PRESERVATION MARYLAND

Revolving Loan Fund: Main Street Corridors
Program Guidelines

I. General Program Information

A. Overview

The intent of this program is to provide financial assistance to compelling and critical needs projects that may not move forward but for the intervention facilitated by the loan funds, e.g. projects that do not qualify for other financial assistance, have all pieces in place but are hindered by a funding gap, need urgent funding to prevent loss of the resource, etc. For this first solicitation for loan application proposals, funds will be used to provide loans to nonprofits, political subdivisions, and/or business entities only for the rehabilitation (including energy retrofitting) or restoration, of historic properties contributing to Maryland's main streets . Loan funds may not be used for ineligible activities or expenses, as outlined in Section II.E Applications for loans for the acquisition of, or the refinance of existing debt on, historic properties will not be accepted for this loan proposal solicitation. Preservation Maryland has a total of $270,000 that may be awarded.

Preservation Maryland will solicit proposals, evaluate applications and associated risk per established criteria, and award loans. Preservation Maryland staff will monitor loan disbursement, project progress, loan repayment, and, upon project completion, easement or protective covenant adherence. Loan terms will be competitive and based on market conditions and a sliding scale to account for applicant means and project size.

Please contact Preservation Maryland at RLF@presmd.org to confirm that your project and property are eligible, and that funding is available prior to submitting your application.

B. Goals/Priorities

- **Program goals:** To support the preservation of historic properties and spur investment in communities.
- **Funding priorities:** Priority will be placed on those properties that may not otherwise be preserved *but for* the financial assistance provided via the loan and that have a demonstrated community benefit.

II. Eligibility

A. Eligible Applicants

The following applicant types are eligible to apply for loan assistance under this program. **Note: For the first solicitation of this loan application period, private individuals are not eligible and should not apply.**

- Nonprofits
- Political subdivisions
- Business entities

B. Special Applicant Consideration

Special consideration may be given to applicants to which the following applies:

1) Applicant has demonstrated a track record of historic property stewardship;

2) Applicant has community support for the project;
3) Property for which funds will be used is at-risk and otherwise not eligible for state, federal, or grant financial assistance.

C. Eligible Properties

Properties that meet the following criteria are eligible under this program. **Note: For the first solicitation of this loan application period, private residences are not eligible.**

1) Historic commercial property (i.e. main street properties) contributing to a main street or commercial corridor within the state of Maryland, including:
   a. Historic properties that have been adapted into multi-family housing may qualify for funding for certain activities excluding interior repairs of private units.
   b. Main street/commercial corridor properties include properties located adjacent to a main street and/or generally contribute to the local historic commercial corridor.
2) Property designation falls within at least one of the following categories:
   a. Contributing to a local or National Register historic district;
   b. Individually listed on the National Register of Historic Properties;
   c. Recognized as a National Historic Landmark;

Individually local landmarked properties; The following property types may also be evaluated for loan eligibility:

   a. Properties documented in the Maryland Inventory of Historic Properties;
   b. Property was constructed at least 50 years ago;
   c. Eligible for listing on the National Register of Historic Places as determined by the Maryland Historical Trust.

D. Eligible Activities/Expenses

All work designed/executed must adhere to the Secretary of the Interior's Standards for Treatment of Historic Properties and may include one or more of the following:

1) Professional design services by licensed architects and/or engineers to prepare necessary documentation for the rehabilitation work specified below (For these expenses to be eligible, the loan must also be for proposed rehabilitation work).
2) Repairs/improvements to and/or restoration of the building's envelope (e.g. historic windows, masonry, siding, trim, roof or roofing system, porches, contributing decorative features, painting, etc.);
3) Stabilization of and/or repairs to the building's structural system (e.g. foundation, floor system, load-bearing elements, etc.);
4) Restoration/repair of interior historic features/finishes (e.g. historic flooring, plaster, trim, historically accurate paint, etc.)*;
   a. *Evidence of historic nature must be provided in compliance with the Secretary of the Interior's Standards.
5) Energy retrofitting (e.g. SOI-adherent insulation, window system repair, heat pump installation, HVAC, electrical, plumbing, etc.);

6) Emergency intervention (e.g. removal of landscape features actively causing or threatening to cause adverse effects to the structure, SOI-adherent building stabilization, temporary mothballing*, etc.).
    a. *Work defined as temporary mothballing must show intention of minimizing risk or damage with established intention of future pursuit of work to put the building into use.
7) Repairs/improvements/rehabilitation of a contributing feature or fixture of the building that demonstrates the structure's historic integrity.

E. Ineligible Activities/Expenses

Loan funds may not be used for the following:

1) Applicant's own labor (sweat equity);
2) Tenant improvements or fit-out;
3) Additions/new construction;
4) Landscaping not related to emergency intervention to mitigate adverse effects or threat to a structure;
5) Work on or within a private residence or residential space;
6) Rent payments, tenant lease payments, or ongoing support of existing mortgage debt;
7) Business expenses;
8) Acquisition of a property, closing costs, etc.

