

CHAPTER 4308
DEPARTMENT OF TRADE AND ECONOMIC
DEVELOPMENT
COMMUNITY DEVELOPMENT DIVISION
TOURISM LOAN PROGRAM

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4308.0010 PURPOSE OF TOURISM LOAN PROGRAM.

The purpose of the tourism loan program of the department is to provide loans or to participate in loans to tourism-related businesses in Minnesota for upgrading and improvement of facilities. The program will provide direct loans, participation loans, or loan guarantees in cooperation with local financial institutions. The state will share credit risks with the financial institutions and provide for lower interest rates than are otherwise available.

Statutory Authority: *MS s 116J.035*

History: *19 SR 887*

4308.0020 DEFINITIONS.

[For text of subps 1 to 5, see M R]

Subp. 6. Eligible borrower. "Eligible borrower" means a sole proprietorship, partnership, corporation, or other person engaged in, and determined by the Community Development Division to constitute, a tourism-related business or other entity that is defined by the standard industrial classification codes of 7011 and 7033 in Code of Federal Regulations, title 13, section 121.2. A person to whom a loan has been made under parts 4308.0010 to 4308.0110 must maintain the standard industrial classification code through the term of the loan. A borrower is not eligible to receive another loan under the tourism loan program for three years from approval of the earlier loan to approval of the next loan, except that if the loan is a septic system loan, the three-year waiting period shall be waived.

[For text of subps 7 and 8, see M R.]

Subp. 8a. Guaranteed loan. "Guaranteed loan" means a loan made by a financial institution to an eligible borrower for which payment is guaranteed by the full faith and credit of the state.

[For text of subps 9 to 11, see M R.]

Subp. 11a. Septic system loan. "Septic system loan" means a loan in which the proceeds of the loan will be used only for the replacement or upgrading of a failing or nonconforming septic system or systems with a new sewage treatment system or connection to a sewer system. Septic system loan disbursements must be debited to the state water pollution control revolving fund created in Minnesota Statutes, section 446A.07, not the tourism loan account, in order to be considered a septic system loan.

Subp. 12. Tourism loan. "Tourism loan" means a loan for which the disbursements are made out of the tourism loan account created in Minnesota Statutes, section 116J.617

Statutory Authority: *MS s 116J.035*

History: *19 SR 887*

4308.0030 ELIGIBILITY OF PROJECT FOR LOANS.

A loan must be to an eligible borrower for an eligible cost in an eligible project. The maximum state contribution for a loan may not be for more than 50 percent of the total cost of the project loan, with a maximum state loan of \$65,000 for any one project.

Proposed eligible projects of \$10,000 or greater require a participation loan. Proposed eligible projects of under \$10,000 may receive a direct loan. The Community Development

Division may require a participation loan in lieu of a direct loan if it determines that such action would further the purposes of the loan program.

Statutory Authority: *MS s 116J 035*

History: *19 SR 887*

4308.0040 ELIGIBLE COSTS FOR LOANS.

Subpart 1. **Eligible costs.** Eligible costs for the program include costs not prohibited by subpart 2 for:

- A building construction and improvement,
 - B. site preparation;
 - C equipment,
 - D. other construction costs, such as construction of facilities other than buildings,
- or costs that may be capitalized as part of overall construction costs,
- E. fees that may be required by the department for administration of the loan, and
 - F. septic systems

[For text of subps 2 and 3, see M.R.]

Statutory Authority: *MS s 116J 035*

History: *19 SR 887*

4308.0050 INTEREST RATE FOR LOANS.

The interest rate on a direct loan or on the department's portion of a participation loan shall be determined at the time of closing by the department and shall be set at, or up to, three percentage points below a full faith and credit obligation of the United States government of comparable maturity, calculated at the time of initial implementation of the program, rounded to the nearest one-half percent, and revised as needed on a semiannual basis. The interest rate for septic system loans shall be fixed at two percent per annum. The interest rate on a participation loan to the borrower shall be a blended rate of the bank's rate and the state's rate in proportion to the respective rate of participation.

Statutory Authority: *MS s 116J 035*

History: *19 SR 887*

4308.0060 TERM OF LOANS.

The maximum term of a loan must not exceed the useful life of the real property, or 80 percent of the useful life of the equipment or machinery, or the following limits, whichever is less

- A ten years for land, buildings, septic systems, or other real property;
- B. five years for equipment or machinery, or
- C. a weighted average of the limits under items A and B for loans for a combination of real property and equipment or machinery.

Statutory Authority: *MS s 116J 035*

History: *19 SR 887*

4308.0070 SECURITY REQUIREMENTS FOR LOANS.

All loans must be secured by collateral. The financial institution or the department shall take a security interest in any collateral acceptable to the financial institution and the state. The personal guarantee of principal owners must also be given to the financial institution or department before the loan is approved. For purposes of this part, principal owners are those having 20 percent or more ownership of a tourism project.

Statutory Authority: *MS s 116J.035*

History: *19 SR 887*

4308.0090 PROCEDURE FOR TOURISM LOAN EVALUATION AND APPROVAL.

[For text of subps 1 and 2, see M.R.]

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Subp 3. **Approval.** The Community Development Division may reject or disapprove an application for a loan that does not provide sufficient documentation or otherwise comply with parts 4308.0010 to 4308.0110. If the Community Development Division approves an application for a loan, it shall address a commitment letter to the financial institution and the borrower. It shall also notify the financial institution and the borrower of the amount of the loan and the amount of interest charged on the department's portion of the loan.

Subp 4. **Documentation required.** The state shall require an executed promissory note or notes, an executed participation agreement, recorded mortgage, security agreements, personal guarantees, assignments, title opinion or title insurance, fire insurance, recorded UCC documents, and other documentation needed to close the loan. The Community Development Division shall prepare a loan agreement to be signed by the financial institution, the borrower, and the state. The financial institution shall also certify in the participation agreement that the interest rate approved by the Community Development Division will be passed on to the borrower.

Statutory Authority: *MS s 116J.035*

History: *19 SR 887*