

CHAPTER 36
DOWNTOWN LOAN GUARANTEE PROGRAM

261—36.1(15) Purpose. Pursuant to Iowa Code section 15.431, the authority, in partnership with the Iowa finance authority, shall establish and administer a downtown loan guarantee program. The purpose of the program is to encourage Iowa downtown businesses and banks to reinvest and reopen following the COVID-19 pandemic.

[ARC 6134C, IAB 1/12/22, effective 12/17/21]

261—36.2(15) Definitions.

“*Authority*” means the economic development authority created in Iowa Code section 15.105.

“*Authority’s website*” means the information and related content found at www.iowaeda.com and may include integrated content at affiliate sites.

“*Board*” means the members of the economic development authority appointed by the governor and in whom the powers of the authority are vested pursuant to Iowa Code section 15.105.

“*Borrower*” means a business that is approved for a loan by a lender and that has applied for assistance under the program.

“*Director*” means the director of the authority.

“*Iowa finance authority*” means the public instrumentality and agency of the state created by Iowa Code section 16.1A.

“*Lender*” means a federally insured financial lending institution that issued a loan to a borrower.

“*Program*” means the downtown loan guarantee program established pursuant to this chapter.

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261—36.3(15) Eligibility. To be eligible for approval of a loan guarantee, a borrower must demonstrate that all of the following conditions are met:

36.3(1) The loan finances an eligible downtown resource center community catalyst building remediation grant project or main street Iowa challenge grant project within a designated district. A borrower does not need to receive a grant to be eligible for a loan guarantee under the program, but a borrower and proposed project must meet all eligibility criteria for either the community catalyst building remediation grant or main street Iowa challenge grant.

36.3(2) The loan finances a rehabilitation project, or finances acquisition or refinancing costs associated with the project.

36.3(3) At least 25 percent of the project costs are used for construction on the project or renovation.

36.3(4) The project includes a housing component.

36.3(5) The loan is used for construction of the project, permanent financing of the project, or both.

36.3(6) A federally insured financial lending institution issued the loan.

36.3(7) The loan does not reimburse the borrower for working capital, operations, or similar expenses.

36.3(8) The project meets downtown resource center and main street Iowa design review criteria.

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261—36.4(15) Application submittal and review process.

36.4(1) The authority will develop a standardized application process and make information on applying available on the authority’s website. To apply for assistance under the program, the borrower and lender shall submit an application to the authority in the manner prescribed by the authority. Applications will be accepted and processed by authority staff on a continuing basis, or the authority may establish application periods as announced on the authority’s website.

36.4(2) Each application shall include, at a minimum, the following: name(s) and address(es) of the borrower and participating lender, amount of loan, amount of loan guarantee requested, and certification of compliance with state law and lending practices.

36.4(3) The authority may refuse to accept incomplete applications.

36.4(4) The authority may refuse to accept applications because of insufficient funds.

36.4(5) Authority staff, in conjunction with Iowa finance authority staff, will review applications and make a recommendation as to whether an application should be approved and the guarantee percentage. The director may approve, deny, or defer an application.

36.4(6) The authority reserves the right to deny a loan guarantee for unreasonable bank loan fees or interest rates.

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261—36.5(15) Loan guarantee limitations.

36.5(1) For a loan amount less than or equal to \$500,000, the authority may guarantee up to 50 percent of the loan amount. For a loan amount greater than \$500,000, the authority may provide a maximum loan guarantee of up to \$250,000.

36.5(2) A project loan must be secured by a mortgage against the project property.

36.5(3) The authority may guarantee loans for up to five years. The authority may extend the loan guarantee for an additional five years if an underwriting review finds that an extension would be beneficial. Extensions are subject to approval by the director.

36.5(4) The loan must not be insured or guaranteed by another local, state, or federal guarantee program.

36.5(5) The loan guarantee is not transferable if the loan or the project is sold or transferred.

36.5(6) In the event of a loss due to default, the loan guarantee proportionally pays the guarantee percentage of the loss to the lender as established in the agreement executed pursuant to rule 261—36.7(15).

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261—36.6(15) Annual fee. The lender shall pay an annual loan guarantee fee not to exceed 2 percent of the loan amount for the duration of the loan guarantee. The fee applicable to each approved loan guarantee will be established by the program agreement executed pursuant to rule 261—36.7(15).

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261—36.7(15) Agreement. Upon approval of an award, authority staff shall prepare an agreement between the authority, the lender, and the borrower. The agreement, at a minimum, shall include the conditions of the award, including the applicable annual fee to be paid by the lender pursuant to rule 261—36.6(15), the responsibilities of each party, and the potential actions in instances of noncompliance.

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261—36.8(15) Reporting. The borrower and lender shall submit any information reasonably requested by the authority in sufficient detail to permit the authority to prepare any reports required by the authority, the board, the general assembly, or the governor's office.

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These rules are intended to implement Iowa Code section 15.431.

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