

Tourist Accommodation Refurbishment Loan Scheme

The Scheme at a Glance

Key features of the Tourist Accommodation Refurbishment Loan Scheme:

- Loans of up to \$3.0 million for eligible tourist accommodation businesses operating in Tasmania for refurbishment projects that will improve and upgrade existing tourist accommodation facilities and increase the standard of accommodation offering in regions where demand exceeds supply.
- Loan amounts will be no less than \$50 000.
- The maximum loan term is normally up to five years, longer terms up to 10 years may be considered in specific circumstances.
- Variable Standard Concessional rates will apply (in the order of 2.65 per cent per annum as at July 2019).
- Interest repayments will commence from the outset of the loan.
- Loans must be repaid in full or fully refinanced at the end of the agreed loan term.
- Mortgage security needs to be provided subject to a maximum Loan to Value Ratio (LVR) of 80 per cent for loans up to \$1.5 million and a maximum LVR of 70 per cent for single project loans in excess of \$1.5 million.
- Applications will be assessed on the criteria contained within these guidelines.

Are You Eligible to Apply?

To help decide whether your tourist accommodation business is eligible to be considered for a loan, you should be able to answer yes to all of these questions:

1. Do I have a demonstrated history of meeting my debt servicing requirements?
2. Can my tourist accommodation business meet all its financial commitments over the agreed loan term if a Tourist Accommodation Refurbishment Loan is provided?
3. Will my accommodation business expect to be in a position to repay the Tourist Accommodation Refurbishment Loan within five years, for example, through regular principle instalments as well as successfully obtaining commercial refinance?
4. Can I provide mortgage security to Tasmanian Development Board?

To determine your eligibility to apply for a Tourist Accommodation Refurbishment Loan, you must:

- 1.** Demonstrate that your tourist accommodation business:
 - Meets the eligibility criteria to be assessed for a Tourist Accommodation Refurbishment Loan.
 - Meets the criteria for loan assistance.
- 2.** Call the Office of the Coordinator-General 03 6777 2808 and arrange to speak with a Project Manager.
 - Once you have spoken to a Project Manager and preliminary eligibility has been confirmed, you will be provided a link to the online application form.
 - Provide a minimum five-year Business Plan that shows how the Tourist Accommodation Business will achieve its long-term objectives and increase occupancy levels.
- 3.** Be able to provide suitable security for the loan.

Tourist Accommodation Refurbishment Loan Scheme

The Tourist Accommodation Refurbishment Loan Scheme forms part of the Tasmanian Government's Visitor Economy Strategy by investing in quality visitor infrastructure and aims to increase the level of existing accommodation infrastructure on offer to meet market demand and visitor expectation.

1. Objective

The Tourist Accommodation Refurbishment Loan Scheme will provide financial assistance to tourist accommodation operators who own a commercial tourist accommodation business in Tasmania for projects that will improve and upgrade existing accommodation facilities and increase the standard of accommodation offering and service in regions where demand exceeds supply. Eligible purposes include:

- Projects that involve reconfiguring existing accommodation facilities
- Redecorating projects
- Cosmetic changes

That otherwise could not be brought forward and/or financed under normal banking arrangements.

Examples could include but are not limited to:

- Redecorating or reconfiguring guest rooms to improve the appearance or the space
- Refurbishment of existing common guest space, such as reception area
- Installing new bathrooms
- Upgrading or introducing facilities or amenities
- Introduction of new guest facilities
- Creating new rooms from unused space

2. Application Period

The Tourist Accommodation Refurbishment Loan Scheme application period opened on Wednesday 26 July 2017 and will remain open for a period of up to four years at which time a review of the scheme will be undertaken.

If the funding allocation is fully committed prior to the closing date for applications, the application period will close early and no further applications will be considered. If this happens, notification of closure will be published on the Office of the Coordinator-General website (www.cg.tas.gov.au) and those that have already lodged an application will be advised in writing.

As the funds available for the Tourist Accommodation Refurbishment Loan Scheme are limited, not all applicants who lodge an application may receive a Loan.

3. Costs

Applicants are responsible for the costs incurred by them for the preparation and lodgement of a complete application. The standard establishment fee is 1 per cent of the loan amount, generally with a minimum fee of \$600 and maximum fee of \$1,500 being applied.

Successful loan applicants will be required to pay all Crown Law legal fees associated with the preparation of loan documents. If required, other costs associated with the proposed loan, for example valuation fees, will also be payable by the applicant.

4. When and how to Apply

The application period for TARLS opened on Wednesday 26 July 2017 and will remain open for a period of up to four years at which time a review of the scheme will be undertaken.

If the funding allocation is fully committed prior to the closing date for applications, the application period will close early and no further applications will be considered. If this happens, notification of closure will be published on the Office of the Coordinator-General website (www.cg.tas.gov.au) and those that have already lodged an application will be advised in writing.

To apply

1. Ensure that you meet the eligibility criteria as outlined in these guidelines prior to submitting an application and confirm preliminary eligibility with a Project Manager at the Office of the Coordinator-General on 03 6777 2808 or email cg@cg.tas.gov.au.
2. Complete and submit the Tourist Accommodation Refurbishment Loan Scheme online application form that will be made available to you once you have confirmed eligibility with a Project Manager.
3. Within three weeks you will receive notification on whether your application will be progressed to the assessment phase.
4. For more information, or if you have any queries about the Scheme or the application process, please contact the Project Manager.

