

# MASTER LEASE RESERVE POLICY

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## Purpose of Master Lease Reserve (MLR)

This policy provides guidance regarding the Master Lease Reserve account and the distribution of funds from the account. The MLR account holds three years of annual lease payments to guarantee commercial space meets the anticipated potential income included in development underwriting.

## Contributions to the MLR

When required the Mortgagor shall establish an MLR account with the Authority at or prior to initial closing in an amount equal to three years of annual lease payments on the commercial space at the development. The MLR shall be funded in cash. Interest earned on the reserve, if any, shall become part of the MLR and shall be treated and disbursed in the same way.

## Eligible Expenses

MLR funds may only be disbursed to pay shortfalls in the income generated by the commercial lease space payments due to the development. Funds may be used for commercial space that is vacant or under-performs in relation to the proforma data.

## Requests for MLR Disbursement

The owner may submit a written request on the MLR draw request (MSHDA Mgmt. 509A) form and should include an explanation of the lease months missed and the anticipated lease up period.

If at any time the MLR account balance falls below the initial deposit into the MLR account (three years of annual lease payments), the owner becomes ineligible to receive a limited dividend payment until the initial balance or greater is restored.

## **MLR and Surplus Cash**

During the annual certified audit process, the Authority will verify the remaining MLR balance as of the fiscal year end has not fallen below the initial deposit level of the MLR. If the remaining MLR falls below the initial deposit level of the MLR, the Mortgagor will not be eligible for the Limited Dividend payment until the reserve has been replenished to the initial deposit level.

If surplus funds exist, any overdrawn MLR funds must be reimbursed to the MLR account in an amount equal to bring the MLR balance back to the initial deposit level prior to determining the surplus funds available for distribution. If a development has overdrawn the Operating Deficit Reserve (ODR) simultaneous to an overdrawn MLR, the ODR must be returned to its maximum disbursement level prior to the MLR balance being brought back to the initial deposit level.

## **Mortgage Loan Payment**

Upon payment in full of a development's MSHDA mortgage loan(s) and all other financial obligations to MSHDA, the disbursement of excess funds is governed by legal documents and applicable laws.

## **Forms and Attachments**

509A – MLR Draw Request Form