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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 4092

03/21/2018 Authored by Davids The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance

1.1 A bill for an act
1.2 relating to economic development; creating the greater southeast Minnesota
1.3 diversification revolving loan program; appropriating money.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. GREATER SOUTHEAST MINNESOTA DIVERSIFICATION LOANS.

1.6 Subdivision 1. Establishment; revolving loan fund. The commissioner of employment
1.7 and economic development must establish a greater southeast Minnesota diversification
1.8 revolving loan program to provide loans to eligible borrowers. The commissioner shall
1.9 collaborate with Journey to Growth (J2G), who shall serve as the loan administrator under
1.10 this section.

1.11 Subd. 2. Eligible borrower. (a) To receive a loan under this section, the borrower must
1.12 be a sole proprietorship, partnership, or corporation that has been engaged in one of the
1.13 following industries for at least two years:

1.14 (1) agriculture, including farms that produce or supply inputs into value-added products
1.15 produced within the state of Minnesota;

1.16 (2) manufacturers or suppliers to manufacturers that produce durable and nondurable
1.17 goods, the majority of which result in sales to customers located outside the state; and

1.18 (3) technology businesses, the majority of which whose services or products sell primarily
1.19 to customers located outside the state.

1.20 (b) Health care, real estate development projects, and wholesale and retail sales industries
1.21 are ineligible under this section. An eligible borrower under this section must maintain the
1.22 eligible industry type under this paragraph throughout the term of the loan.

2.1 (c) An eligible borrower must be located within the counties of Dodge, Fillmore,
2.2 Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona, but
2.3 not within the city of Rochester, nor is a business eligible if it is relocating from an ineligible
2.4 community to an eligible community.

2.5 (d) The eligible borrower must identify at least one individual owner or partner of a sole
2.6 proprietorship, partnership, or corporation that has a personal credit score of at least 680.
2.7 The eligible borrower must maintain a credit score of 680 or above throughout the duration
2.8 of the loan.

2.9 Subd. 3. **Use of loan proceeds.** (a) Loan proceeds must be used for the purposes described
2.10 in this subdivision.

2.11 (b) Loan proceeds may be used for the purchase of equipment and construction of or
2.12 improvement to facilities that improve energy efficiency or competitiveness of overall
2.13 business operations. Eligible borrowers seeking loans for this purpose must document in
2.14 the loan application how the project completion increases the competitiveness or energy
2.15 efficiency of the business.

2.16 (c) Loan proceeds may be used to assist financing of workforce housing projects or the
2.17 construction or improvement of day care facilities, including homeowner remodeling projects
2.18 that add licensed in-home day care centers. Loans awarded under this paragraph require a
2.19 percent financial match from the eligible borrower.

2.20 Subd. 4. **Loan terms.** (a) The maximum term of a loan made under this section must
2.21 not exceed ten years. The loan administrator must set an interest rate between 98 and 102
2.22 percent of the participating financial institution's rate, depending on credit review. The loan
2.23 administrator may charge a onetime fee of up to 0.5 percent of the amount loaned for
2.24 administrative services. This fee may be deducted from the loan proceeds.

2.25 (b) The loan amount may be the lesser of 25 percent of the total project costs or \$500,000
2.26 per project. The borrower or the participating financial institution must provide the balance
2.27 of funds needed to fully fund the proposed project. The fund administrator may subordinate
2.28 all or a portion of its position to other financial institutions who provide project funding.

2.29 Subd. 5. **Fund administration; report.** (a) The loan administrator shall establish and
2.30 administer a revolving loan fund that contains any appropriation for the purposes of this
2.31 section, interest, fees, and loan proceeds. The loan administrator shall form a loan approval
2.32 committee comprised of individuals experienced in economic development projects to
2.33 review and approve loans made under this section. The loan administrator may contract
2.34 with another nonprofit development organization or provide the fund's direct services with

3.1 the prior approval of the commissioner. The loan administrator committee shall develop a
3.2 loan application form and provide the loan application along with application procedures
3.3 and deadlines to the commissioner of employment and economic development who shall
3.4 publish the same on the department's Web site.

3.5 (b) The loan administrator may use up to \$500,000 of program income annually generated
3.6 from interest and fees to offset any administrative costs.

3.7 (c) The loan administrator may invest all income over expenses in businesses eligible
3.8 under subdivision 2 to develop regional apprenticeship, internship, and mentorship programs.

3.9 (d) By January 15, 2019, and annually thereafter, the loan administrator must report to
3.10 the commissioner of employment and economic development and legislative committees
3.11 with jurisdiction over economic development on all uses of funds under this section, including
3.12 but not limited to current balance of funds, loan activity, status of all loans made, and costs
3.13 associated with administering the program.

3.14 (e) Beginning August 1, 2019, the commissioner of employment and economic
3.15 development shall certify the loan administrators annual budget before the expenditure of
3.16 any funds and shall provide the legislative committees with jurisdiction over economic
3.17 development a copy of the certification. The program is subject to audit by the legislative
3.18 auditor.

3.19 **Sec. 2. APPROPRIATION.**

3.20 \$25,000,000 in fiscal year 2019 is appropriated from the general fund to the commissioner
3.21 of employment and economic development for the greater southeast Minnesota diversification
3.22 revolving loan program in section 1. This is a onetime appropriation and is available until
3.23 expended.