

Senate Study Bill 1271 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
APPROPRIATIONS BILL BY
CHAIRPERSON KRAAYENBRINK)

A BILL FOR

1 An Act creating a downtown loan guarantee program under the
2 purview of the economic development authority.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 15.431 Downtown loan guarantee
2 program.

3 1. The economic development authority, in partnership with
4 the Iowa finance authority, shall establish and administer a
5 downtown loan guarantee program to encourage Iowa downtown
6 businesses and banks to reinvest and reopen following the
7 COVID-19 pandemic.

8 2. In order for a loan to be guaranteed, all of the
9 following conditions must be true:

10 a. The loan finances an eligible downtown resource center
11 community catalyst building remediation grant project or main
12 street Iowa challenge grant within a designated district.

13 b. The loan finances a rehabilitation project, or finances
14 acquisition or refinancing costs associated with the project.

15 c. At least twenty-five percent of the project costs are
16 used for construction on the project or renovation.

17 d. The project includes a housing component.

18 e. The loan is used for construction of the project,
19 permanent financing of the project, or both.

20 f. A federally insured financial lending institution issued
21 the loan.

22 g. The loan does not reimburse the borrower for working
23 capital, operations, or similar expenses.

24 h. The project meets downtown resource center and main
25 street Iowa design review.

26 3. a. For a loan amount less than or equal to five hundred
27 thousand dollars, the economic development authority may
28 guarantee up to fifty percent of the loan amount.

29 b. For a loan amount greater than five hundred thousand
30 dollars, the economic development authority may provide a
31 maximum loan guarantee of up to two hundred fifty thousand
32 dollars.

33 4. A project loan must be secured by a mortgage against the
34 project property.

35 5. The economic development authority may guarantee loans

1 for up to five years. The economic development authority
2 may extend the loan guarantee for an additional five years
3 if an underwriting review finds that an extension would be
4 beneficial.

5 6. The lender shall pay an annual loan guarantee fee as set
6 forth by rule.

7 7. The economic development authority reserves the right
8 to deny a loan guarantee for unreasonable bank loan fees or
9 interest rate.

10 8. The loan must not be insured or guaranteed by another
11 local, state, or federal guarantee program.

12 9. The loan guarantee is not transferable if the loan or the
13 project is sold or transferred.

14 10. In the event of a loss due to default, the loan
15 guarantee proportionally pays the guarantee percentage of the
16 loss to the lender.

17 11. Moneys for the program may consist of any moneys
18 appropriated by the general assembly for purposes of this
19 section, and any other moneys that are lawfully available
20 to the economic development authority, including moneys
21 transferred or deposited from other funds created pursuant to
22 section 15.106A, subsection 1, paragraph "o".

23

EXPLANATION

24 The inclusion of this explanation does not constitute agreement with
25 the explanation's substance by the members of the general assembly.

26 This bill creates a downtown loan guarantee program to be
27 administered by the economic development authority and the Iowa
28 finance authority. The purpose of the program is to encourage
29 downtown businesses and banks to reinvest and reopen following
30 the COVID-19 pandemic.

31 In order for a loan to be guaranteed under the program,
32 numerous conditions apply, including the following: the loan
33 finances an eligible downtown resources center community
34 catalyst building remediation grant project or main street
35 Iowa challenge grant within a designated district; the loan

1 finances a rehabilitation project or acquisition or refinancing
2 costs associated with the project; 25 percent of the project
3 cost is used for construction on the project or renovation;
4 the financed project includes a housing component; the loan is
5 used for the construction or permanent financing of a project;
6 a federally insured financial lending institution issued the
7 loan; the loan does not reimburse the borrower for working
8 capital or operations; and the project meets certain design
9 reviews.

10 The bill requires the loan to be secured by a mortgage
11 against the project property, prohibits the loan guarantee to
12 be transferred, and charges the lender an annual loan guarantee
13 fee as set forth by rule.

14 The bill limits the amount of the loan guarantee as follows:
15 for a loan amount of less than or equal to \$500,000, the loan
16 guarantee shall not exceed 50 percent of the loan; for a
17 loan amount greater than \$500,000, the economic development
18 authority may provide a maximum loan guarantee of up to
19 \$250,000.

20 The economic development authority may guarantee the loan
21 for up to five years, which may be extended by the authority
22 for an additional five years. The authority may also deny a
23 loan guarantee for any unreasonable bank loan fees or interest
24 rate.

25 In the event of a loss due to default, the bill requires the
26 loan guarantee to proportionally pay the guarantee percentage
27 of the loss to the lender.

28 Moneys available for the program may consist of moneys
29 appropriated for use in the program, and any other moneys that
30 are lawfully available to the economic development authority,
31 including moneys transferred or deposited from other funds
32 created pursuant to Code section 15.106A(1)(o).