

MHT CAPITAL LOAN PROGRAM

GUIDELINES



Maryland Historical Trust
100 Community Place
Crownsville, MD 21032-2023
www.mht.maryland.gov

The Maryland Historical Trust is dedicated to preserving and interpreting the legacy of Maryland's past. Through research, conservation and education, the Maryland Historical Trust assists the people of Maryland in understanding their historical and cultural heritage.

The Maryland Historical Trust is a unit of the Maryland Department of Planning (MDP).

The **MHT Capital Loan Program** (or the "Program") was created by the General Assembly in 1973 as a vehicle to “implement and encourage the preservation of historic properties” and “to provide a source of funding, including loans to local jurisdictions, nonprofit organizations, business entities, and individuals and to assist and encourage efforts to acquire and preserve historic properties”. The Program offers assistance for capital projects including acquisition, refinancing, rehabilitation, and predevelopment. *Since the Program is in essence a “revolving fund” and all loan repayments are used to make new loans, MHT requires the timely repayment of all loans.*

How to Apply

Application materials include:

- Guidelines (this document)
- Application with Checklist of Attachments
- Application Instructions

These forms are available on the MHT website at: http://mht.maryland.gov/loans_mht.html

If you are considering applying for a loan, please **contact MHT as a first step** to ensure that your project is eligible and that funding is available. Please contact Charlotte Lake, MHT Capital Grants and Loans Administrator, at 410-697-9559 or charlotte.lake@maryland.gov.

Please also review these guidelines and the application fully to be sure you are willing to commit to all Program requirements, and that the loan approval schedule will work with the schedule for your capital project. Please note that MHT charges a \$250 non-refundable application fee.

Applications are accepted at any time and are evaluated on a first-come, first-served basis.

The application and all required attachments must be **sent in hard copy** to:

Charlotte Lake, Ph.D.
Capital Grants and Loans Administrator
Maryland Historical Trust
100 Community Place
Crownsville MD 21032

Upon receiving your application, MHT staff will contact you regarding next steps.

Eligibility

Eligible applicants

- **Non-profit organizations** and **local jurisdictions**, as defined in COMAR 34.04.02.04, are eligible to apply for Program funding. **Private individuals** and **business entities** may also apply; however, they should be aware that the selection criteria (as follows) typically favor the selection of projects and properties owned or sponsored by non-profit organizations and local jurisdictions. In order to be competitive, projects sponsored by private individuals and for-profit business entities should involve a predominantly “public purpose” use, rather than a private benefit.
- **Private individuals** and **business entities** must also prove that they were unable to obtain private financing for this project.
- **Non-profit organizations** and **business entities** must be in good standing with the State Department of Assessments and Taxation, qualified to do business in Maryland, and have the legal capacity and authority to incur obligations involved in the loans provided under the Program. **Note:** The State Comptroller’s Office will apply any loan award to offset any outstanding State taxes and disburse a check for the balance.

Eligible projects

- Loans awarded through this Program may be used only to support **capital projects, i.e. acquisition, refinancing, restoration, or rehabilitation projects** with an expected useful life of at least 15 years.
- In limited cases, applicants also may receive funding for **pre-development costs**. Loans are only available for pre-development work that is required or recommended by MHT through a review of a construction project in the State under Section 106 of the National Historic Preservation Act of 1966, as amended, or State Finance and Procurement Article, §§5A-325 (projects carried out by a state unit involving non-state owned property, or private projects funded with GO bond funds) and 5A-326 (projects involving state-owned property, or surplus property being transferring out of state ownership).
- All projects must be listed on or determined eligible for listing on the Maryland Register of Historic Properties and must adhere to the Secretary of the Interior’s Standards for the Treatment of Historic Properties (36CFR Part68). Copies of the Standards may be obtained at the National Park Service website:
<http://www.nps.gov/history/hps/tps/standards/rehabilitation.htm>
 If unsure whether your property is listed on or eligible for listing on the Maryland Register of Historic Properties, please contact Karen Kennedy at the Maryland Historical Trust, Office of Research, Survey, and Registration, at (410) 697-9550 or email to Karen.kennedy@maryland.gov, or visit the Trust’s website at <http://mht.maryland.gov/nr/index.html>.
- **Please note that all services paid for with loan funds must qualify through MHT bidding procedures (see Manual of Program Requirements at <http://mht.maryland.gov/loans.shtml>) prior to the beginning of construction activities.**
- **Please note that all proposed work must be reviewed by MHT prior to start of construction.**

