. For the purpose of the Community Facilities Programs, the term “business incubator” is defined as workspace that offers startups and new ventures access to the resources they need, all under one roof. In addition to a desk or office, incubators often provide resident companies with access to expert advisors, mentors, administrative support, office equipment, training, and/or potential investors. Business incubators typically work with start-ups for a year or more.

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN No. 4823 (1942-A) dated March 9, 2017, which expired on February 28, 2018.

IMPLEMENTATION RESPONSIBILITIES:

Community Facilities Program funding has been used in the past to finance business incubator facilities. These facilities were primarily involved with the training and development of business entrepreneurs while providing adequate space on a temporary basis for the fledgling business entities. Business incubator projects are

EXPIRATION DATE:
March 31, 2019

FILING INSTRUCTIONS:
Preceding RD Instructions 1942-A,
1942-C, 3570-B, and 3575-A

eligible for the Community Facilities Program when they are not an inherently commercial enterprise and can demonstrate that they meet the following criteria:

1. The applicant demonstrates that it is a mission-driven, CF-eligible non-profit, public body or Indian Tribe. This may include local and regional economic organizations;
2. The facility will be used to provide technical assistance, training, workforce development, administrative support services and vocational training to address workforce shortages in the community or region;
3. The applicant and project comply with all requirements outlined in 7 CFR Parts 1942-A, 3575-B and 3570-A, as applicable. Specifically, as per 7 CFR 1942.17(b)(1)(B), 3575.20(c)(3) and 3570.61(a)(2) in the case of a non-profit organization, there must be significant ties with the local rural community evidenced by:
 - Association with or controlled by a local public body or bodies, or broadly based ownership and controlled by members of the community;
 - Substantial public funding through taxes, revenue bonds, or other local Government sources, and/or substantial voluntary community funding, such as would be obtained through a community wide funding campaign; and
4. The applicant demonstrates that it has operated a financially successful operation of a similar facility for a period of time sufficient to indicate project success **when assured income is not available**. This can be demonstrated based on a review of the applicant's financial statements which include being in existence for five or more years and operating on a financially successful basis for five years immediately prior to the loan application.

Applicants that lack five years of successful operating history and assured income will require national office review and concurrence on their requests.

Minimum Onsite Service Requirements:

Capacity Building and Support services should include, but are not limited to, the following:

- Business Plan Development
- Administrative Support Services
- Training and Technical Assistance
- Mentoring, Coaching and Leadership
- Finance and Accounting Workshops
- Programs to Access Capital (crowd funding, private capital/credit markets, investors, revolving loan funds, etc.)
- High-speed Internet access

The application should clearly demonstrate expertise in one or more of the areas above and/or present a sustainable economically feasible program to outsource such activities when capacity building insourcing is not available.

If you have any questions, please contact Karla Peiffer, Asset Risk Management Specialist, Community Facilities Programs, at karla.peiffer@wdc.usda.gov.