

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 361
Committee Substitute Favorable 4/25/95

Short Title: CDBG Loan Guarantees/AB.

(Public)

Sponsors:

Referred to:

March 7, 1995

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE DEPARTMENT OF COMMERCE TO PLEDGE
BLOCK GRANT FUNDS AS LOAN GUARANTEES PURSUANT TO THE
HOUSING AND COMMUNITY DEVELOPMENT ACT.

The General Assembly of North Carolina enacts:

Section 1. G.S. 143B-431(d) reads as rewritten:

"(d) The Department of Commerce, with the approval of the Governor, may apply for and accept grants from the federal government and its agencies and from any foundation, corporation, association, or individual and may comply with the terms, conditions, and limitations of such grants in order to accomplish the Department's purposes. Grant funds shall be expended pursuant to the Executive Budget Act. In addition, the Department shall have the following powers and duties with respect to its duties in administering federal programs:

- (1) To negotiate, collect, and pay reasonable fees and charges regarding the making or servicing of grants, loans, or other evidences of indebtedness.
- (2) To establish and revise by regulation, in accordance with Chapter 150B of the General Statutes, schedules of reasonable rates, fees, or charges for services rendered, including but not limited to, reasonable fees or charges for servicing applications. Schedules of rates, fees, or charges

1 may vary according to classes of service, and different schedules may
2 be adopted for public entities, nonprofit entities, private for-profit
3 entities, and individuals.

- 4 (3) To pledge current and future federal fund appropriations to the State
5 from the Community Development Block Grant (CDBG) program for
6 use as loan guarantees in accordance with the provisions of the Section
7 108 Loan Guarantee program, Subpart M, 24 CFR 570.700, et seq.,
8 authorized by the Housing and Community Development Act of 1974
9 and amendments thereto. The Department may enter into loan guarantee
10 agreements with authorized State and federal agencies and other
11 necessary parties in order to carry out its duties under this subdivision.
12 In making loan guarantees authorized under this subdivision, the
13 Department shall ensure that apportionment of the risks involved in
14 pledging future federal funds in accordance with State policies and
15 priorities for financial support of these categories is made primary
16 against the category from which the loan guarantee originally derived.

17 Prior to issuing a Section 108 Loan Guarantee agreement, the Department
18 shall make the following findings:

- 19 a. The minimum size of the Section 108 Loan Guarantee is seven
20 hundred fifty thousand dollars (\$750,000) and the maximum size
21 is five million dollars (\$5,000,000) per project.
22 b. The Section 108 Loan Guarantee cannot constitute more than
23 fifty percent (50%) of total project costs.
24 c. The project has ten percent (10%) equity from the corporation,
25 partnership, or sponsoring party.
26 d. The project has the personal guarantee of any person owning
27 twenty percent (20%) or more of the corporation, partnership, or
28 sponsoring entity. Collateral on the loan must be sufficient to
29 cover outstanding debt obligations.
30 e. The project has sufficient cash flow from operations for debt
31 service to repay the Section 108 loan.
32 f. The project meets all the underwriting and eligibility
33 requirements of the North Carolina Section 108 Guarantee
34 Program Guidelines and of the Department of Housing and
35 Urban Development regulations.

36 Projects involving hotels, motels, private recreational facilities, private
37 entertainment facilities, and convention centers shall not be eligible for
38 Section 108 loan guarantees.

39 A pledge of future CDBG funds under this subdivision is not a debt
40 or liability of the State or any political subdivision of the State or a
41 pledge of the faith and credit of the State or any political subdivision of
42 the State. The pledging of future CDBG funds under this subdivision

1 does not directly, indirectly, or contingently obligate the State or any
2 political subdivision of the State to levy or to pledge any taxes.

3 The Department shall create a loan loss reserve fund as additional
4 security for loans guaranteed under this section and may deposit federal
5 program income or other funds governed by this section into the loan
6 loss reserve fund. The Department shall maintain a balance in the
7 reserve fund of no less than ten percent (10%) of the outstanding
8 indebtedness secured by Section 108 loan guarantees."

9 Sec. 2. G.S. 153A-376 is amended by adding the following new subsection to
10 read:

11 "(e) Any county may receive and dispense funds from the Community
12 Development Block Grant Section 108 Loan Guarantee program, Subpart M, 24 CFR
13 570.700 et seq., either through application to the North Carolina Department of
14 Commerce or directly from the federal government, in accordance with State and federal
15 laws governing these funds. Any county that receives these funds directly from the
16 federal government may pledge current and future CDBG funds for use as loan
17 guarantees in accordance with State and federal laws governing these funds. Any county
18 that has pledged current or future CDBG funds for use as loan guarantees prior to the
19 enactment of this subsection is authorized to have taken such action. A pledge of future
20 CDBG funds under this subsection is not a debt or liability of the State or any political
21 subdivision of the State or a pledge of the faith and credit of the State or any political
22 subdivision of the State. The pledging of future CDBG funds under this subsection does
23 not directly, indirectly, or contingently obligate the State or any political subdivision of
24 the State to levy or to pledge any taxes."

25 Sec. 3. G.S. 160A-456 is amended by adding the following new subsection to
26 read:

27 "(d1) Any city may receive and dispense funds from the Community Development
28 Block Grant Section 108 Loan Guarantee program, Subpart M, 24 CFR 570.700 et seq.,
29 either through application to the North Carolina Department of Commerce or directly
30 from the federal government, in accordance with State and federal laws governing these
31 funds. Any city that receives these funds directly from the federal government may
32 pledge current and future CDBG funds for use as loan guarantees in accordance with
33 State and federal laws governing these funds. Any city that has pledged current or future
34 CDBG funds for use as loan guarantees prior to the enactment of this subsection is
35 authorized to have taken such action. A pledge of future CDBG funds under this
36 subsection is not a debt or liability of the State or any political subdivision of the State or
37 a pledge of the faith and credit of the State or any political subdivision of the State. The
38 pledging of future CDBG funds under this subsection does not directly, indirectly, or
39 contingently obligate the State or any political subdivision of the State to levy or to
40 pledge any taxes."

41 Sec. 4. This act becomes effective July 1, 1995.