III. Program Requirements

A. Terms of Loan Acceptance

1) Applicant must be prepared to execute a design in accordance with the Secretary of Interior's Standards utilizing a preservation-experienced project team.
2) Property owner(s) must be willing to accept and adhere to an easement or other protective covenant on the property once work is completed to specifications outlined and agreed upon.
    a. **Preservation Easements:** If an easement is not already in place, Preservation Maryland will work with relevant parties to draft and file one in accordance with organization policy. Preservation Easements will be drafted in length equal to the loan terms and require the owner to maintain the historic nature of the property, paying mind especially to any character-defining features recorded with the easement. Any work beyond regular care and/or that may affect the character-defining features must be submitted to Preservation Maryland before taking place. Preservation Maryland staff will regularly monitor the organization's easement portfolio to ensure adherence and legal compliance.
    b. **Preservation Agreements**: Alternatively, Preservation Maryland may execute a Preservation Agreement when a full deed-restricted easement is unnecessary or impractical. A Preservation Agreement serves as a contractual commitment between the property owner and Preservation Maryland and will be drafted in length equal to the loan term. Under the agreement, the owner covenants to maintain and repair the historic property in accordance with the Secretary of the Interior's Standards for the Treatment of Historic Properties.

B. Permitting

- All work for which a permit is required must be pursuant to a building permit from the appropriate agency through the respective municipal jurisdiction.
- If work is done within a local historic district, all work must be preapproved by the local historic district commission with a Certificate of Appropriateness or its equivalent.

C. Records and Reporting:

The borrower will maintain clear and accurate records to verify eligible expenses. Evidentiary documentation of costs incurred, and corresponding payments made to date shall be submitted to Preservation Maryland upon request for disbursement of the second installment, with all associated documentation for the project for which loan funds are requested submitted upon request for disbursement of the final installment. See ***Section V.F.2. Contractor Payments: Option 2*** below.

D. Completion:

All work shall be completed within one hundred and eighty (180) days from the loan closing date or as otherwise agreed upon by the parties prior to closing. Preservation Maryland reserves the right to withhold payment of loan funds and/or to hold the note in default if construction is not complete within one hundred and eighty (180) days from the loan closing date.

IV. Application Process

- **Step 1**: Applicant will complete intake form provided (via SmartSelect linked here: Online Application Form) and submit payment of a $50 application fee. Applicants should note this step may include a soft credit pull.
- **Step 2**: If determined eligible, Preservation Maryland will conduct an evaluation and risk assessment outlined further in ***Section VII. Application Evaluation***, including an evaluation of both quantitative and qualitative components of the application.
- **Step 3**: If full application is approved, Preservation Maryland will work with Applicant to develop loan terms and a scope of work and proceed to loan closing.

V. Funding and Loan Conditions

A. **Loan to Value Ratio (LTV)**: Will be based upon loan amount and property value and not exceed 80%.

B. **Loan Amount Range:** Preservation Maryland has up to $270,000 to award.

C. **Term in years:** Standard will be 5-10 years but may be negotiable dependent upon loan size, market-based interest rate, and projected repayment ability.

D. **Interest rate:** Minimum 1% but not to exceed the Secured Overnight Financing Rate (SOFR).

E. **Required security:** May include but is not limited to: cash on hand; financial assets; guarantors; etc.

F. **Contractor payments**: Payment for work may be executed in multiple ways, determined at the sole authority of Preservation Maryland and based upon proposed project scale, complexity of work, and underwriting analysis.

1) **Option 1**: Preservation Maryland will hold approved loan amount funds in an escrow account. Preservation Maryland will work directly and maintain regular communication with contractors to execute the scope of work and will perform inspections at appropriate intervals. Preservation Maryland will pay contractors directly at regular intervals or as billed. Upon completion of the work, Preservation Maryland

will amortize the total debt incurred for the work and apply that as loan payments to be paid back by the owner/applicant.

2) **Option 2**: Preservation Maryland will disperse loan in thirds to the property owner who will manage the work and pay contractors directly. Loan funds will be disbursed in three equal increments as follows:

   a. One-third (1/3) of the loan amount will be disbursed after loan closing pending the receipt of a signed contract for the scope of work preapproved by Preservation Maryland and any other relevant agency;

   b. One-third (1/3) of the loan amount will be disbursed after inspection by Preservation Maryland upon completion of approximately one-half (1/2) of the work;

   c. One-third (1/3) of the loan amount will be disbursed after inspection by Preservation Maryland upon completion of the full scope of work.

3) Option 3: Preservation Maryland will disperse loan in a single, lump-sum advance upon execution of the Final Agreement.

VI. Terms of Repayment

A. Loans will be fully repayable over 60 to 120 months, depending on the size of the loan and ability of the borrower to repay, in equal consecutive monthly installments.

