

**4370.0080 THRESHOLD REQUIREMENTS.**

Subpart 1. **Regional policies required.** Regional policies must be developed to ensure that business loan applications meet specified eligibility threshold requirements. The criteria in this part must be incorporated into the regional policies.

Subp. 2. **Financing gap.** Loans must be made to businesses that are not likely to undertake a project for which loans are sought without assistance from the challenge grant program. The loan applicant must demonstrate the existence of a financing gap by documenting which of the following apply to the business:

- A. inadequate equity;
- B. inadequate private lender financing; or
- C. inability to pay market interest rate or term requirements.

Subp. 3. **Jobs which principally benefit low-income persons.** A loan must be used for a project designed principally to benefit low-income persons through the creation or retention of jobs (principally is defined as more than 50 percent of the persons benefiting).

In addressing this criterion, an applicant should be prepared to show how low-income persons directly benefit from the creation or retention of jobs by providing evidence that the jobs retained employ low-income persons and that jobs created are filled or made available to low-income persons. The following are minimum threshold requirements relating to low-income job creation/retention.

A. Among loan applicants, priority must be given on the basis of the number of permanent jobs created or retained by the project and the proportion of nonstate money leveraged by the revolving loan.

B. Only jobs directly resulting from a specific grant activity will be considered.

C. In order to count retained jobs, there must be clear documentation provided by the business that it would reduce operations in the community or discontinue operations in Minnesota if additional financing is not made available.

Subp. 4. **Leverage private investment.** The amount of money made available from the regional revolving loan fund may not exceed 50 percent of the total cost of the project. The following are minimum threshold requirements for leveraging private investment:

A. Except with prior approval by the commissioner, leveraged private investment by the business must be in the form of new commitments that have not yet been expended.

B. Financial commitments should not be contingent upon events other than the approval of the regional revolving loan.

C. With the approval of the commissioner, a loan may be used to provide up to 50 percent of the private investment required to qualify for a grant from the economic recovery fund.

D. For business loans, the amount of money appropriated from the rural rehabilitation revolving fund may not exceed 50 percent of each loan made by the regional organization. The amount of nonpublic money must be at least 50 percent of each loan made by the regional organization. The loan limits of the regional organization will be \$5,000 minimum and \$100,000 maximum.

E. For loans to local governmental units, the amount of money appropriated from the rural rehabilitation revolving fund for each regional revolving loan may not exceed \$25,000. The maximum regional revolving loan is \$50,000. The local governmental unit must match the loan at a minimum dollar for dollar from its revolving loan fund. The loan made by a local governmental unit may be 100 percent public funds.

F. In determining which business activities may be considered for loans, the following minimum requirements apply:

(1) A loan may not exceed 50 percent of the total cost of an individual project.

(2) Eligible business enterprises include technologically innovative industries, value added manufacturing, agriprocessing, information industries, and agricultural marketing.

(3) A loan may not be used for a retail development project.

(4) A business applying for a loan must be sponsored by a resolution of the local governmental unit within whose jurisdiction the project is located.

(5) Loan applications given preliminary approval by the regional organization must be forwarded to the commissioner for final approval.

Subp. 5. **Loan repayment.** For loans made to businesses, amounts equal to one-half of each principal and interest repayment must be deposited in the rural rehabilitation revolving fund. The money deposited in the fund will be used for additional challenge grants to the funding region for which the money was originally designated. The remaining amount of the loan repayment may be deposited in the regional revolving loan fund for further distribution by the regional organization.

For loans made to local governmental units, one-half of the money loaned by the regional organization must be repaid to the rural rehabilitation revolving fund. With the agreement of the regional organization, 50 percent of the money may be retained by the local governmental unit's revolving loan fund for further distribution by the local governmental unit.

**Statutory Authority:** *MS s 116N.08*

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