MRRA Revolving Loan Program for Tenant Leasehold Improvements and Working Capital

Lending Policies and Procedures
Midcoast Regional Redevelopment Authority Mission Statement

MRRA was established by the Maine Legislature to:

- Implement the Reuse Master Plans for the Naval Air Station Brunswick (NASB) and the Topsham Annex
- Manage the transition of the base properties from military to civilian uses once the base was closed
- Redevelop base properties to create new high paying jobs for Maine
- Manage the civilian airport as an Airport Authority

Purpose of the MRRA Revolving Loan Program

The Program is designed to assist MRRA tenants with fit up costs, leasehold improvements and resident businesses with working capital to help leverage capital from other sources.

Conflict of Interest

No MRRA Board or staff member may have any financial interest in a borrower’s company.

Confidentiality and Materials Held Confidential

Any loan application by a borrower and all materials submitted in support of an application will be held confidential as provided in MRRA’s policies governing confidentiality.

Loan Service Area

MRRA will consider all loan requests for companies located at Brunswick Landing and Topsham Commerce Park.

Eligible Use of Loan Proceeds

MRRA will consider loans for permanent leasehold improvements to real property that improves the property for a tenant’s business (or for other nonresidential uses), and that is in conformance with all federal, state and local codes and ordinances; and for working capital to support the growth of resident businesses. Leasehold Improvement Loan disbursements will be made upon the proof of completion of the work on a percent of work completed basis or upon the completion of the total project.
disbursements may also be made to reimburse a borrower for approved work, to pay a contractor upon completion of approved work, and/or to pay off a bridge loan obtained to finance leasehold improvements.

**Maximum Loan and Aggregated Exposure**

- Leasehold Improvement Loans: Up to $50,000
- Working Capital Loans: Up to $50,000
- A borrower is permitted to apply for subsequent loans.

**Leverage Requirement**

All loans must be leveraged by a documented minimum 1:1 cash match from non-MRRA sources.

**Process**

- Borrower will complete a MRRA Revolving Fund Loan Application, available through MRRA staff or on the MRRA website (www.mrra.us).
- MRRA staff will review the application for completeness and underwrite the financing request.
- A funding recommendation will be presented to the MRRA Board of Trustees’ Executive Committee.
- Upon approval by the Executive Committee, staff will provide a term sheet to the borrower.
- Upon the borrower’s acceptance of the term sheet, a loan Promissory Note and Loan Agreement and supporting documents will be prepared.
- Upon satisfaction of the requirements of the Loan Agreement and execution by the borrower, the loan will either close into escrow for future disbursement or be disbursed at closing per the loan agreement.
- MRRA staff will service the loan for the term.

**Borrower Eligibility**

A. A borrower must be a U.S. domestic corporation, in good standing with the State of Maine.
B. The business must be licensed to conduct business in the State of Maine.

C. A borrower must have an operational business location at: Brunswick Landing or the Topsham Commerce Park.

D. The assets or work financed must be located at facilities on property noted in paragraph C above.

E. The assets or work financed must be for leasehold improvements and/or working capital which is necessary for the borrower to conduct its business at the facility.

F. The business activity must fall within MRRA’s targeted industry sectors or meet redevelopment objectives such as quality job creation or essential services.

G. Borrower must leverage non-MRRA funds on a 1:1 match.

H. Leverage must be actual funds leveraged from private sources or lending institutions.

**Security and Collateral**

Under certain circumstances MRRA may require other collateral, such as personal guarantees for working capital loans.

**Credit Eligibility**

The borrower must:

A. Demonstrate the ability to repay the loan from either its historical cash flow of the business and/or based on a business plan with sound assumptions;

B. Demonstrate sufficient capitalization to operate its business;

C. Demonstrate the availability to provide additional collateral if required;

D. Be willing to provide personal guaranties for any principal having a 20% or greater ownership interest in the business enterprise; and

E. Provide parental or corporate guaranties as required.
**Fee and Expenses**

**Application FEE**- Borrowers will pay a one-time $200 application fee. The fee is due at the time of submission of the credit application. Applications without the fee will be deemed incomplete. The application fee is non-refundable.

**Closing Costs**- Borrowers will pay all of MRRA’s closing costs including, but not limited to, legal fees, filing and recording fees, and UCC searches.

**Servicing Fee**- MRRA will charge a $100 annual servicing fee, due at closing and subsequently due on each anniversary date of the loan closing.

Fees may be financed, subject to MRRA approval, at its sole discretion.

**Interest Rate**

MRRA will offer an interest rate at 7.5%. Late payments will be subject to a late payment equal to 7.0% of the loan payment for each week the payment is late.

**Loan Terms**

The maximum loan term will not exceed five (5) years.

**Disbursements**

Approved disbursements will be made to:

A. Reimburse the borrower for approved and documented out of pocket expenditures;

B. Disburse working capital loans through an agreed-upon planned schedule;

C. Close or discharge a lender’s lien for bridge or construction financing;

D. Pay a supplier or manufacturer directly for building fixtures;

E. Pay a commercial lender directly for coterminous disbursement with its loan for an eligible use; and

F. Pay MRRA fees and closing costs.
Loan Closing
All MRRA loans will be closed directly by MRRA staff or its designated representative.

Loan Repayment
Loans will be repaid according to the terms contained in the Loan Agreement. Loans will be serviced through MRRA Finance Department.

Definitions
Borrower- A real person or legal entity to which a loan has been made.

Business Plan- A written document that describes in detail how a new or ongoing business is going to achieve its goals. The plan describes the businesses strategy for marketing goods and services, competition, details a financial strategy, operations, key personnel, and provides financial projections based on tested assumptions to support and grow the business.

Capitalization- The mix of debt and equity that finances borrowers’ operations.

Credit Eligibility- The criteria utilized to make a loan decision

Collateral- Property or assets that are required to secure a loan

Closing- The actual date all preconditions of the loan are satisfied and disbursement occurs.

Disbursement- Complete or partial distribution of funds into escrow, to a borrower to reimburse documented and approved expenses or to a vendor for approved materials or work performed.

Documentation- Completed set of printed or electronic materials that encompass the agreement between MRRA, and the borrowers (tenant), guarantors with respect to the loan, promissory note or loan agreement collateral, security, repayment terms and conditions and the rights and responsibilities of all parties to the loan transaction.
**Fee**- Charges by MRRA or its representatives for engaging, closing, and servicing a loan.

**Interest Rate**- The cost of borrowing funds from MRRA expressed as a percent and established by MRRA from time to time.

**Leasehold Improvements**- Permanent improvements made to a property by the borrower.

**Lender**- Midcoast Regional Redevelopment Authority or designee.

**Letter of Credit**- A standby agreement that provides credit enhancement support to a lender in situations where there may exist certain credit deficiencies as collateral or cash flow.

**Loan**- The legal contract to provide monetary support to a borrower in exchange for repayment of principal, interest and other financing charges over time.

**Organic Growth**- The process of business expansion through increased output or sales.

**Personal Guaranty**- Written commitment or contract of a real person of interest to guaranty a loan of a related or unrelated borrower that is either a real person or legal entity.

**Projections**- The estimate of future financial performance of a business supported by sound assumptions.

**Security**- Collateral or assets pledged to support a loan.

**Sub-debt**- A loan that is junior or in a secondary position to that of a senior or more secured lender, who hold a first lien on collateral or assets.

**Term**- The maturity of a loan expressed in years, months, or days.