

Community Sports Infrastructure Loans Scheme

2020 Frequently Asked Questions

Sport and Recreation Victoria

September 2020

1. Project

1.1 How much can I borrow?

Organisations may submit applications for loans between \$500,000 up to \$10 million.

1.2 How much of my project cost can the loan cover?

The loan can cover up to 100% of your total project cost.

1.3 Are projects that have other State Government funding eligible?

Yes, a loan can be secured in conjunction with other state government funding provided that any grant funding ratios of the other program are still met with the required cash contributions.

1.4 Can I use the loan to deliver programs or buy equipment that increase participation?

No, loans provided from the scheme will only be provided for the development of new or upgrade of existing sport and recreation infrastructure that directly contribute to participation outcomes.

1.5 Can I apply for one loan that will contribute to the development of multiple infrastructure projects?

Yes, a single loan can be applied for to develop consistent infrastructure across different sites. For example, an applicant may seek to upgrade lighting infrastructure at five venues in order to increase participation. In this instance a single application that includes specific details for all five venues would be accepted. The assessment criteria would need to be addressed in relation to these sites. A separate budget document outlining the costs for different sites is recommended for these applications.

In the instance that an organisation wishes to undertake multiple projects across multiple facilities that have no consistency, the organisation is required to apply for separate loans for each project.

1.6 Who should I to speak to about my application?

All applicants should undertake consultation with each sport and/or recreation user group affected by the development seeking their support for the project. This support must be evidenced by a letter of support, provided as a supporting document to the application.

Strong applications will align with the objectives and infrastructure strategy of State and/or National Sporting Organisations. Sport and Recreation Victoria encourages strong collaboration between clubs/operators and their governing bodies to ensure facility standards and objectives are achieved.

In cases where the applicant is not the landowner, applicants must discuss their project with the facility landowner and obtain a letter of approval for the proposed development.

Should you have questions regarding your application you may contact Sport and Recreation Victoria via loans@sport.vic.gov.au or through your Sport and Recreation Victoria contact.

1.7 What is the assessment process undertaken in the CSILS?

- Sport and Recreation Victoria will assess and rank applications from organisations in line with the Assessment Criteria, before making recommendations to the Minister for Community Sport to endorse.
- Upon endorsement, the Minister for Community Sport will refer recommended applications to the Treasurer for financial analysis.
- The Department of Treasury and Finance (DTF) will undertake a credit assessment, assessing the applicants' financial viability, security and capacity to repay the loan and service the interest cost.

- Should an organisation meet the above criteria, DTF will provide a recommendation to the Treasurer that a state guaranteed loan be given by Treasury Corporation Victoria (TCV) to the successful applicant.
- Applicants will be notified of outcomes, and announcements will be made by the Minister for Community Sport.
- Successful applicants will also be required to sign an agreement with the Department of Jobs, Precincts and Regions that sets out community access expectations along with other obligations, including timely delivery.
- The applicant will then enter into a Loan Agreement with TCV which will outline the terms and conditions of the loan. Additional finance transaction documentation may also be required at this stage.

1.8 What do we do if we are unable to obtain a Council Resolution before the application deadline? (applicable for LGA applicants only)

With Council elections taking place, a Council resolution may be unable to be sought prior to the application deadline. In the event of this, a letter signed by the CEO may be submitted, confirming the project is in the pipeline and a resolution will be sought to endorse the application at the next Council meeting. In your letter please confirm the date of the next meeting, and the date SRV will receive notification of the outcome.

1.9 Can I modify my project scope after my loan has been approved?

Any amendment to the project scope will require a borrower to complete a formal variation request form. This request is assessed by Sport and Recreation Victoria and may require approval by the Minister for Community Sport. Any modification to the project scope may require a review of the loan amount and terms.

1.10 What are the construction timeline requirements?

It is a requirement that loan recipients commence construction by **30 June 2022**, and complete construction by **30 June 2024**. The Victorian Government reserves the right to withdraw the loan should this timeline not be met.

