

### **Loan Fund Purpose**

The Historic Rehabilitation and Repair Loan Program (HRRLP) is designed to encourage the rehabilitation, preservation and adaptive reuse of commercial and retail buildings that are listed on the Tacoma Register of Historic Places. This program provides gap financing, which is used in combination with the borrower's other financial resources. In all cases, borrowers must demonstrate the ability to repay the loan and provide sufficient security.

### **Administration and Loan Terms**

The HRRLP is administered by the Tacoma Community Redevelopment Authority (TCRA) and staffed by the City Community and Economic Development (CEDD).

Loans are made available on a reimbursement basis up to 50% of the approved project costs. The minimum loan amount is \$20,000 with a maximum loan amount of \$100,000. Loans carry an interest rate equal to the 10-Year U.S. Treasury Note plus 100 basis points (1%) with principal and interest payments due monthly for a maximum term of 10 years.

### **Eligible Applications**

- Owner of an existing commercial building that is listed on the Tacoma Register of Historic Places either individually or as a contributing structure within a locally designated historic overlay zone.
- Envelope improvements, including windows, doors, paint, awnings, security alarms, roofing, light fixtures, signage and other exterior enhancements; building systems (plumbing, electrical, mechanical), and restoration or repair of exterior historic elements.
- Interior and other tenant improvements as approved by the City's historic preservation officer.
- Business tenants must have building owner consent and signed lease/intent to lease for the improved area.
- Tenant borrowers must have a lease term equal to the proposed loan term.
- Repairs should meet the Secretary of the Interior's Standards for Rehabilitation and must be approved by the Historic Preservation Officer (alterations may also require approval from the Landmarks Preservation Commission per TMC 13.05.046).

### **Ineligible Applications**

- Exclusively residential properties.
- Common areas of a mixed use project that benefit residential units.
- Additions to existing historic buildings and routine inspection and maintenance costs.

**Loan Collateral**

Loans will be secured by a lien on the real property and/or fixtures, furnishings and equipment (FF & E). The loan to value ratio (LTV) cannot exceed 90%. If the borrower is not the building owner, TCRA may need to secure additional assets to meet the LTV requirement. All HRRLP loans shall have the unlimited guarantee of the principal owners of the business entity.

**How the Process Works**

- Borrower initially meets with CEDD and Historic Preservation staff and submits a detailed project cost estimate.
- Upon initial staff screening, borrower submits a loan application along with business financial statements, tax returns, executed leases, rent rolls and other documents to determine ability to repay the loan.
- The loan is underwritten and packaged for consideration to the TCRA Board. Underwriting review will focus on the credit score of the principal(s) of the business, debt service capacity through a review of the business financial statements and confirmation that sufficient equity exists to meet the combined 90% LTV requirement. For loan requests under \$50,000 a credit score of 725 and sufficient collateral would be the primary factors in the underwriting process. Personal financial statements may be required for loan amounts above \$50,000.
- The proposed design is reviewed by the Historic Preservation Officer, and if required, the Landmarks Preservation Commission, for historical appropriateness. Project designs must meet the Secretary of the Interiors Standards for Rehabilitation and/or the relevant historic district design guidelines.
- Upon approval from the TCRA Board and the City's Planning and Development Services Department, the TCRA lien is placed on the property securing the proposed loan and any other liens required to perfect the collateral. The borrower then completes the project using funds currently available.
- Borrower submits the 50% reimbursement request accompanied by documentation of the costs incurred for the project. The reimbursement request and supporting documentation are reviewed by CEDD staff to confirm that all proposed work covered by the HRRLP has been completed to standards set forth by the City of Tacoma's permitting process and the Planning and Development Services Department and all contractors have been paid for their services or have billed the borrower for their services. CEDD staff will arrange with the borrower to visit the site to confirm and photograph improvements. The TCRA will then issue reimbursement to the borrower for costs incurred as part of the Historic Rehabilitation and Repair Loan Program project.
- Loan is then fully executed.

- Borrower begins making monthly principal and interest payments on the loan.
- Asset management of the loan through the end of the loan term or final payoff, if earlier, commences.

**Other Information**

- Loan-related work must be performed by bonded and licensed contractors.
- Soft costs (e.g. drawings, engineering, recording fees, title reports) may be part of project cost.
- Determination of the value of real property can be verified through a recent (within last 6 months) appraisal, broker's price opinion and/or market analysis, at the discretion of the TCRA.
- Loan fee of 1% is due upon loan signing. This fee can be included in the amount financed.

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