Eligible Expenses:

- **Loan Funds CANNOT be used to pay for:**
 - Pre-development costs, unless meeting the criteria under “Eligible Projects”
 - Insurance
 - Appraisals
 - Non-capital expenses such as research, studies, or predevelopment activities that are NOT part of a capital project
 - Equipment that is not inherent to the capital project
 - Indoor or outdoor exhibits with an expected useful life of less than 15 years
 - Legal fees
 - Employee salaries
 - Project management, if it can be reasonably included in staff job duties
 - Any work that is not properly bid (see separate information on procurement process for design and construction services).
 - Landscaping that is not related to necessary work scope
 - General office expenses
 - Work to any area of a site or building, or a building element, that is used predominantly for religious purposes (i.e. interior of worship space, Sunday School classroom), unless the work is required to make repairs to the building structure

Loan Amounts & Rates

- The maximum loan commitment made for any specific project is limited by:
 - The available uncommitted balance in the loan fund at the time of application;
 - For **acquisition** projects, the loan will not exceed 80% of the appraised value of the assisted property, or 90% of the purchase price, whichever is less.
 - For **rehabilitation** projects, the loan will not exceed 80% of the after rehabilitation appraised value of the assisted property (minus existing mortgage balances), or 100% of the project costs, whichever is less.
 - For **refinancing** projects, the loan will not exceed 80% of the appraised value of the assisted property.
 - For **pre-development** costs, the loan will not exceed 100% of the project costs.
- The maximum loan amount for **any** proposed project is the after-rehabilitation value of the historic property to be assisted, less the outstanding amount of any pre-existing indebtedness secured by the historic property.
- If an acquisition loan is requested, but the property requires rehabilitation, the source of rehabilitation financing should be identified. If a pre-development loan is requested, the source of construction financing should be identified.
- Loans to **business entities** and **individuals** bear interest at a fixed annual rate 1/8% higher than the most recently sold State general obligation bonds. Loans to **non-profit organizations** and **local jurisdictions** may bear interest, if any, at a rate not to exceed that for business entities and individuals.
- The maximum loan term for **acquisition, rehabilitation, and refinancing** projects is twenty years.
- The maximum loan term for **pre-development costs** is two years.
- **Individuals** borrowing through the Program should be prepared to make minimum monthly payments (including principal, interest, property insurance, and taxes) of at least 20% of monthly gross income, as verified by the borrower's most recent federal tax return.

Evaluation Criteria

In accordance with the Project Selection Criteria, as provided for in COMAR 34.04.02.06(E), loan applications will be reviewed using the evaluation criteria listed below.

1. Relative historical or cultural significance of the resource to be treated;
2. Urgency of the need for financial assistance for the project;
3. Extent to which the project will contribute to the cumulative equitable Statewide geographic distribution of funds based on the concentration of historic properties;
4. Inclusion of long term preservation measures that will protect the resource to be treated;
5. Comprehensiveness of the scope of the project;
6. Readiness of the project to initiate activity and to be completed within an established time frame;
7. Administrative capability of the applicant and project sponsor;
8. Extent to which the project stimulates or promotes other historic preservation activities;
9. Informational and educational value of the project;
10. Demonstration and innovation value of the project;
11. Extent to which there is any proposed contribution by the appropriate local jurisdiction to support the project proposed to be financed; and
12. Additional criteria which the Trust considers to be appropriate.

Loan Evaluation & Administration Process

The application and selection process will follow a series of steps, outlined below. Please be sure to take into consideration the timeframe for each of these steps when developing your schedule for the loan application. You should expect the time from application to closing to take six to nine months.

