

Purpose and Summary

Pursuant to Executive Order 10 (January 10, 2023), the Authority proposes to rescind Chapter 11 and to adopt a new chapter in lieu thereof. The new chapter eliminates unnecessary language, removes unnecessarily restrictive terms and updates outdated language.

Additionally, the following changes are proposed:

- Existing rules 265—11.1(16), 265—11.2(16), and 265—11.3(16) are removed because those rules are unnecessary.
- Existing rule 265—11.4(16) is renumbered as rule 265—11.1(16). Unnecessary definitions are removed from the existing rule. A new definition of “authority” is added for clarity.
- Existing rule 265—11.5(16), relating to applications for loans, is removed.
- Existing rule 265—11.6(16) is renumbered as rule 265—11.2(16). The rule is updated to be more concise.
- Existing rule 265—11.7(16) is renumbered as rule 265—11.3(16). The rule is updated to eliminate the criteria for evaluating loans. Only those portions of the rule relating to ongoing administration of outstanding loans are necessary.

Analysis of Impact

1. Persons affected by the proposed rulemaking:

- Classes of persons that will bear the costs of the proposed rulemaking:

The proposed rulemaking imposes minimal costs and does not impose any additional costs on borrowers who were issued loans under the program. The program issued loans through November 12, 2019. No new loans are being issued. Interest on loans is also assessed at a rate related to the Authority’s cost of funds for the loan term.

- Classes of persons that will benefit from the proposed rulemaking:

Existing borrowers may benefit from the new chapter’s improved clarity.

2. Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:

- Quantitative description of impact:

The proposed rulemaking imposes minimal costs and does not impose any additional costs on borrowers who were issued loans under the program. Existing borrowers are already subject to loan agreements and obligated to repay loans at the interest rate set forth in the existing borrowers’ respective loan agreements. Under the program, loan agreements set forth fixed interest rates for the term of the loans.

- Qualitative description of impact:

The rulemaking will provide clarity about the policies and procedures applicable to the Main Street Loan Program.

3. Costs to the State:

- Implementation and enforcement costs borne by the agency or any other agency:

Authority staff time is required to administer outstanding loans.

- Anticipated effect on state revenues:

The proposed rulemaking is not anticipated to have any impact on state revenues because existing borrowers were already subject to a loan agreement and obligated to repay the loan at the interest rate set forth in the loan agreement.

4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:

The proposed rulemaking imposes minimal costs and does not impose any additional costs on borrowers who were issued loans under the program.

5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:

The Authority has not identified any less costly methods or less intrusive methods for achieving the purpose of the proposed rulemaking.

6. Alternative methods considered by the agency:
- Description of any alternative methods that were seriously considered by the agency:
The Authority did not consider any alternative methods.
 - Reasons why alternative methods were rejected in favor of the proposed rulemaking:
The Authority did not consider any alternative methods because the Authority did not identify any less costly or less intrusive method.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

The rules do not have a substantial impact on small business. The rules do not establish compliance or reporting requirements. The rules do not establish design or operational standards.

Text of Proposed Rulemaking

ITEM 1. Rescind 265—Chapter 11 and adopt the following **new** chapter in lieu thereof:

CHAPTER 11

IOWA MAIN STREET LOAN PROGRAM

265—11.1(16) Definitions. As used in connection with the Iowa main street loan program, the following terms have the meanings indicated.

“*Authority*” means the Iowa finance authority created in Iowa Code section 16.1A.

“*Commercial property*” means property formerly or currently used primarily for business, retail, governmental or professional purposes.

“*Downtown area*” means the business area of a community that is centrally located within the community within the context of the Iowa main street program.

“*Housing*” means the same as defined in Iowa Code section 16.1(14).

“*Infill development*” means new construction on a vacant commercial lot currently held as open space.

“*Participating city*” means a city participating in the Iowa main street program.

“*Upper floor housing*” means any housing that is attached to or contained in the same building as commercial property, whether located on the ground floor behind the traditional storefront or on other floors of the property.

265—11.2(16) Public benefit. Projects are approved for an Iowa main street loan if they demonstrate one of the following public benefits:

1. Rehabilitation of upper floor housing or commercial properties or new construction development on infill vacant lots located in the downtown area of a participating city;
2. Housing in downtown areas located in a participating city; or
3. Stimulation of downtown area economic development within the context of historic preservation of the downtown area in a participating city.

265—11.3(16) Loan terms.

11.3(1) Amount of loans. The principal amount of each loan is between \$50,000 and \$250,000.

11.3(2) Term of loan. Loans are amortized over not more than 30 years; the actual term of the loan is determined by the authority depending on the economic feasibility of the project.

11.3(3) Interest rate. Interest is charged on the loan at a rate related to the authority’s cost of funds for the loan term as determined and announced by the authority from time to time.

11.3(4) Loan fee. The authority may charge a fee in the amount of 1 percent of the initial loan amount at closing.

These rules are intended to implement Iowa Code sections 16.5(1)“r” and 16.51.