Memorandum

DATE November 20, 2008

TO Members of the Economic Development Committee: Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane, Mitchell Rasansky, Linda Koop, and Steve Salazar

SUBJECT Community Development Block Grant Section 108 Loan Application

Attached are additional briefing materials on the Community Development Block Grant Section 108 Loan Application to be presented at today’s Economic Development Committee meeting.

Please contact me if you need additional information.

A.C. Gonzalez
Assistant City Manager

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig D. Kinton, City Auditor
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Interim Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Ramon F. Miguez, P.E., Assistant City Manager
David K. Cook, Chief Financial Officer
Jeanne Chipperfield, Interim Budget Director, Office of Financial Services
Karl Zavitkovsky Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Helena Thompson-Stevens, Assistant to the City Manager
Typical Project Loan Arrangement
Prior Fall 2008 Example

$100M Project Cost

20 % Equity

80 % Loan

Developer Investor Equity
(12-20%)

Bank loan mortgage
1st lien
Typical Project Loan Arrangement
Prior Fall 2008 Example (With City Assistance)

- **20%** Equity
- **80%** Loan

City Participation
- TIF, 380 Grant, PP (7-15%)

Developer Investor Equity
- (12-20%)

Bank loan mortgage
- 1st lien

Project Cost
- $100M
What Has Happened Post Fall 2008

- Too much to leverage
- City Participation (15-28%)
- Developer Investor Equity (12-25%)
- Cost of Funds
- Lending Scarce
- Reduced Participation
- Increased Rates

Project Cost: $100M

- 40% Equity
- 60% Loan

Bank loan mortgage 1st lien
HUD 108 Loan Arrangement Example

- **$100M Project Cost**
- **40% Equity**
- **60% Loan**

City Loan Participation (15-28%)

Developer Investor Equity (12-25%)

Bank loan mortgage 1st lien

HUD 108 Loan Credit Enhancement 2nd Lien

1) On 1st 80% of appraised value of project

2) LOC for $2M/year payments for X (maybe 6) years of payments (includes time when there is no income)