1.11 What is defined as community access for sport and recreation facilities?

Ensuring the wider community has the opportunity to access and utilise the facility at an affordable and reasonable rate.

1.12 What is the expectation around community access to the new or upgraded facility?

Applications will be required to provide evidence of long-term community access arrangements for the facility. Successful applicants will be required to sign an Interest Subsidy Agreement, an agreement with the Department of Jobs Precincts and Regions that sets out long-term community access expectations, reporting requirements and interest subsidy arrangements. This extends for a minimum of 10 years, or the life of the loan, whichever is greater.

1.13 Do I need to provide any recognition of Victorian Government support?

Successful applicants need to acknowledge the Victorian Government's support through the provision of a loan from the *Community Sports Infrastructure Loans Scheme*. Promotional guidelines form part of the funding agreement and include the requirement that all activities acknowledge Victorian Government support through logo presentation on any activity-related publications, media releases and promotional material; and/or placing a Victorian Government endorsed sign at the site of infrastructure activities.

Details of requirements for funded projects are available in the *Sport and Recreation Victoria: Infrastructure Grants Acknowledgement and Publicity Guidelines*, available at <https://sport.vic.gov.au/>

1.14 Are there any ongoing reporting requirements?

The Interest Subsidy Agreement outlines the reporting requirements for successful applicants. Organisations will be required to complete a Community Access Plan, adhere to annual community access reporting and provide project updates upon request.

There are several ongoing reporting requirements throughout the term of the loan associated with the project, community access provision and the loan agreement. Refer to **2.16** for information on loan agreement reporting requirements.

2. Finance

2.1 How much will the interest rate be subsidised?

Successful loan applicants will have their interest payments subsidised by Sport and Recreation Victoria by 50 per cent, up to a maximum of 250 basis points (2.5 percent).

2.2 What will the interest rate be?

Loans through the scheme will be provided at the Treasury Corporation of Victoria's borrowing rate at the date of contract execution. As of 21 September 2020, the interest rate for a 10-year loan from the Treasury Corporation of Victoria was 1.32 per cent (inclusive of administrative costs).

In addition to accessing a low interest rate loan from the Treasury Corporation of Victoria, organisations will receive additional interest subsidies that will further reduce the interest rate paid by borrowers by 50 per cent.

2.3 Are loans inclusive or exclusive of GST?

Project costs provided are to be exclusive of GST and all loans awarded through the CSILS are exclusive of GST.

2.4 Do I need to provide security that protects the loan?

Yes. You are required to provide evidence of security for your loan application. Refer to **Section 8.3** of the Guidelines for further information.

2.5 What can I use as security for my loan?

All TCV loan facilities will be secured against the borrower's assets. Unencumbered security over buildings and land is preferred. The value of this security must be at least 10 per cent greater than the value of the loan.

If the applicant cannot offer security over buildings or land, long term leases may be considered.

Applicants will be required to provide a Security Deed or Lessor Consent Deed. This will be requested at the TCV loan agreement stage.

For Local Government applicants, loans will be secured against the general rates revenue of the Council.

If additional loans are required by the borrower subsequent to the provision of a TCV loan, the borrower will be bound by a negative pledge covenant which will prohibit it from creating security interests over existing property.

2.6 What is required to satisfy the credit assessment?

The following financial ratios will be required to satisfy the credit assessment:

- A maximum loan to valuation ratio of 45% (total borrowings / net assets)
- Borrowings to EBITDA to be 5 or less.
EBITDA = Earnings Before Interest Taxes Depreciation and Amortization
- Interest Cover Ratio to be not less than 2:1
- Interest bearing Loans and borrowings not exceeding 60 per cent of Own Source revenue (applies only to Local Government borrowers).

2.7 Can I choose between a fixed and variable rate?

No. Refer to **2.10** for information on the loan structure.

2.8 What time period can the loans be paid back over?

Loan terms can be up to a maximum of 15 years. This includes both the construction and repayment periods. Treasury Corporation of Victoria will work with the organisation to identify the most appropriate loan term on a case-by-case basis.

