

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 41

Short Title: Downtown Loan Guarantee Fund.

(Public)

Sponsors: Representatives Davis, Brawley, Fox, Hill; Cole, Moore, Mosley, Rogers, and Tolson.

Referred to: Commerce Subcommittee on Business and Labor, if favorable, Finance.

February 5, 1997

A BILL TO BE ENTITLED

1 AN ACT TO CREATE A DOWNTOWN LOAN GUARANTEE FUND THAT WILL
2 GUARANTEE TWENTY-FIVE PERCENT OF ELIGIBLE LOANS MADE BY
3 PARTICIPATING LENDING INSTITUTIONS FOR DOWNTOWN
4 DEVELOPMENT.
5

6 The General Assembly of North Carolina enacts:

7 Section 1. Article 10 of Chapter 143B of the General Statutes is amended by
8 adding a new Part to read:

9 "Part 16. Downtown Loan Guarantee Program.

10 **"§ 143B-472.40. Purpose and intent.**

11 (a) Downtown Loan Guarantee Fund. – The Downtown Loan Guarantee Fund is
12 created as a special revenue fund. Revenue in the Fund does not revert at the end of a
13 fiscal year, and interest and other investment income earned by the Fund accrues to the
14 Fund. The Department of Commerce shall administer the Fund or may contract for the
15 administration of the Fund.

16 (b) Downtown Loan Guarantee Program. – The Fund shall be used to guarantee a
17 private loan made by a federally insured lending institution for downtown economic
18 development. The guarantee may not exceed twenty-five percent (25%) of the amount of
19 the unpaid balance of the loan or one hundred twenty-five thousand dollars (\$125,000),

1 whichever is less. The loan proceeds must be used for building purchase or
2 rehabilitation. The term of the loan may not exceed 20 years and must be callable at up
3 to seven years. The loan applicant must invest equity of at least ten percent (10%) of the
4 project amount. The Fund shall charge a fee of one percent (1%) of the guaranteed
5 amount of a loan.

6 (c) Defined Downtown Area. – Local municipalities shall define, for purposes of
7 this Fund, the boundaries of the 'downtown area' qualified for loan guarantees. The local
8 government body must adopt a map showing the downtown boundaries and the map must
9 be certified by the municipal clerk.

10 (d) Application for Loan Guarantee. – A participating lender may apply to the
11 Department of Commerce for a loan guarantee on behalf of a loan applicant. The
12 application must include the following:

13 (1) Borrower's name.

14 (2) Borrower's address and business address, if it is different.

15 (3) Loan amount.

16 (4) Terms of the loan.

17 (5) Purpose of the loan.

18 (6) A copy of a certified map showing the downtown boundaries of the city
19 in which the borrower's business is located and the location of the
20 business on the map.

21 (e) Loan Guarantee Approvals. – All guarantees must be approved by the
22 Department of Commerce. The approval must be based on the location of the business in
23 a designated downtown area. The total amount of guarantees issued may not exceed
24 three times the amount of money in the Fund. The Department may not pledge any
25 money other than money in the Fund for payment of a loss. No action by the Department
26 constitutes the creation of a debt secured by a pledge of the taxing power or of the faith
27 and credit of the State or any of its political subdivisions. The face of each guarantee
28 issued must contain a statement that the Department is obligated to pay the guarantee
29 only from the revenue in the Fund and that neither the taxing power nor the faith and
30 credit of the State or any of its political subdivisions is pledged in payment of the
31 guarantee.

32 (f) Disbursements. – The Department of Commerce shall pay a participating
33 lender the amount owed under a guarantee on a defaulted loan upon certification of the
34 lender that all collateral for that loan that can be reasonably liquidated has been
35 liquidated."

36 Section 2. There is appropriated from the General Fund to the Downtown
37 Loan Guarantee Fund, created by this act, the sum of five million dollars (\$5,000,0000)
38 for the 1997-98 fiscal year.

39 Section 3. This act becomes effective July 1, 1997.