5. Loan Assessment

Completed applications will generally be assessed in order of receipt. The Project Manager may liaise with the applicant, their bankers and professional advisors as required to confirm and verify documentary evidence and information provided.

Applications will not be assessed until all the required information is provided by the applicant.

Where an application has been submitted, the Project Manager may request further information from the applicant to facilitate assessment of their application. If the further information requested is not provided within the required timeframe, the application will not be considered.

The Project Manager may seek to visit and inspect the tourist accommodation property to assist with its assessment and decision process.

6. Eligibility Criteria for Assessment

To be eligible to apply applicants must:

Own a commercial tourist accommodation business in Tasmanian where the accommodation establishment meets the following definition:

A commercial establishment that provides short term accommodation for persons away from their normal place of residence. Typically each room for guest hire is available to hire individually and may include a private bathroom facility and or limited cooking facilities.

The accommodation establishment must be an accredited tourism business and:

- 1) Have three or more rooms available to hire if it is located in a suburban or regional area; or
- 2) Have five or more rooms available to hire if it is located in the CBD of a city.

All applicants must:

- Demonstrate that the project will improve occupancy levels of the establishment or improve service and quality of offering to visitors;
- Include a refurbishment plan that includes detailed costings for the project;
- Operate as a sole trader, trust, partnership or private company;
- Demonstrate a clear need for the loan, to the satisfaction of the Office of the Coordinator-General, and projects must show an improvement to the current infrastructure;
- Include a minimum five year business plan to the satisfaction of the Office of the Coordinator-General (in some cases the Office of the Coordinator-General may request that the applicant use a recognised consultant to assist with the plan);
- Undertake an annual review of the approved business plan and report on performance against the business plan;
- Demonstrate ongoing financial viability with the loan application and business plan showing that the venture will be profitable within the agreed loan period;
- The business must be registered for tax purposes in Australia with an Australian Business Number (ABN) and be registered for GST; and
- Be able to provide suitable security for the loan.

Ineligible Applicants:

- Any government body, government agency, publicly listed companies, government business enterprises, and recreational activities;
- Any public company (or wholly owned subsidiary of a public company) under the meaning as defined in the *Corporations Act 2001*; and
- Any business that is under External Administration or bankruptcy.
- Homes and shacks that are part of the sharing economy.

Ineligible funding may include, but is not limited to:

- Debt refinancing/restructuring. Loans will not be provided for the purposes of refinancing/repayment of any existing borrowings;
- Funding of normal or additional working capital (e.g. overdraft facilities);
- Reimbursement of depreciation of existing assets;
- Payment of tax, existing creditors or other statutory or legal payments; or
- Activities for which funding has previously been obtained from the Australian and/or Tasmanian governments.

7. Loan Security

Tasmania Development and Resources (TDR) is the legal entity that will provide the loan funds on behalf of the Department of State Growth.

Successful applicants must provide acceptable loan security in accordance with established security requirements and commensurate with the amount of the loan.

The security provided will include:

- a) a registered mortgage over freehold property satisfactory to TDR; and
- b) any other security TDR considers acceptable and necessary.

The mortgage security to be provided is subject to a maximum Loan to Value Ratio (LVR) of 80 per cent for loans up to \$1.5 million and a maximum LVR of 70 per cent for single project loans in excess of \$1.5 million.

Where applicable, assets provided as security must be insured (e.g. against fire and other perils) to the satisfaction of TDR.

8. General Conditions of the Loan Scheme

8.1 Loan Amounts

Applications for loan amounts ranging from a minimum of \$50 000 to a maximum of \$3.0 million will be accepted.

8.2 Loan Terms

The term of the loan is up to five years. However, loan terms of up to ten years may be considered in specific circumstances and on a case by case basis.

8.3 Interest Rate

A concessional variable interest rate will apply for the term of the loan, currently 2.65 per cent per annum as at August 2019. The concessional loan interest rate may be withdrawn and TDR commercial rates may apply if the loan instalments are not paid by the required due date by the loan recipient or the loan purpose becomes non-compliant.

Fixed rates are not available.

The loan interest rate will be reviewed on a regular basis. The Department of State Growth will notify Loan Recipients in writing when changes take effect.

8.4 Loan Drawdowns

Loan drawdowns will be made available to a successful applicant by TDR once all the legal documentation has been provided and the successful applicant has provided evidence for the amounts to be paid in accordance with these guidelines.

8.5 Loan Repayment

Interest repayments will commence from the outset of the loan. The precise repayment amounts and repayment frequency offered to successful applicants will be determined by TDR based on its assessment and will be detailed in the Loan Agreement.

Conditions relating to loan repayments, arrears, defaults, fees, costs and penalties will be as detailed by TDR in the Loan Agreement. At any time during the term of the loan, loan recipients may repay the whole or any part of their loan, without incurring any additional fees or penalty interest.

In no circumstances can loan recipients redraw on repaid loan amounts or transfer the loan to another property or Business if the existing property is sold.

8.6 Financial Reporting

Regular financial and operating reporting will be required during the term of the loan. Generally this will encompass an annual review of financial statements and operational budgets.

9. Decision making

The Office of the Coordinator-General will undertake an assessment of applications in accordance with these guidelines on behalf of TDR. TDR will be solely responsible for making decisions about successful applicants and application reviews in accordance with these guidelines, its usual processes and the *Tasmanian Development Act 1983*.