

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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SENATE BILL 300

Commerce Committee Substitute Adopted 4/26/95

House Committee Substitute Favorable 6/8/95

Short Title: CDBG Loan Guarantees/AB.

(Public)

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Sponsors:

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Referred to:

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March 6, 1995

A BILL TO BE ENTITLED

1 AN ACT TO AUTHORIZE THE DEPARTMENT OF COMMERCE TO PLEDGE  
2 BLOCK GRANT FUNDS AS LOAN GUARANTEES PURSUANT TO THE  
3 HOUSING AND COMMUNITY DEVELOPMENT ACT.  
4

5 The General Assembly of North Carolina enacts:

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

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

14 (1) To negotiate, collect, and pay reasonable fees and charges regarding the  
15 making or servicing of grants, loans, or other evidences of indebtedness.

16 (2) To establish and revise by regulation, in accordance with Chapter 150B  
17 of the General Statutes, schedules of reasonable rates, fees, or charges  
18 for services rendered, including but not limited to, reasonable fees or

1 charges for servicing applications. Schedules of rates, fees, or charges  
2 may vary according to classes of service, and different schedules may  
3 be adopted for public entities, nonprofit entities, private for-profit  
4 entities, and individuals.

- 5 (3) To pledge current and future federal fund appropriations to the State  
6 from the Community Development Block Grant (CDBG) program for  
7 use as loan guarantees in accordance with the provisions of the Section  
8 108 Loan Guarantee program, Subpart M, 24 CFR 570.700, et seq.,  
9 authorized by the Housing and Community Development Act of 1974  
10 and amendments thereto. The Department may enter into loan guarantee  
11 agreements with authorized State and federal agencies and other  
12 necessary parties in order to carry out its duties under this subdivision.  
13 In making loan guarantees authorized under this subdivision, the  
14 Department shall ensure that apportionment of the risks involved in  
15 pledging future federal funds in accordance with State policies and  
16 priorities for financial support of categories of assistance is made  
17 primarily against the category from which the loan guarantee originally  
18 derived. A pledge of future CDBG funds under this subdivision is not a  
19 debt or liability of the State or any political subdivision of the State or a  
20 pledge of the faith and credit of the State or any political subdivision of  
21 the State. The pledging of future CDBG funds under this subdivision  
22 does not directly, indirectly, or contingently obligate the State or any  
23 political subdivision of the State to levy or to pledge any taxes, nor may  
24 pledges exceed twice the amount of annual CDBG funds.

25 Prior to issuing a Section 108 Loan Guarantee agreement, the  
26 Department of Commerce must make the following findings:

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

1 recreational facilities, private entertainment facilities, and  
2 convention centers are ineligible for Section 108 loan guarantees.

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

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

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

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

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

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