

CHAPTER 74
GROW IOWA VALUES FINANCIAL ASSISTANCE PROGRAM

261—74.1(83GA,SF344) Purpose and administrative procedures.

74.1(1) Purpose. The department shall establish and administer a grow Iowa values financial assistance program for purposes of providing financial assistance from the fund to applicants. The financial assistance shall be provided from moneys credited to the grow Iowa values fund and not otherwise obligated or allocated pursuant to 2009 Iowa Acts, Senate File 344.

74.1(2) Program funding components. The program shall consist of the following components:

- a. 130 percent wage component.
- b. 100 percent wage component.
- c. Entrepreneurial component.
- d. Infrastructure component.
- e. Value-added agriculture component.
- f. Disaster recovery component.

74.1(3) Fiscal impact. In making awards of financial assistance from the 130 percent wage component and the 100 percent wage component, the department shall calculate the fiscal impact ratio. In reviewing each application to determine the amount of financial assistance to award, the board shall consider the appropriateness of the award to the fiscal impact ratio of the project and to other factors deemed relevant by the board.

74.1(4) Administrative procedures. The grow Iowa values financial assistance program is subject to the requirements of the department's rules located in 261—Part VII, additional application requirements and procedures, and 261—Part VIII, legal and compliance. Part VII and Part VIII include standard definitions; standard program requirements; wage, benefit and investment requirements; application review and approval procedures; contracting; contract compliance and job counting; and annual reporting requirements.

[ARC 7970B, IAB 7/15/09, effective 7/1/09; ARC 8145B, IAB 9/23/09, effective 10/28/09]

261—74.2(83GA,SF344) 130 percent wage component.

74.2(1) Eligibility. In order to qualify for financial assistance under this component of the program, a business shall meet all of the following requirements:

a. The business shall create or retain jobs as part of a project, and the jobs created or retained shall meet one of the following requirements:

(1) If the business is creating jobs, the business shall demonstrate that the jobs will pay at least 100 percent of the qualifying wage threshold at the start of the project completion period, at least 130 percent of the qualifying wage threshold by the project completion date, and at least 130 percent of the qualifying wage threshold until the maintenance period completion date.

(2) If the business is retaining jobs, the business shall demonstrate that the jobs retained will pay at least 130 percent of the qualifying wage threshold throughout both the project completion period and the maintenance period.

b. The business shall provide a sufficient package of benefits to each employee holding a created or retained job.

c. The business shall demonstrate that the jobs created or retained will have a sufficient impact on state and local government revenues as determined by the department after calculating the fiscal impact ratio of the project.

d. The business shall not be a retail business or a business where entrance is limited by a cover charge or membership requirement.

74.2(2) Sufficient benefits credit. A business providing a sufficient package of benefits to each employee holding a created or retained job shall qualify for a credit against any of the 130 percent qualifying wage threshold requirement.

[ARC 7970B, IAB 7/15/09, effective 7/1/09; ARC 8145B, IAB 9/23/09, effective 10/28/09]

261—74.3(83GA,SF344) 100 percent wage component. In order to qualify for financial assistance under this component of the program, a business shall meet all of the following requirements:

74.3(1) The business shall create or retain jobs as part of a project, and the jobs created or retained shall meet one of the following qualifying wage thresholds:

a. If the business is creating jobs, the business shall demonstrate that the jobs created will pay at least 100 percent of the qualifying wage threshold at the start of the project completion period, by the project completion date, and until the maintenance period completion date.

b. If the business is retaining jobs, the business shall demonstrate that the jobs retained will pay at least 100 percent of the qualifying wage threshold throughout both the project completion period and the maintenance period.

74.3(2) The business shall provide a sufficient package of benefits to each employee holding a created or retained job.

74.3(3) The business shall demonstrate that the jobs created or retained will have a sufficient impact on state and local government revenues as determined by the department after calculating the fiscal impact ratio of the project.

74.3(4) The business shall not be a retail business or a business where entrance is limited by a cover charge or membership requirement.

[ARC 7970B, IAB 7/15/09, effective 7/1/09; ARC 8145B, IAB 9/23/09, effective 10/28/09]

261—74.4(83GA,SF344) Entrepreneurial component.