1. Potential applicant contacts MHT for details about loan program, project eligibility, and amount of funding available.
2. Applicant submits complete application package, application fee, and all required supporting documentation.
3. MHT staff review loan application internally and with State underwriters. Applicant provides additional information as requested.
4. MHT staff inform applicant of intent to recommend approval / denial of the loan to the MHT Board of Trustees. If MHT staff will recommend approval, proposed loan amount, rate, and terms are reviewed with applicant.
5. MHT staff make a recommendation to the MHT Board of Trustees to approve / deny the loan request. **The MHT Board meets approximately every two months.**
6. If the loan is approved by the MHT Board, MHT staff secure the approval of the MDP Secretary. **This generally takes about two to three weeks.**
7. If the loan is approved by the MDP Secretary, MHT extends a loan commitment in the form of a Commitment Letter, outlining the loan terms, which is signed by MHT's Director and countersigned by the Borrower. The loan commitment is contingent upon approval by the Board of Public Works. The Commitment Letter specifies a time limit within which the execution of the loan documents shall occur; the time limit may be extended at MHT's sole discretion.
8. Upon receipt of a Commitment Letter countersigned by the Borrower, MHT staff submit loan details as an agenda item for an upcoming Board of Public Works meeting. **BPW meets every three weeks, and agenda items must be submitted several weeks in advance.** Borrower and MHT staff attend BPW meeting.
9. While awaiting BPW meeting, MHT staff work with Borrower to obtain additional documents needed for loan closing and drafting of easement, as well as to review MHT's required procedures for bidding and approval of work.
10. If the loan is approved by BPW, loan closing is scheduled after MHT receives all documents needed for loan closing and drafting of easement.

- 11.** Loan closing occurs. In the case of an acquisition loan, a check is available at closing. Other loans are reimbursed based on submission of payment requests that meet MHT requirements. ***Please note that the easement MUST be recorded in County Land Records before any funds will be disbursed.***

Loan Terms and Conditions

All applicants awarded loans through the Program will be required to enter into a Loan Agreement with MHT. In addition, all loan projects must be carried out in accordance with the terms and conditions noted below as well as the project requirements outlined in the separate document “MHT Capital Loan Program Requirements”.

I. Security

- a. MHT may require that repayment of a loan be secured by liens, guarantees of repayment, or other forms of collateral acceptable to MHT.

II. Disbursements

- a. Loan funds will not be disbursed "up front" (before the work is completed), except for loans for acquisition or refinancing, in which case a check is available at settlement. Disbursements will be made as the project progresses. Disbursements will occur based upon Requests for Payment submitted by the Borrower in a form satisfactory to MHT and upon fulfillment of the other requirements of the loan as provided in the document “MHT Capital Loan Program Requirements”.
- b. Loan funds will not be disbursed until the Easement, Easement Modification, or Preservation Agreement is recorded.
- c. 10% of the loan amount will be retained against Borrower’s submission of an acceptable Completion Report.

III. Site Visits / Inspections

- a. MHT may conduct inspections of the property upon receipt of a loan application and as needed during construction.

IV. Procurement / Bidding

- a. All contractors, architects, craftspeople, etc. whose services are to be paid for (or partially paid for) with State funds will need to be selected by a process approved by the Trust. This requires those services to be publicly advertised or widely solicited. Contact Charlotte Lake, Capital Grants and Loans Administrator at MHT, with questions: 410-697-9559 or charlotte.lake@maryland.gov.

V. Approval of Proposed Work

- a. Plans and specifications for rehabilitation projects must be reviewed and approved by MHT prior to the work being undertaken. Since all loan-funded properties are already, or will become, easement properties, the work must be reviewed by MHT’s Easement Committee and approved in a letter from MHT’s Director. Contact Kate Bolasky, Easements Administrator at MHT, with questions: 410-697-9537 or kate.bolasky@maryland.gov.
- b. Rehabilitation projects must conform with the Secretary of the Interior’s *Standards for the Treatment of Historic Properties* (<http://www.nps.gov/hps/tps/tax/rhb/stand.htm>).