2.9 If approved, when would I have access to my loan?

After the Minister for Community Sport and the Treasurer have approved your loan application, you will be able to commence negotiations to draft your loan documents with TCV. Applicants will be required to execute an Interest Subsidy Agreement with Sport and Recreation Victoria and execute the Loan Agreement with TCV, as well as any additional finance transaction requirements (this will vary depending on organisation type and size). Once the loan agreement is executed, you will be able to draw down on the loan.

2.10 How is the loan structured?

During the construction period the loan will be an **11am loan facility**. The 11am loan facility is interest only and the interest rate is variable. Interest on the 11am loan facility is payable monthly on the first business day of the next month.

Upon construction completion, the borrower will be required to structure the total loan amount drawn on the 11am loan facility, during the period of construction, as a **Credit Foncier loan facility**. The credit foncier loan is a principle and interest structure provided by TCV for up to 15 years (minus the duration of the 11am facility). The maturity date and interest rate are fixed for the term of the credit foncier loan.

2.11 What is an 11am loan facility?

Borrowers will be provided with an 11am loan facility during the construction period, allowing borrowers to draw down on the loan as project expenses are incurred. The 11am loan facility is interest only and the interest rate is variable. Interest on the 11am loan facility is payable monthly on the first business day of the next month. Upon construction completion, the borrower will be required to transfer the total loan amount drawn on the 11am loan facility to a credit foncier loan (principal and interest).

2.12 What is a Credit Foncier loan?

The credit foncier loan will be provided by TCV for up to 15 years, less the construction period. The maturity date, interest rate and loan repayments are fixed for the term of the credit foncier loan. The loan will be structured to provide regular repayment instalments of principal and interest. The frequency of repayment may be monthly, quarterly or semi-annual and will be direct debited from the applicant's nominated bank account by TCV on the payment date

2.13 How do I make a draw down on my loan?

Drawdown requests must be submitted to Sport and Recreation Victoria. Borrowers will be required to complete a draw down request form, detailing the draw down amount and provide supporting evidence of project expenditure incurred.

2.14 Can I set my own repayment schedule?

Organisations will be able to tailor the repayment schedule to align with organisational requirements for the duration of the Credit Foncier loan. e.g. Monthly / quarterly / semi-annual repayments.

2.15 Are there any additional fees and charges connected with the loan?

An administrative fee of up to 21.5 basis points (0.215 per cent) is charged by TCV to cover the cost of raising their bond in financial markets and other administrative costs. This will be incorporated into the interest rate. The calculation of the interest subsidy will include this fee.

Additionally, negotiations throughout the TCV Loan Facility Agreement development will be subject to legal fees. The legal fees incurred by the borrower will be based on:

- the number of finance transaction documents required in addition to the TCV loan facility agreement (i.e. security deed, builders side deed, priority deed, independent certifier's deed, lessor consent deed, etc.)
- the number of drafts prepared for each of these documents
- the negotiation of these documents by the external lawyers of both parties.

For large, complex transactions, legal fees may exceed \$50,000 and should be factored into an applicant's project budget. The loan may be used to cover these fees, and therefore they may be included as a part of the loan request.

2.16 Are there any ongoing financial reporting requirements?

There will be ongoing financial reporting requirements which are detailed in the TCV loan agreement. The types of reports required include financial statements, annual budgets and financial covenant compliance certificates

2.17 What happens if my project cost increases or decreases after my loan has been approved?


Any amendment to the project cost will require a formal variation request. This will require approval by the Minister for Community Sport.

2.18 What happens if I default on my repayments?

You will be in breach of the loan agreement and action will be taken to recover the outstanding funds.

2.19 Can I make additional repayments?

You will be able to make additional repayments. However, this would reduce the overall interest subsidy that you will be entitled to. Treasury Corporation of Victoria will work with the organisations to identify the most appropriate loan term on a case-by-case basis.



Authorised by the Victorian Government
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Available at Sport and Recreation Victoria's website sport.vic.gov.au

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