

**Block Grant Loan Agreement**

This Block Grant Loan Agreement (the “Loan Agreement”) is entered into by and among the **CITY OF HALLOWELL**, a public body corporate and politic with its principal place of business at 1 Winthrop Street, Hallowell, ME 04347 (“City”), and **MASTWAY DEVELOPMENT LLC**, a Maine Limited Liability Company with a mailing address of 72 Burtons Lane, Winthrop, ME 04364 (“Mastway”).

**WITNESSETH**

Whereas, the City received housing rehabilitation funds from the State of Maine Community Development Block Grant (“CDBG”) program in 1975 and 1983;

Whereas, the City used the CDBG funds to set up a CDBG Revolving Loan Fund that provided a lending program for low and moderate income Hallowell homeowners;

Whereas, in 2015, the City, with approval from the Maine Department of Economic and Community Development, closed out the CDBG Revolving Loan Fund and repurposed the remaining funds to community low to moderate income housing efforts associated with the redevelopment of property located at the property of the Stevens School in Hallowell more particularly described in the attached Exhibit A (the “Stevens School Property”);

Whereas, Mastway purchased the Stevens School Property from the State of Maine in April 2016;

Whereas, Mastway intends to provide affordable rental housing as part of the redeveloped campus on the Stevens School Property;

Whereas, the City intends to loan the funds to Mastway in furtherance of affordable housing redevelopment on the Stevens School Property and to forgive repayment of the loan if Mastway develops, or causes to be developed, affordable housing as set forth herein on the Stevens School Property;

NOW THEREFORE, in consideration of the mutual undertakings set forth herein, the City and Mastway hereby agree as follows:

1. The City, duly authorized, will allocate up to \$238,000.00 of Community Development Block Grant money to the Stevens School Property in the form of a loan to Mastway.
2. Within 30 days of presentment of invoices by the City to Mastway, Mastway agrees to reimburse the City for expenses it incurs in legal fees associated with the establishment of this Loan Agreement. Within 30 days of the presentment of invoices or proof of costs by the City to Mastway, Mastway agrees to reimburse the City for expenses it incurs in

procuring a City-wide housing market study. The combined total of the costs for these two items to be reimbursed by Mastway shall not exceed \$10,000.

3. The use of the loan funds shall be limited to expenditures incurred by Mastway for labor and materials dedicated to development activity on the Stevens School Property and the reimbursements Mastway owes to the City for legal fees and a market study identified in paragraph 2 above. Mastway shall present to the City, through its City Manager, copies of invoices received for work performed at, or materials supplied to, the Stevens School Property, together with lien waivers for all such work and materials. The City may require that inspections be done by City officials or other appropriate parties of the work performed on the Stevens School Property for purposes of verifying that the work performed or materials supplied as represented in invoices submitted was in fact performed, and to the extent that the work relates to infrastructure which Mastway may offer to the City as public infrastructure that the work performed and materials installed are to a standard acceptable to the City. Disbursements by the City from the loan funds shall be made directly to contractors or suppliers following submission of such invoice and lien waiver(s) by Mastway to the City within ten (10) days of receipt by the City of any inspection documents from the applicable inspecting party, or, if the City chooses not to have any inspections undertaken related to a particular invoice, within ten (10) days of receipt by the City of such invoice and lien waiver(s) for work performed or materials provided. In the case of the legal fees and market study, Mastway shall present a written request to the City for the application of its allocation to payments on those items in a particular dollar amount within its 30-day requirement identified in Section 2 hereof. Following such request or requests by Mastway, the City shall record the amount as a "disbursement" of the loan funds without actually making payment to Mastway but rather by acknowledging in writing that a payment owed by Mastway to the City pursuant to Section 2 hereof is deemed to have been made.
4. At the time of the first disbursement of funds from the City on behalf of Mastway, Mastway shall execute and grant to the City a Promissory Note in the form attached hereto as Exhibit B. If the date of the written acknowledgement by the City that a payment owed by Mastway to the City pursuant to Section 2 hereof is deemed to have been made comes before the date of the first disbursement of funds from the City on behalf of Mastway, then Mastway shall execute and grant the Promissory Note described above at that time instead of at the time of the first disbursement of funds. Each time the City makes a disbursement on behalf of Mastway, the records and accounting of such disbursement shall be recorded and tracked by the City and confirmed in writing to Mastway.
5. At the time of the first disbursement of funds from the City on behalf of Mastway, Mastway shall execute and grant to the City a Mortgage Deed in the form attached hereto as Exhibit C. The City shall subordinate its mortgage to the mortgage(s) of other institutional lenders if the following conditions are met: (A) Mastway obtains approval by the Planning Board and ratification by the City Council of a Master Plan for redevelopment of the Stevens School Property; (B) Mastway obtains approval from the Planning Board pursuant to applicable Land Use Ordinance provisions for development of a project pursuant to the then-current, as amended if amended, Master Plan; and (C) the mortgage of