B. Payments will begin on the first (1st) day of the month following the date of the loan closing date.

C. Monthly payments are to be paid on or before the 1st of every month until the loan principal is paid in full and may be either interest-only or amortized payments.

D. Should the borrower fail to make the monthly payments on or before the tenth (10th) day of any month, the Note shall be in default and Preservation Maryland may declare the unpaid principal balance immediately due and payable and will have such other rights and remedies as may be available according to the laws of the State of Maryland, including the right to foreclose on the property.

E. Preservation Maryland reserves the right to withhold payment of loan funds and/or to hold the note in default if construction is not complete within one hundred and eighty (180) days from the loan closing date.

VII. Application Evaluation

Applications will be evaluated and scored with a combination of historic property criteria and risk assessment criteria. Criteria may include the following:

A. Qualitative Application Evaluation Criteria

1) Relative historical or cultural significance of the resource to be treated;
2) Urgency of the need for financial assistance for the project;
3) Scope of project meets the Secretary of Interior Standards, as applicable;
4) Readiness of the project to initiate activity and to be completed within established timeframe;
5) Extent to which the project will contribute to the statewide geographic distribution of funds;
6) Extent to which the project stimulates or promotes other historic preservation activities;
7) Inclusion of long-term preservation measures that will protect the resource to be treated;

8) Administrative capability of the applicant;
9) Existence of prior or contemporaneous technical assistance.

B. Quantitative Application Financial Risk Assessment Criteria

A financial risk assessment will be conducted to calculate a score, using weighted financial factors of the following:

1) Additional sources of funding and/or collateral;
2) Extent to which there is any proposed contribution by the appropriate local jurisdiction to support the project;
3) Debt Service Coverage Ratio (DSCR);
4) Loan to Value ratio (LTV);
5) Loan to Cost ratio (LTC);
6) Debt yield;
7) Senior loans and lien position
8) Combined loan to value ratio (CLTV).

Glossary

Commercial corridor: A continuous stretch of land or roadway where nonresidential land is used as zones for local goods and services. Examples to include, but not limited to retail stores, restaurants, and offices to name.

Contributing: Any building, structure, or object that adds to a property or resource's historical and/or architectural significance. To be classified as contributing, the resource and feature must date to the period of significance.

Debt to Service Coverage Ratio (DSCR): Measures the ability to pay current debt obligations using net operating income.

Evidentiary Documentation: Refers to the written, recorded, or photographic materials used to substantiate what is reported and may include but not be limited to the following:

> **For historic integrity**: Detailed records that demonstrate a property's historic significance and its authenticity including documentation reports, NRHP listing; deed; evaluations using the National Park Service standards and guidelines, and other documents that contribute to the facilitation of documentation of historic properties.
>
> **For project costs**: Adequate documentation or proof of expenses incurred during the project including invoices, receipts, and other financial records that prove the occurrence of a financial transaction.

Historic Property: A district, site, building, structure, monument, or object that is significant in the prehistory, history, upland and underwater archaeology, architecture, engineering, and culture of the State, and which, for loans only, is listed in or is eligible for listing in the Maryland Register of Historic Properties.

Jurisdiction Contribution: Funding, subsidies, tax credits, match, reduced/waived fees, etc. from the City or County, either directly or through economic development corp., etc., provided for facilitating the project or related work.

Loan to Cost Ratio (LTC): A financial term used by lenders that calculates the cost of the overall project against the requested loan amount. It serves as a contributing metric to help determine risk by the lender.

Loan to Value Ratio (LTV): A financial term used by lenders that calculates the properties assessed value divided by the amount of the primary loan. It is a critical tool to assess the lending risk before approval. The higher the LTV, the higher the risk for the lender.

Combined Loan to Value Ratio (CLTV): Measures the borrower risk by comparing the total balance of all secured loans to the property's appraised value (ie. SDAT value)

Long-term Preservation Measures: An essential part of building preservation, the function of the building must be maintained with sufficient practices per the Secretary of the Interior Standards to ensure all implementations contribute to the sustainability of the building as a functioning historic property.

Main street: Not to be confused with designated Main Streets by Main Streets of America, a main street consists of a principal commercial and retail artery of a town, village, or city neighborhood.

Preservation Agreement: A voluntary contract that outlines how a historic property or resource will be managed to protect its historic character.

Preservation Easement: A legal agreement between a property owner and a qualified organization to protect a resource, binding both current and future owners to protect its historic character. Preservation Easements are legally binding.

Secretary of the Interior's Standards for Treatment of Historic Properties: Guiding documentation to address four types of treatments, preservation, rehabilitation, restoration, and reconstruction. These standards were promulgated per the regulations 36 CFR Part 68. Treatment guidelines take into account the treatment type, the properties retention of historic fabric, and more for buildings, sites, structures, objects, and districts.

Secured Overnight Financing Rate (SOFR): A benchmark for financial markets and a standardized contributing metric for determining loan interest rates.