74.4(1) Purpose. The purpose of this component is to encourage the development of early-stage businesses in conjunction with the delivery of a financial assistance program.

74.4(2) Definitions. In addition to the standard definitions in 261—Chapter 173, the following definitions shall apply to this component:

“*Early-stage business*” means a business that has been competing in a particular industry for three years or less.

“*Eligible applicant*” means a business that has consulted with and obtained a letter of endorsement from either a business accelerator approved by the department or from an entrepreneurial development organization recognized by the department.

“*Eligible business*” means an early-stage business that is developing a new product or technology.

74.4(3) Eligibility. In order to qualify for financial assistance under the entrepreneurial component of the program, a business shall meet all of the following requirements:

a. In order to be eligible for assistance, the business, or proposed business, must be located in the state of Iowa.

b. The business shall be an early-stage business.

c. If the business is a sole proprietorship or a partnership, all applicable business owners must apply. If the business is a limited liability company, a limited liability partnership, or a corporation, the application must be submitted and signed by an individual who has been authorized by the business to do so.

d. The business owner or owners (or appropriate individual(s) in a limited liability company, limited liability partnership or corporation) must consult with and obtain a letter of endorsement from either a business accelerator approved by the department or from an entrepreneurial development organization recognized by the department.

e. The individual or business must have a business plan which details the business’s growth strategy, management team, production/management plan, marketing plan, financial plan, and other standard elements of a business plan.

74.4(4) Local match not required. A business applying for financial assistance under the entrepreneurial component is eligible for financial assistance regardless of whether the business has received matching funds from a city or county.

74.4(5) Funding priorities. In awarding financial assistance under the entrepreneurial component of the program, the department and the board shall give priority to businesses in those sectors of the Iowa economy with the greatest potential for growth and expansion. Sectors having such potential include but

are not limited to biotechnology, recyclable materials, software development, computer-related products, advanced materials, and advanced manufacturing.

74.4(6) *Financial assistance.* An applicant may apply to the department for financial assistance to assist with the applicant's early-stage business growth. The applicant may request up to \$250,000 for early-stage growth activities to be used for business expenses and to leverage conventional financing from commercial lenders or private investors. Assistance will generally be made in staged investments with amounts to be determined by company development, growth, and defined milestones. The assistance under this program is limited to 50 percent or less of the total original capitalization, if a new business, or total project costs, if an existing business. Funds may be used to purchase machinery, equipment, or software or for working capital needs or other business expenses deemed reasonable and appropriate by the department. Awards will be in the form of a loan, royalty agreement, or other form of an equity-like investment. A single recipient is limited to \$250,000 in total financial assistance.

74.4(7) *Technical assistance.* Applicants may apply for assistance in paying for consulting or other third-party technical assistance either in conjunction with the request for financial assistance or in a separate application. Applications submitted that are not in conjunction with a request for financial assistance must demonstrate financial need for the technical assistance. Financial need will be determined by the department based on review of the applicant's financial statements, narrative submitted by the applicant outlining the financial need, and other documentation as requested by the department. Awards will be in the form of a grant, loan, royalty agreement, or other form of an equity-like investment. Technical assistance of this nature is limited to no more than \$25,000 per applicant.

74.4(8) *Application process.* Applications must be submitted in the format required by the department. Applications, the business plan, and related material shall be submitted online or by mail to the department at the address listed in 261—subrule 175.2(7).

74.4(9) *Review criteria.*

a. Applications will first be reviewed for completeness. If additional information is required, the program staff shall send the applicant notice to submit the additional needed information. The applicant shall submit the requested information within a reasonable time period in order to ensure further action on the request.

b. Applications will then be reviewed for content of the business plan and to evaluate the business's viability and potential for growth. The department may consult with the business accelerators or other knowledgeable agencies or individuals as a part of the review process.

c. The following items will be reviewed:

(1) Type of business.

1. Highest priority will be given to businesses in sectors of the Iowa economy with the greatest start-up and growth potential for Iowa, including but not limited to:

- Biotechnology (including drugs and pharmaceuticals and value-added agricultural products);
- Recyclable materials;
- Software development and computer-related products;
- Advanced materials; and
- Advanced manufacturing.

