

FEB 18 1997  
APPROPRIATIONS

HOUSE FILE 273  
BY BARRY

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 273

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

1 demonstrate that at least half its revenue is or will be  
2 derived from persons in the area due to the existence of the  
3 tourism attraction.

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

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

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

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

18 b. The extent of local involvement in promoting or  
19 assisting the small business.

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

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

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

31 Sec. 6. APPROPRIATION. There is appropriated from the  
32 general fund of the state to the department of economic  
33 development for the fiscal year beginning July 1, 1997, and  
34 ending June 30, 1998, the following amount, or so much thereof  
35 as is necessary, to be used for the purpose designated:

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

5 .....	\$	276,000
6 .....	FTEs	.50

7 EXPLANATION

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

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

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

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

28 2. Demonstrate a business need for the loan which cannot  
29 be met through other means.

30 In addition, the department of economic development is to  
31 evaluate applications in the light of the existence of a local  
32 or regional tourism plan, the extent of local involvement in  
33 the small business, and the amount of coordination between the  
34 community, the tourism attraction, and the small business.  
35 Small businesses which are denied a program loan shall be

1 informed of the denial in writing and may reapply for a  
2 program loan after addressing the reasons for denial.

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

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