

City of Marion Redevelopment Commission - Repayable Loan Program

Program Scope & Eligible Project Criteria

Program Purpose:

The City of Marion Redevelopment Commission (“RDC”) Repayable Loan Program is intended to support targeted private investment that advances redevelopment objectives within the City of Marion. The program is designed to assist projects that require additional upfront capital to rehabilitate, restore, or improve underutilized or neglected buildings and spaces, thereby promoting reinvestment, economic vitality, and long-term community benefit.

This program advances one of the RDC’s core principles by encouraging reinvestment in existing structures and addressing deferred maintenance and disinvestment within the community.

Loan Amounts and Terms:

- **Maximum Loan Amount:** Loans may be awarded in amounts up to \$200,000 per project.
- **Interest Rate:** The interest rate shall be set 1.0% below the applicable U.S. Treasury rate corresponding to the loan term in effect at the time of RDC approval.
- **Loan Term:** Loan terms shall be established on a project-by-project basis, with a minimum term of two (2) years and a maximum total term of seven (7) years.
- **Repayment:** Loans shall be fully repayable in accordance with the terms established in the final loan agreement.

Interest-Only Repayment Option:

The RDC may, at its discretion, approve an initial interest-only repayment period for qualifying loans. The 'Loan Amounts and Terms' referenced above are applicable to the interest-only repayment option outlined below.

- The interest-only period may extend for up to twenty-four (24) months, as determined by the RDC based on project scope, construction timeline, and operating ramp-up needs.
- During the interest-only period, borrowers shall be required to make regular interest payments, with no principal amortization.
- Following the interest-only period, the loan shall either:
 - convert to a fully amortizing repayment schedule for the remaining term; or
 - be refinanced or repaid through conventional financing, subject to the terms of the final loan agreement.

- Approval of an interest-only period does not guarantee refinancing and shall be evaluated on a project-by-project basis.

Program Funding and Availability:

- The RDC shall allocate up to **\$1,000,000** annually for projects under this program, subject to availability of funds. Program will not automatically re-new annually.
- There shall be no formal application window. Projects will be accepted and reviewed on a rolling basis until annual funds are fully committed.

Program Administration:

- The program shall be administered in partnership with the Marion Community Development Corporation (CDC), similarly to how the RDC currently operates with of Commercial Property Grant Program.
- Project Evaluation and Approval: All projects shall be evaluated and approved by the RDC.
- Loan Administration: Upon RDC approval, the CDC shall be responsible for issuing loan funds, administering loan documents, and managing repayment and servicing over the loan term.
- The recipient will be billed an annual administrative fee for loan management by the CDC and RDC.

Eligible Uses of Funds:

Loan proceeds must be used solely for capital improvements related to the operation or expansion of an existing business. Eligible uses may include, but are not limited to:

- Purchase of equipment necessary to operate or expand the business;
- Renovation, restoration, or expansion of an existing building for business use;
- Improvements addressing deferred maintenance, code compliance, or functional obsolescence.

Ineligible Uses of Funds:

Loan proceeds may not be used for:

- Purchase of land;
- Construction of new, ground-up buildings;
- Uses unrelated to capital improvements tied to business operations.

Minimum Private Investment Requirement:

As a condition of eligibility, each project must demonstrate a minimum private investment leverage ratio of two-to-one (2:1).

- Private investment may include borrower equity, third-party financing, or other non-RDC public or private funding sources, as approved by the RDC.
- The RDC reserves the right to require documentation verifying sources and uses of funds prior to loan closing and throughout the term of the loan.
- Projects that exceed the minimum leverage requirement may be given preference during the evaluation and selection process.

Loan Security and Guarantees:

All loans made under this program shall be secured by collateral appropriate to the size and risk of the project. This may include any of the following:

- Mortgages on real property
- Leins on business assets or equipment
- Personal and/or corporate guarantees

Loans may be subordinated to senior private lenders when necessary to facilitate project financing, and the RDC shall seek to obtain the strongest practicable security position while recognizing the program's role as gap financing.

Annual Allocation and Leverage Strategy:

The Redevelopment Commission intends to deploy the annual program allocation of up to \$1,000,000 in a manner that maximizes private investment and redevelopment impact.

Accordingly:

- All approved loans shall meet or exceed the minimum private investment leverage ratio of two-to-one (2:1).
- In allocating annual funds, the RDC shall consider the cumulative amount of private investment leveraged across all approved projects, with the objective of maximizing total investment impact within the community.
- The RDC may prioritize projects that demonstrate higher leverage ratios, broader redevelopment benefits, or greater strategic importance when determining the timing, amount, and sequencing of loan awards within a given year.
- Annual allocations may be adjusted to ensure that available funds are deployed in a balanced manner across project types, locations, and redevelopment priorities, consistent with the RDC's economic development strategy.

Project Evaluation and Selection Criteria:

In selecting recipients of loans under this program, the Redevelopment Commission shall consider, among other factors, the extent to which a proposed project advances the goals and objectives of the City of Marion and the RDC. Evaluation criteria may include, but are not limited to, the following:

- The total amount of private and other non-RDC investment unlocked or leveraged as a result of the loan.
- The number jobs created or retained through the project, including both temporary construction-related employment and permanent positions associated with ongoing business operations.
- The project's alignment with the City's and RDC's broader economic development and redevelopment strategies, including its contribution to targeted corridors, districts, priority industries, or long-term redevelopment objectives.
 - Priority shall be given to projects that require additional upfront investment to rehabilitate or restore buildings and spaces that have experienced disinvestment or neglect and that further the RDC's mission to promote redevelopment and long-term economic vitality.
- The degree to which the project supports redevelopment of underutilized or neglected properties, strengthens the tax base, improves the built environment, and contributes to sustainable economic growth.
- Consideration may be extended to disadvantaged businesses that have made efforts to secure project financing through traditional channels but have not succeeded.