VI. Insurance

- a. The Borrower will be required to insure the assisted property against loss or damage by fire or other hazards, casualties, and contingencies as may be required by MHT, in amounts satisfactory to MHT. Similarly, General Liability Insurance will be required for

all construction efforts. The insurance binder must list MHT as the loss payee for at least the amount of the loan, and must provide for 30 days' written notice before cancellation.

VII. Change of Ownership

- a. The Borrower may not sell, cease to own, assign, transfer, or dispose of all or any portion of the historic property during the term of the loan without the prior written consent of the Trust.

VIII. Easement

- a. A Perpetual Preservation Easement must be conveyed to the MHT or an entity acceptable to MHT on all historic real property assisted by the Program unless this requirement is waived by the Secretary of Planning. A Preservation Agreement must be signed with MHT or an entity acceptable to MHT on all historic properties other than real property (i.e. a ship). Historic properties are those properties listed on or determined eligible for listing on the Maryland Register of Historic Properties.
- b. If MHT currently holds an easement on the property, a modification to the easement may be required.
- c. The easement or preservation agreement is executed between the owner and the easement/preservation agreement holder before capital improvements begin and funds are disbursed.
- d. The easement or preservation agreement must be in form and substance acceptable to the Trust and the extent of the interest to be encumbered by the easement must be acceptable to the Trust.
- e. The easement coverage will be on the land or such portion of the land acceptable to the Trust, and on the exterior and interior of the historic structures, where appropriate.
- f. An easement/preservation agreement is a binding legal document, and the easement is recorded in the local land records. The easement affects the entire area under easement. It usually protects buildings, structures, and associated archeological resources, and confers approval authority on the MHT in the event that the owner (and all subsequent owners, in perpetuity) wishes to undertake construction or alterations to the property. The land and covered improvements in the case of an easement, and the personal property in the case of a preservation agreement, must be maintained in good condition.
- g. Trust staff is available to offer technical preservation expertise to easement property owners and preservation agreement signers on an as-needed basis.
- h. A sample easement is available for applicant's review at http://mht.maryland.gov/documents/PDF/Easement_Sample_Deed.pdf.
- i. A preservation agreement is similar except that it does not affect specific lands or buildings, only personal property, and is a contract between MHT and the current property owner only.
- j. The Borrower will be required to provide an Attorney's Certificate of Title acceptable to MHT, certifying the owner's title to the easement real property. In addition, an update of the Certificate will be due after the recordation of the Deed of Perpetual Preservation Easement but prior to the disbursement of funds. The Certificate of Title may contain only standard exceptions and encumbrances approved by MHT.

IX. Loan Closing

- a. Please note that if MHT decides to pursue the loan, you will be asked to submit the following additional information prior to closing. You may need to hire an attorney to assist with documentation and closing:

- i. A recent appraisal of the property (less than one year old)
 - ii. Environmental Assessment Form (form will be provided by MHT)
 - iii. Documents as needed for MHT to draft an easement on the property (see checklist in the following document:
http://mht.maryland.gov/documents/PDF/Easement_Procedures_Conveyance_Grant.pdf)
 - iv. Title insurance
 - v. UCC Search results, showing any existing liens against the property
 - vi. MHT's fee equal to the lesser of \$1000 or 10% of the loan amount, minus the already-paid application fee of \$250
- b. Borrower is responsible for all closing fees. Closing is handled by a title attorney retained by the Borrower.

X. Repayment

- a. MHT may impose late charges.

XI. Termination

- a. MHT may terminate a loan or refuse to make additional disbursements if it finds that the Borrower is not complying with any of the requirements of the Program or the loan documents.

XII. Nondiscrimination

- a. Each applicant shall comply with all applicable Federal, State, and Local laws and MDP policies and programs regarding drug, alcohol and smoke free work places, disabled access, and equal opportunity in employment, housing, and credit practices, and prohibiting discrimination on the basis of race, color, creed, religion, national origin, gender, marital status, familial status, sexual orientation, or physical and/or mental disabilities in any aspect of the grant project.

XIII. Borrower's Responsibilities

- a. Borrowers must comply with the responsibilities and requirements detailed in the document "MHT Capital Loan Program Requirements". Failure to comply with these requirements may result in forfeiture of the loan.