2. Assistance may be provided to industries other than those listed in paragraph "1" above; however, the applicant shall provide strong rationale regarding how that industry diversifies, strengthens or otherwise enhances Iowa's economy. Eligibility may be established by an industry other than those listed if that industry can provide rationale regarding the industry's benefit to Iowa's economic base. Rationale that is provided will be reviewed by the department staff to determine eligibility as a targeted industry. Factors that will be considered in determining an industry's benefit to Iowa's economic base include:

- The majority of the products produced by the industry are exported out of Iowa;
- The inputs for the products produced in the industry are raw materials available in Iowa or are provided by Iowa suppliers;
- The goods produced by the industry diversify Iowa's economy;

- The goods produced by the industry resulted in, or will result in, a decrease in the importation of foreign-made goods into the United States;

- The industry shows potential for future growth; and
- The functions of the industry do not produce harmful effects for Iowa's natural environment.

Businesses engaged in retail sales, personal services, consulting, franchises, the provision of health care or other professional services, or the distribution of products or services will not be considered targeted industries and are not eligible for the program.

(2) Management team and management expertise. Factors considered for this criterion are whether the applicant(s) has a background (including education, training, work experience, and other factors) that will be helpful and useful in the business in question. The department will also consider the degree to which the applicant's background is fully documented.

(3) Business capitalization. Factors considered for this criterion are the original sources of financing for the business. Although all projects must have at least 50 percent of their financing from sources other than the entrepreneurial component, the department will give preference to those applications in which the other sources of financing are higher than 50 percent.

(4) Strength of business plan. The strength of the business plan is the most important factor in the evaluation of applications. Factors considered for this criterion are the quality of the business plan and how well it addresses all elements of the business, such as:

1. A description of the company and the overall industry;
2. The product and production plan;
3. The market, competition, and the marketing strategy;
4. The management team and business operation;
5. A well-defined project time line;
6. Patent issues (if applicable), critical risks and problems; and
7. Financial information and plan.

[ARC 7970B, IAB 7/15/09, effective 7/1/09; ARC 8145B, IAB 9/23/09, effective 10/28/09]

261—74.5(83GA,SF344) Infrastructure component.

74.5(1) Eligibility. In order to qualify for financial assistance under the infrastructure component of the program, a business or community shall be engaged in a physical infrastructure project. For purposes of this component, "physical infrastructure project" means a project that creates necessary infrastructure for economic success throughout Iowa, provides the foundation for the creation of jobs, and involves the investment of a substantial amount of capital. Physical infrastructure projects include but are not limited to projects involving any mode of transportation; public works and utilities such as sewer, water, power, or telecommunications; physical improvements that mitigate, prevent, or eliminate environmental contamination; and other similar projects deemed to be physical infrastructure by the department.

74.5(2) Local match not required. A business applying for financial assistance under the infrastructure component is eligible for financial assistance regardless of whether the business has received matching funds from a city or county.

[ARC 7970B, IAB 7/15/09, effective 7/1/09; ARC 8145B, IAB 9/23/09, effective 10/28/09]

261—74.6(83GA,SF344) Value-added agriculture component.

74.6(1) Purpose. The purpose of this component is to encourage the increased utilization of agricultural commodities produced in this state. The component shall assist in efforts to revitalize rural regions of this state by committing resources to provide financial assistance to new or existing value-added production facilities.

74.6(2) Definitions. In addition to the standard definitions located in 261—Chapter 173, the following definitions apply to the value-added agriculture component:

"*Agricultural biomass industry*" means businesses that utilize agricultural commodity crops, agricultural by-products, or animal feedstock in the production of chemicals, protein products, or other high-value products.

"*Agricultural biotechnology industry*" means businesses that utilize scientifically enhanced plants or animals that can be raised by producers and used in the production of high-value products.

“*Agriculture*” means the science, art, and business of cultivating the soil, producing crops and raising livestock.

“*Alternative energy industry*” means businesses involved in the production of ethanol, including gasoline with a mixture of 70 percent or more ethanol, biodiesel, biomass, or hydrogen or in the production of wind energy.

“*Committee*” means the renewable fuels and coproducts advisory committee established pursuant to Iowa Code section 159A.4.

