

Downtown Loan Guarantee Bill Senate File 613

Last Action:
Senate Appropriations
Committee
April 27, 2021

An Act creating a downtown loan guarantee program under the purview of the economic development authority.

**Fiscal Services Division
Legislative Services Agency**

NOTES ON BILLS AND AMENDMENTS (NOBA)

Available online at www.legis.iowa.gov/publications/information/appropriationBillAnalysis

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FUNDING SUMMARY

FY 2022: The Bill creates the Downtown Loan Guarantee Program within the Iowa Economic Development Authority (IEDA) to encourage Iowa downtown businesses and banks to reinvest and reopen following the COVID-19 pandemic.

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FISCAL IMPACT: The Bill does not provide an appropriation for the Program and creates an unestimated fiscal impact as lenders will pay an annual loan guarantee fee as set forth by administrative rule.

STUDIES AND INTENT

Intent

Requires that a lender must pay an annual loan guarantee fee as set forth by administrative rule.

Page 2, Line 5

Provides that funding for the Program may consist of moneys appropriated by the General Assembly or other funds available to the IEDA, including funds transferred or deposited from funds created pursuant to Iowa Code section [15.106A](#).

Page 2, Line 17

1 1 Section 1.NEW SECTION 15.431 DOWNTOWN LOAN GUARANTEE
1 2 PROGRAM.

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

CODE: Establishes the Downtown Loan Guarantee Program within the Iowa Economic Development Authority (IEDA) in partnership with the Iowa Finance Authority (IFA) to encourage Iowa downtown businesses and banks to reinvest and reopen following the COVID-19 pandemic.

1 8 2. In order for a loan to be guaranteed, all of the
1 9 following conditions must be true:

CODE: Establishes conditions for a loan to be guaranteed, including:

1 10 a. The loan finances an eligible downtown resource center
1 11 community catalyst building remediation grant project or main
1 12 street Iowa challenge grant within a designated district.

- The loan finances an eligible downtown resource center [Community Catalyst Building Remediation Program](#) grant project or [Main Street Iowa Challenge Grant Program](#) project.
- The loan finances a rehabilitation project.
- At least 25.00% of the project costs are used for construction on the project or renovation.
- The project includes a housing component.
- The loan is used for construction of the project, permanent financing, or both.
- The loan is federally insured.
- The loan does not reimburse the borrower for working capital, operations, or similar expenses.
- The project meets downtown resource center and Main Street Iowa design review.

1 13 b. The loan finances a rehabilitation project, or finances
1 14 acquisition or refinancing costs associated with the project.

1 15 c. At least twenty-five percent of the project costs are
1 16 used for construction on the project or renovation.

1 17 d. The project includes a housing component.

1 18 e. The loan is used for construction of the project,
1 19 permanent financing of the project, or both.

1 20 f. A federally insured financial lending institution issued
1 21 the loan.

1 22 g. The loan does not reimburse the borrower for working
1 23 capital, operations, or similar expenses.

1 24 h. The project meets downtown resource center and main
1 25 street Iowa design review.

DETAIL: The Community Catalyst Building Remediation Program awards grants to cities to redevelop, rehabilitate, or deconstruct buildings to stimulate economic growth or reinvestment in a downtown community. The Program had a budget of \$4,900,000 in FY 2020 and has a \$4,300,000 budget in FY 2021, funded from internal discretionary sources.

The Main Street Iowa Challenge Grant Program funds local improvement projects, including upper story renovations, critical building stabilization, and façade restoration and upgrades. The Program is funded through a transfer from the High Quality Jobs Program within IEDA, which is funded through the Skilled Worker and Job Creation Fund. In FY 2021, up to \$1,000,000 was designated to be transferred to the Main Street Iowa Challenge Grant Program.

1 26 3. a. For a loan amount less than or equal to five hundred

CODE: Specifies that IEDA may guarantee up to 50.00% of the loan

1 27 thousand dollars, the economic development authority may 1 28 guarantee up to fifty percent of the loan amount.	for loans less than or equal to \$500,000, and may guarantee of up to \$250,000 for loans over \$500,000.
1 29 b. For a loan amount greater than five hundred thousand 1 30 dollars, the economic development authority may provide a 1 31 maximum loan guarantee of up to two hundred fifty thousand 1 32 dollars.	
1 33 4. A project loan must be secured by a mortgage against the 1 34 project property.	CODE: Specifies that a project loan must be secured by a mortgage against the project property.
1 35 5. The economic development authority may guarantee loans 2 1 for up to five years. The economic development authority 2 2 may extend the loan guarantee for an additional five years 2 3 if an underwriting review finds that an extension would be 2 4 beneficial.	CODE: Specifies that the IEDA may guarantee loans for up to five years, and may extend the loan for an additional five years.
2 5 6. The lender shall pay an annual loan guarantee fee as set 2 6 forth by rule.	CODE: Requires that a lender must pay an annual loan guarantee fee as set forth by administrative rule.
2 7 7. The economic development authority reserves the right 2 8 to deny a loan guarantee for unreasonable bank loan fees or 2 9 interest rate.	CODE: Specifies that IEDA reserves the right to deny a loan guarantee due to loan terms.
2 10 8. The loan must not be insured or guaranteed by another 2 11 local, state, or federal guarantee program.	CODE: Specifies that a loan must not be insured or guaranteed by another local, state, or federal program.
2 12 9. The loan guarantee is not transferable if the loan or the 2 13 project is sold or transferred.	CODE: Specifies that the loan guarantee is non-transferable if the loan or project is sold or transferred.
2 14 10. In the event of a loss due to default, the loan 2 15 guarantee proportionally pays the guarantee percentage of the 2 16 loss to the lender.	CODE: Specifies that in the event of a default by a borrower, the loan guarantee proportionally pays the guarantee percentage of the loss to the lender.
2 17 11. Moneys for the program may consist of any moneys 2 18 appropriated by the general assembly for purposes of this 2 19 section, and any other moneys that are lawfully available 2 20 to the economic development authority, including moneys 2 21 transferred or deposited from other funds created pursuant to 2 22 section 15.106A, subsection 1, paragraph "o".	CODE: Specifies that moneys for the Program may be appropriated by the General Assembly or transferred from any moneys lawfully available to the IEDA.