

2/28/96 Do Pass
3/4/96 Referred to Appropriations

FEB 21 1996
ECONOMIC DEVELOPMENT

HOUSE FILE **2295**
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BRAND

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to establishing a tourism-related small business
2 development program and making an appropriation.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2295

1 Section 1. NEW SECTION. 15.351 TOURISM-RELATED SMALL
2 BUSINESS PROGRAM.

3 This part shall be known as the "Tourism-Related Small
4 Business Program".

5 Sec. 2. NEW SECTION. 15.352 PURPOSE.

6 The purpose of this part is to support small businesses
7 which are integrally linked to a tourism attraction either
8 geographically or thematically.

9 Sec. 3. NEW SECTION. 15.353 PROGRAM.

10 The department shall establish a program to effectuate the
11 purpose of this part by providing financial assistance in the
12 form of low-interest loans to tourism-related small
13 businesses. Loans shall be provided within the following
14 limitations:

15 1. Loans shall be to eligible small businesses only.

16 2. Loans shall be for start-up or expansion expenses or
17 gap financing.

18 3. Loans shall not be larger than twenty-five thousand
19 dollars to any single business.

20 4. The repayment period shall not exceed five years.

21 5. Interest on a loan shall be two percent.

22 Sec. 4. NEW SECTION. 15.354 ELIGIBLE SMALL BUSINESS.

23 To be eligible to receive a loan under this program, a
24 small business shall meet all of the following requirements:

25 1. The small business is or will be located in or near a
26 city of five thousand in population or less.

27 2. The small business is or will be a for-profit business
28 integrally linked to a tourism attraction either by virtue of
29 the location of the small business in relation to the tourism
30 attraction or by virtue of the nature of the small business.
31 Examples of businesses which may be integrally linked to
32 tourism are bed and breakfast establishments, small businesses
33 producing souvenir, craft, or art items related to the tourism
34 attraction, small businesses providing transportation services
35 related to the tourism attraction, and retail or commercial

1 establishments such as recreational equipment rental
2 businesses. The small business shall demonstrate that at
3 least half its revenue is or will be derived from persons in
4 the area due to the existence of the tourism attraction.

5 3. The small business can demonstrate a financial need for
6 the funds. Financial need may be shown through statements
7 from local financial institutions that the small business
8 cannot obtain all the financing it needs from the financial
9 institutions under the usual lending standards of the
10 institutions, or through financial records or other means.

11 Sec. 5. NEW SECTION. 15.355 RATING FACTORS AND APPROVAL.

12 In determining whether to make a program loan to an
13 eligible small business, the department shall also consider
14 other factors, including the following:

15 1. Whether a local or regional tourism plan has been
16 adopted for the area in which the small business is or will be
17 located. This may include information developed as part of
18 the community economic preparedness program.

19 2. The extent of local involvement in promoting or
20 assisting the small business.

21 3. The coordination between the community, the small
22 business, and the operators of the tourism attraction, if any.

23 A small business which receives a program loan shall enter
24 into an agreement with the department specifying the terms and
25 conditions of the loan, including any limitation on the use of
26 the funds.

27 A small business which is denied a program loan shall be
28 notified in writing of the reasons for the denial. A small
29 business which is denied a program loan may reapply for a
30 program loan. The application shall address the reasons for
31 the denial of the previous application.

32 Sec. 6. APPROPRIATION. There is appropriated from the
33 general fund of the state to the department of economic
34 development for the fiscal year beginning July 1, 1996, and
35 ending June 30, 1997, the following amount, or so much thereof

1 as is necessary, to be used for the purpose designated:

2 For the purpose of the tourism-related small business
3 program, including not more than \$26,000 for salaries,
4 support, maintenance, miscellaneous purposes, and for not more
5 than the following full-time equivalent positions:

6	\$	276,000
7	FTEs	.50

8 EXPLANATION

9 This bill establishes the tourism-related small business
10 program in the department of economic development. The
11 program is designed to provide loans to small businesses which
12 are integrally linked to a local tourism attraction.

13 The program will provide low-interest loans of up to
14 \$25,000 for eligible small businesses to expand or start up,
15 or for gap financing. Program loans would have a maximum
16 repayment period of five years.

17 To be eligible to receive a program loan, a small business
18 (one with either less than \$3 million in average gross income
19 over the preceding three years or with fewer than 20 employees
20 and operated for profit) must meet the following criteria:

21 1. Be located in or near a city with a population of 5,000
22 or fewer.

23 2. Be operated for profit and integrally linked
24 financially to a local tourism attraction either by virtue of
25 its proximity to the attraction or due to the nature of the
26 small business operation. Examples of businesses which may be
27 integrally linked to a tourism attractions are bed and
28 breakfast establishments, recreational equipment rental
29 businesses, and businesses producing items related to the
30 tourism attraction.

31 3. Demonstrate a business need for the loan which cannot
32 be met through other means.

33 In addition, the department of economic development is to
34 evaluate applications in the light of the existence of a local
35 or regional tourism plan, the extent of local involvement in

1 the small business, and the amount of coordination between the
2 community, the tourism attraction, and the small business.
3 Small businesses which are denied a program loan shall be
4 informed of the denial in writing and may reapply for a
5 program loan after addressing the reasons for denial.

6 The bill also appropriates \$276,000 and one-half of one
7 full-time equivalent position to the department of economic
8 development for the purposes of the program. The department
9 is limited to \$26,000 in staff and administrative expenses for
10 the program. The program would have \$250,000 available for
11 loans.

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