“*Coordinator*” means the administrative head of the office of renewable fuels and coproducts appointed by the department of agriculture and land stewardship as provided in Iowa Code section 159A.3.

“*Coproduct*” means a product other than a renewable fuel which at least in part is derived from the processing of agricultural commodities and which may include corn gluten feed, distillers grain, solubles, or a feed supplement, or can be used as livestock feed.

“*Farming*” means the cultivation of land for the production of agricultural crops, the raising of poultry, the production of eggs, the production of milk, the production of fruit or other horticultural crops, grazing or the production of livestock. “Farming” shall not include the production of timber, forest products, nursery products, or sod; and “farming” shall not include a contract where a processor or distributor of farm products or supplies provides spraying, harvesting or other farm services.

“*Fund*” means the renewable fuels and coproducts fund established pursuant to Iowa Code section 159A.7.

“*Innovative*” means a new or different agricultural product or a method of processing agricultural products which is an improvement over traditional methods in a new, different, or unusual way.

“*Livestock production operations*” means the production, feeding and marketing of livestock, poultry and aquaculture. “Livestock production operations” includes, but is not limited to, beef and dairy cattle, swine, sheep, goat, poultry, turkey and equine operations. “Livestock production operations” also includes nontraditional agricultural operations such as ostrich, fallow deer, rabbit, fish and other aquaculture.

“*Office*” means the office of renewable fuels and coproducts created pursuant to Iowa Code section 159A.3.

“*Organic products*” means Iowa-grown or Iowa-raised agricultural products as defined by 21—Chapter 47, Iowa organic program.

“*Person*” means individual, corporation, limited liability company, government or governmental subdivision or agency, business trust, estate, trust, partnership or association, or any other legal entity.

“*Producer-owned, value-added business*” means a person who holds an equity interest in the agricultural business and is personally involved in the production of crops or livestock on a regular, continuous, and substantial basis.

“*Renewable fuel*” means an energy source at least in part derived from an organic compound, capable of powering machinery, including an engine or power plant. “Renewable fuel” includes but is not limited to ethanol-blended or soydiesel fuel.

“*Renewable fuels and coproducts activities*” means either of the following:

1. The research, development, production, promotion, marketing, or consumption of renewable fuels and coproducts.

2. The research, development, transfer, or use of technologies which directly or indirectly increases the supply or demand of renewable fuels and coproducts.

“*Rural region*” means any geographic area which is predominantly rural in nature, that is, having a relatively low population density and where agriculture is the predominant economic activity.

“*Soydiesel fuel*” means a fuel made of processed soybean oil which is mixed with diesel fuel, the mixture being a minimum of 20 percent processed soybean oil.

“*Value-added product*” means a product which, through a series of activities or processes, can be sold at a higher price than its original purchase price.

74.6(3) Eligibility. In order to qualify for financial assistance under the value-added agriculture component of the program, a business shall be a production facility engaged in the process of adding

value to agricultural products. Projects considered eligible under this component include but are not limited to innovative agricultural products and processes, innovative and new renewable fuels, agricultural biotechnology, biomass and alternative energy production, and organic products and emerging markets. Financial assistance is available for project development as well as project creation.

a. Innovative agricultural products and processes. An application based on this component shall be considered if either of the following applies:

(1) The business will produce a product derived from an agricultural commodity, if the product is not commonly produced in Iowa from an agricultural commodity; or

(2) The business will utilize a process to produce a product derived from an agricultural commodity, if the process is not commonly used in Iowa to produce the product.

For purposes of this paragraph, a product is “not commonly produced” and a process is “not commonly used” if the product or process is not usually, generally, or ordinarily produced or processed in Iowa.

b. Innovative and new renewable fuels. Applications for renewable fuel and ethanol production shall be considered by the department for funding. Applications based on ethanol fuel production must meet the following criteria to be considered for funding:

(1) All fermentation, distillation, and dehydration of the ethanol occurs at the proposed facility.