another institutional lender, for which subordination is sought, is securing financing for Mastway's development of an approved project consistent with the then-current, as amended if amended, Master Plan.

6. As set forth in the Promissory Note, repayment of the principal and interest on the Loan shall be deferred until 4/1/2022 and the repayment beginning on that date shall include annual interest payments of 5% of the outstanding principal retroactive to the dates of disbursements of the Loan from the City to Mastway.
7. Repayment of the Loan principal and interest shall be forgiven by the City if, at any time prior to 4/1/2022, the following conditions are met: (A) the City issues a certificate of occupancy for a project developed by Mastway on the Stevens School Property and the taxable assessed value of such project is determined by the City Assessor to be at least \$1,000,000; (B) at least 40% of the housing units in that project or projects are made available to renters at an "affordable rate"; and (C) "affordable rate" shall mean a rate whereby a household earning 80% of the Area Median Income would not be paying more than 30% of its monthly income on rent and utilities for that housing unit. Upon forgiveness of the loan, the City will promptly discharge its mortgage.
8. Mastway will place a 45-year affordability covenant on the affordable housing units establishing the requirement that the units be rented as affordable units as defined herein and shall record the affordability covenant in the Registry of Deeds.
9. Mastway understands that, to the extent any of the Stevens School Property becomes exempt from property taxation, the City will seek a payment in lieu of taxes from that the tax exempt entity that is based on the (exempt) assessed value of the applicable property applied to the existing City mil rate. This provision is intended to run with the land and any future property owners are put on notice of such arrangement by virtue of the recording of this document. To the extent this arrangement presents a particular obstacle, Mastway or some future owner may propose an alternative arrangement with the City. .
10. The obligations of this agreement shall run with the land and be binding on successors or assigns of Mastway.
11. This Agreement, along with its exhibits, constitutes the entirety of the understanding and agreement of the City and Mastway relating to the City's allocation of CDBG funds to the Stevens School Property. Any amendment or modification of this Agreement is unenforceable unless it is in writing signed by both parties. Both the City and Mastway warrant that they are duly authorized to enter into this Agreement.

**IN WITNESS WHEREOF**, the Block Grant Loan Agreement has been duly executed by Mastway and City as of September 30, 2016.

CITY OF HALLOWELL

Witness \_\_\_\_\_

By: Nate Rudy  
Nate Rudy  
Its City Manager

State of Maine  
County of KENNEBEC

On SEPT 30 2016 NATE RUDY  
personally appeared before me,

- who is personally known to me
- whose identity I proved on the basis of \_\_\_\_\_
- whose identity I proved on the oath/affirmation of \_\_\_\_\_, a creditable witness

to be the signer of the above document, and he/she acknowledged that he/she signed it.

Daniel P. Kelley  
Notary Public

DANIEL P. KELLEY  
State of Maine  
My Commission Expires Sept. 8, 2019

**MASTWAY DEVELOPMENT LLC**

By: 

Matt Morrill  
Its Managing Member

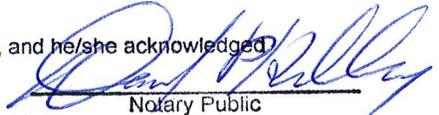
\_\_\_\_\_  
Witness

State of Maine  
County of KENNEBEC

On SEPT. 29, 2016 MATT MORRILL  
personally appeared before me,

- who is personally known to me
- whose identity I proved on the basis of \_\_\_\_\_
- whose identity I proved on the oath/affirmation of \_\_\_\_\_  
a creditable witness

to be the signer of the above document, and he/she acknowledged  
that he/she signed it.

  
\_\_\_\_\_  
Notary Public

DANIEL P. KELLEY  
State of Maine  
My Commission Expires Sept. 8, 2019

Exhibit A

Legal Description of Stevens School Property

Exhibit B  
Promissory Note

Exhibit C  
Mortgage Deed