

The Building Construction Support Loan Scheme

The Scheme at a Glance

Key features of the Building Construction Support Loan Scheme:

- Loans are for eligible Tasmanian commercial building construction projects.
- Loan amounts will be no less than \$2 million. Maximum loan amounts are at the Tasmania Development and Resources Board's discretion, which are the decision makers for applications received under the Scheme.
- The Project not being eligible to apply under the Business Growth Loan Scheme.
- The total cost of the project must be a minimum of \$3 million.
- The maximum loan term is normally up to ten years, longer terms may be considered in specific circumstances.
- Variable Standard Concessional rates will apply (in the order of 1.55 per cent per annum as at March 2021). An establishment fee of \$4 000 will also apply.
- Interest will accrue from the initial drawdown and may be capitalised to the loan until completion of the construction program, when interest payments will commence.
- Principal repayments will commence 3 months following completion of the construction program.
- Loans must be repaid in full or fully refinanced at the end of the agreed loan term.
- Sufficient mortgage security needs to be provided.
- Applications will be assessed on the criteria contained within these guidelines.

Are You Eligible to Apply?

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

1. Do you have a demonstrated history of meeting debt servicing requirements?
2. Can you meet all your financial commitments over the agreed loan term if a loan is provided?
3. Do you expect to be in a position to repay the loan within the maximum term of ten years, for example, through regular principal instalments as well as successfully obtaining commercial refinance?

4. Can you provide acceptable mortgage security?

To determine your eligibility to apply for a Building Construction Support Loan, you must:

1. Demonstrate that you meet the eligibility criteria to be assessed for a Loan.
2. Demonstrate that your project is not otherwise eligible to apply under the Business Growth Loan Scheme
3. Call the Office of the Coordinator-General 03 6777 2786 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.

4. Provide a Project Budget and Plan that demonstrates you will be able to successfully complete the project and achieve its long-term objectives.
5. Be able to provide suitable mortgage security for the loan.

Building Construction Support Loan Scheme

The Building Construction Support Loan Scheme provides financial support to enable eligible commercial building projects to proceed during a period of economic uncertainty created by the COVID-19 crisis.

1. Objective

The Building Construction Support Loan Scheme will provide financial assistance to eligible Tasmanian projects that will engage commercial construction companies to create new, or improve existing, buildings and associated infrastructure. Eligible purposes include but are not limited to:

- Projects that involve constructing new commercial or industrial buildings
- Projects that involve improving commercial or industrial buildings
- Projects that involve constructing new educational buildings
- Projects that involve improving or reconfiguring existing educational facilities
- Projects that involve constructing major new residential property developments

Applicants will need to demonstrate that projects otherwise would not be brought forward and/or be financed under normal banking arrangements in the current environment.

2. Application Period

The Building Construction Support Loan Scheme application period will open on 29 March 2021 and will remain open until 30 September 2021, prior to which 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's website (www.cg.tas.gov.au) and those applicants that have already lodged an application will be advised in writing.

As the funds available for the Building Construction Support Loan Scheme are limited, not all applicants who lodge an application may receive a Loan.

3. Costs

Applicants are responsible for all costs incurred by them for the preparation and lodgement of a complete application. The standard establishment fee is \$4 000.

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

4. When and how to Apply

The application period for the Building Construction Support Loan Scheme will open on 29 March 2021 and will remain open until 30 September 2021, after 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 the Borrower and the project 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 2786 or email cg@cg.tas.gov.au.
2. Complete and submit the Building Construction Support 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 Project site to assist with its assessment and decision process.

6. Eligibility Criteria for Assessment

To be eligible to apply, applicants must:

- Demonstrate that the project(s) will require total commercial construction expenditure of no less than \$3 million;
- Include a project plan that includes detailed costings for the project. The costings provided should be able to be verified either by building contracts and/or quantitative surveyor's reports;
- Demonstrate a clear need for the loan, to the satisfaction of the Office of the Coordinator-General;
- Demonstrate ongoing financial viability via the provision of historical financial statements with the loan application and project plan showing that Borrower will be able to service all its commitments within the agreed loan period;
- Be registered for tax purposes in Australia with an Australian Business Number (ABN) and be registered for GST;
- Be able to provide suitable mortgage security for the loan; and
- Commit to using Tasmanian commercial construction companies and building consultants where possible to undertake the projects.

Ineligible Applicants:

- Any government school, government body, government agency or government business enterprises;
- Any councils;
- Any public company (or wholly owned subsidiary of a public company) under the meaning as defined in the *Corporations Act 2001*;
- Any business that is under External Administration or bankruptcy; and
- Applicants with unsatisfactory statutory payment history or lodgement obligations.

Ineligible funding may include, but is not limited to:

- Property purchases
- Debt refinancing or loan restructuring;
- 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

7. Loan Security

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 the development site property satisfactory to the lender; and/or
- b) Any other security considered acceptable and necessary.

Assets provided as security must be insured (e.g. against fire and other perils).

8. General Conditions of the Loan Scheme

8.1 Loan Amounts

Applications for loans for a minimum of \$2 million will be accepted. The maximum loan amount is at the lender's discretion.

8.2 Loan Terms

The term of the loan is up to ten years. However, loan terms in excess of 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 1.55 per cent per annum as at March 2021. The concessional loan interest rate may be withdrawn and 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 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 and all relevant loan conditions have been met.

8.5 Loan Repayment

Interest will accrue from the initial drawdown and may be capitalised to the loan until completion of the construction program, when interest payments will commence. The precise repayment amounts and repayment frequency offered to successful applicants will be determined based on assessment of the application and will be detailed in the Loan Agreement.

Conditions relating to loan repayments, arrears, defaults, fees, costs and penalties will be as detailed 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, and will present eligible applications for consideration by the Tasmania Development and Resources Board. Tasmania Development and Resources will be responsible for making decisions about successful applicants and application reviews in accordance with these guidelines, its usual processes and the *Tasmanian Development Act 1983*.