(2) The ethanol produced at the proposed facility is at least 190 proof and is denatured. However, if the facility markets the ethanol for further refining, the facility must demonstrate that the refiner produces at least 190 proof ethanol from the ethanol purchased from the facility.

c. Agricultural biotechnology, biomass and alternative energy. Agricultural business facilities in the agricultural biotechnology industry, agricultural biomass industry, and alternative energy industry are eligible for program assistance.

d. Organic products and emerging markets. Facilities that add value to Iowa agricultural commodities through further processing and development of organic products and emerging markets are eligible for program assistance.

e. Project development assistance. The department, at its discretion, may also provide funding for project development related to targeted industries or proposed projects under this program. Feasibility studies and basic research are not eligible for assistance under this program.

f. Project creation assistance. This option is for projects that eventually could be eligible for funding within other value-added agriculture component funding areas.

(1) Any person is eligible to apply, except educational or research institutions. However, an educational or research institution may be a partner to an eligible applicant.

(2) The evaluation process will focus on the application of new technology and knowledge to agricultural products and processing and will be based upon the degree to which:

1. The resulting business has potential to increase utilization of agricultural commodities in this state; and

2. The resulting business has potential to increase value-added economic activities within this state.

74.6(4) Ineligible projects.

a. The department shall not provide financial assistance to support a value-added production facility if the facility or a person owning a controlling interest in the facility has, in the previous five years, demonstrated a continuous and flagrant disregard for the health and safety of its employees or the quality of the environment.

b. The department shall not approve an application for assistance under this component to refinance an existing loan.

c. The department shall not directly award financial assistance to support an activity directly related to farming as defined in Iowa Code section 9H.1, including the establishment or operation of a livestock production operation, regardless of whether the activity is related to a renewable fuel production facility.

d. An applicant may not receive more than one award under this program for a single project. However, previously funded projects may receive an additional award(s) if the applicant demonstrates

that the funding is to be used for a significant expansion of the project, a new project, or a project which results from previous project development assistance.

e. The board and the department shall not award financial assistance under the value-added agriculture component in an amount exceeding 50 percent of the total capital investment in a project.

74.6(5) *Review process.*

a. Applications will be reviewed by staff for completeness and eligibility. If the applicant had previously consulted with the coordinator in completion of the application, the department may refer the application to the coordinator for further feasibility studies if deemed necessary. Applications will be reviewed as described in 261—Chapter 175.

b. The department may consult with other state agencies regarding any possible future environmental, health, or safety issues linked to technology related to the biotechnology industry.

c. The department reserves the right to informally consult with external resources to assist in the evaluation of projects or to contract with outside consultants, in an amount not to exceed \$20,000 per project, for the same purpose.

74.6(6) *Evaluation criteria.* The department shall evaluate applications based on the following criteria:

a. Feasibility. The company must submit a feasible business plan which demonstrates managerial and technical expertise.

b. Priority components. The department will review the degree to which the proposed project meets one of the component elements which include:

- (1) Innovative agricultural products and processes.
- (2) Innovative and new renewable fuels.
- (3) Agricultural biotechnology, agricultural biomass and alternative energy.
- (4) Organic products and emerging markets.

c. Utilization. The department will review the degree to which the facility will add value to and increase the utilization of agricultural commodities in this state.

d. Producer ownership. The level of producer ownership will be given additional consideration.

e. Rural region. The department will review the extent to which the existing or proposed facility is located in a rural region of the state.

f. Local match. A business applying for financial assistance under the value-added agriculture component is eligible for financial assistance regardless of whether the business has received matching funds from a city or county.

g. Need. The department will review the level of need of the region where the existing facility is located or the proposed facility is to be located.

h. Coproducts. The department will review the degree to which the facility produces a coproduct which is marketed in the same locality as the facility.

i. In-state suppliers. The department will review the extent to which the facility utilizes in-state suppliers of inputs and feedstocks for processing and manufacturing.

j. Sales. The department will review the extent to which the facility sells its products outside the state.

[ARC 7970B, IAB 7/15/09, effective 7/1/09; ARC 8145B, IAB 9/23/09, effective 10/28/09]

261—74.7(83GA,SF344) Disaster recovery component.

74.7(1) *Eligibility—for businesses affected by a disaster occurring before July 1, 2009.*

a. Eligibility requirements. In order to qualify for financial assistance under the disaster recovery component of the program, a business shall meet all of the following conditions:

(1) The business is located in an area declared a disaster area by a federal official before July 1, 2009.

