



State of Wisconsin
2015 - 2016 LEGISLATURE

LRB-4753/2
AJM:ahc

2015 SENATE BILL 800

April 7, 2016 - Introduced by Senator L. TAYLOR. Referred to Committee on Agriculture, Small Business, and Tourism.

1 **AN ACT** *to amend* 234.032 (2) (f) and 234.65 (1) (a); and *to create* 234.70 of the
2 statutes; **relating to:** small business loans for grocery stores located in food
3 deserts.

Analysis by the Legislative Reference Bureau

This bill establishes a loan program for small business grocery stores located in, or proposing to be located in, low-income areas with low access to supermarkets and grocery stores. The loans are available to small business grocery stores located in food desert zones, as designated by the Wisconsin Housing and Economic Development Authority in accord with the federal Department of Agriculture's Food Desert Research Atlas. The program requires WHEDA to provide loans between \$5,000 and \$50,000 to eligible applicants and for the loans to be repaid in no more than four years. The interest rate for a loan under the program corresponds to the state and local bond rate reported by the Federal Reserve Board, plus a 1 percent origination fee. Under the bill, WHEDA may not concurrently provide more than one loan to the same small business grocery store.

To qualify for a loan under the program, the owner of the small business grocery store must have two years of business ownership or business management experience. The owner may substitute 16 credit hours of postsecondary course work or a bachelor's degree for one year of business experience. WHEDA must also evaluate the store's ability to repay the loan within the loan period and may base this evaluation on the applicant's credit score, repayment history, educational attainment, and the availability of collateral to secure the loan. An applicant may

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not be denied a loan solely due to having no or limited credit history or a low credit score due to circumstances beyond the applicant's control.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 234.032 (2) (f) of the statutes is amended to read:

2 234.032 (2) (f) Establish by rule a requirement that the recipient of a grant or
3 loan under the program of at least \$100,000, except that the amount shall be \$10,000
4 for recipients of a loan under s. 234.70, submit to the authority a verified statement
5 signed by both an independent certified public accountant licensed or certified under
6 ch. 442 and the director or principal officer of the recipient to attest to the accuracy
7 of the verified statement, and make available for inspection the documents
8 supporting the verified statement. The authority shall include the requirement
9 established by rule under this paragraph in the contract entered into by a grant or
10 loan recipient.

11 **SECTION 2.** 234.65 (1) (a) of the statutes is amended to read:

12 234.65 (1) (a) The authority may issue its negotiable bonds and notes to finance
13 its economic development activities authorized or required under this chapter,
14 including financing economic development loans and loans under s. 234.70.

15 **SECTION 3.** 234.70 of the statutes is created to read:

16 **234.70 Small business groceries loan program. (1) DEFINITION.** In this
17 section, "small business grocery store" means a retail store that meets all of the
18 following conditions:

19 (a) Employs no more than 10 employees, excluding the owner.

20 (b) Derives no less than 70 percent of its revenue from food sales.

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1 (c) Derives no less than 25 percent of food sales from the sale of fruits,
2 vegetables, or foods authorized under s. 253.06 (1) (a).

3 **(2) FOOD DESERT ZONES.** The authority shall designate as “food desert zones”
4 census tracts identified by the federal department of agriculture’s Food Desert
5 Research Atlas as low income and low access.

6 **(3) LOAN PROGRAM.** The authority shall establish and administer an economic
7 development program to provide loans to small business grocery stores located in or
8 proposing to be located in food desert zones. The authority shall make up to
9 \$4,000,000 in loans in amounts between \$5,000 and \$50,000 to small business
10 grocery stores that satisfy the requirements under sub. (4).

11 **(4) ELIGIBILITY.** A small business grocery store that meets the following
12 requirements is eligible for a loan under this section:

13 (a) The owner of the store has no fewer than 2 years of business ownership or
14 business management experience. An owner may substitute 16 credit hours of
15 business-related postsecondary education from an eligible educational institution,
16 as defined under s. 18.81 (2), or a bachelor’s degree for one year of business ownership
17 or business management experience.

18 (b) The store is reasonably likely to repay the loan in full with interest, as
19 determined by the authority. To determine whether the loan is reasonably likely to
20 be repaid, the authority may consider the following:

- 21 1. Payment history for previous loans.
- 22 2. Educational attainment of the owner.
- 23 3. The availability of collateral security.

SENATE BILL 800**SECTION 3**

1 4. Credit score. The authority may not deny an application solely due to limited
2 or no credit history or a low credit score that is the result of circumstances beyond
3 the control of the owner.

4 **(5) LOAN CONDITIONS.** (a) A loan made by the authority under this section shall
5 bear interest at the state and local bond rate for the week prior to the date on which
6 the loan is made as reported by the federal reserve board in federal reserve statistical
7 release H. 15, plus an origination fee of 1 percent of the loan's principal.

8 (b) The repayment term for a loan under this section may not exceed 4 years.

9 (c) A loan recipient may use the loan funds only for the capital expenditures,
10 payroll, and inventory of the small business grocery store.

11 (d) The authority may not concurrently provide more than one loan to the same
12 small business grocery store under this section.

13 **(6) ADMINISTRATION.** The authority shall establish policies and procedures to
14 administer this section.

15 **(7) ADDITIONAL PENALTIES.** (a) In addition to the requirements under s. 234.032
16 (2) (g), if a recipient of a loan under this section submits false or misleading
17 information to the authority or fails to comply with the terms of a contract entered
18 into with the authority, without providing satisfactory explanation for the
19 noncompliance, the recipient, including all affiliates and successors, shall be
20 ineligible for loans under this section for 7 years from the date on which the recipient
21 provided false or misleading information or is found to be noncompliant with the
22 terms of the contract.

23 (b) The forfeiture imposed under s. 234.032 (2) (g) 3. shall be no more than 200
24 percent of the value of the loan principal.

25 **SECTION 4. Effective date.**