(2) The business must document that it has sustained substantial physical damage related to the natural disaster. For purposes of this rule, “substantial physical damage” means damage of any origin sustained by a structure whereby the cost of restoring the structure to its before-damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred.

(3) The business must commit to bring its employment level up, within six months of the award date, to at least 90 percent of its base employment prior to the closure of the business due to the natural disaster in a federally declared disaster area. The business shall submit payroll records to establish the business's employment base prior to the date of the federal disaster declaration.

(4) The business must commit to paying wages, within six months of the award date, that are no less than the wages paid prior to the closure of the business due to the natural disaster in a federally declared disaster area. The business shall submit payroll records to establish the wages that were paid prior to the date of the federal disaster declaration.

(5) The business must apply for assistance by July 31, 2009.

b. Project initiation. The board may elect to fund applications under this component for projects which have been initiated.

c. Local match. The board will determine if local match will be needed and what level of local match will be acceptable.

74.7(2) Eligibility—*for businesses affected by a disaster occurring on or after July 1, 2009.*

a. Eligibility requirements. In order to qualify for financial assistance under the disaster recovery component of the program, a business shall meet all of the following conditions:

(1) The business is located in an area declared a disaster area by a federal official on or after July 1, 2009.

(2) The business has sustained substantial physical damage and has closed as the result of a natural disaster. For purposes of this rule, “sustained substantial physical damage” means damage of any origin sustained by a structure or the machinery and equipment contained within whereby the cost of restoring the structure to its before-damaged condition or replacing the machinery and equipment would exceed 50 percent of the market value of the structure or machinery and equipment before the damage occurred. If the business is located in a multitenant building, the market value of the structure before the damage occurred may be prorated based on the percentage of space within the building which the business occupies.

(3) The business must commit to bringing its employment level up, within six months of the award date, to at least 90 percent of its base employment prior to the closure of the business due to the natural disaster in a federally declared disaster area. The business shall submit payroll records to establish the business's employment base prior to the date of the federal disaster declaration.

(4) The business must commit to paying wages, within six months of the award date, that are no less than the wages paid prior to the closure of the business due to the natural disaster in a federally declared disaster area. The business shall submit payroll records to establish the wages that were paid prior to the date of the federal disaster declaration.

(5) The business must apply for assistance within 12 months of the date of the declaration of disaster by a federal official.

b. Local match not required. A business applying for financial assistance under this disaster recovery component is eligible for financial assistance regardless of whether the business has received matching funds from a city or county. This paragraph only applies to businesses eligible for assistance under subrule 74.7(2).

[**ARC 7970B**, IAB 7/15/09, effective 7/1/09; **ARC 7978B**, IAB 7/29/09, effective 7/1/09; **ARC 8145B**, IAB 9/23/09, effective 10/28/09]

261—74.8(15) Applicability of the grow Iowa values financial assistance program on or after July 1, 2012.

74.8(1) Effective as of July 1, 2012, the grow Iowa values fund and financial assistance program as amended by 2009 Iowa Acts, Senate File 344, and elsewhere in these rules referred to as IVF(2009), was repealed by 2011 Iowa Acts, chapter 133. The repeal took effect on June 30, 2012.

74.8(2) For awards made on or after July 1, 2009, and on or before June 30, 2012, the rules applicable to the IVF(2009) shall be applicable for purposes of contract administration and closeout of projects.

74.8(3) A contract amendment will not be allowed if such an amendment would increase the amount of assistance to be provided under the contract.

[ARC 0442C, IAB 11/14/12, effective 12/19/12]

These rules are intended to implement 2011 Iowa Code Supplement chapter 15G, subchapter I.

[Filed Emergency ARC 7970B, IAB 7/15/09, effective 7/1/09]

[Filed Emergency ARC 7978B, IAB 7/29/09, effective 7/1/09]

[Filed ARC 8145B (Notice ARC 7971B, IAB 7/15/09), IAB 9/23/09, effective 10/28/09]

[Filed ARC 0442C (Notice ARC 0293C, IAB 8/22/12), IAB 11/14/12, effective 12/19/12]