

Section 108 Loan Guarantee Application
Executive Summary

The City of McAllen is soliciting comments until Monday, May 18, 2009 on the submission of a Section 108 Loan Guarantee Application. It is the intention of the City to remit the application to the appropriate offices at the U.S. Department of Housing and Urban Development (HUD) on or about June 1, 2009.

Additional information may be obtained by calling the Community Development Office at (956) 972-7241 or Brent Branham, Deputy City Manager, at (956) 681-1001. Written comments should be addressed to:

M. Piedad Martinez, CD Director
City of McAllen
P.O. Box 220
McAllen, TX 78505-0220

APPLICABILITY

The purpose of the application is to provide partial permanent financing for the development of a 195-room upscale hotel. The City of McAllen will act as the borrower and assist the developer to build the project. The principal developer is McAllen Skyline, LTD, a Texas limited partnership, who will provide the equity for the project. Funds will not be used for relocation activities.

Of note, this project is “shovel-ready” and construction may commence immediately upon securing financial resources.

A summary of sources and funds are as follows:

Private Bank Loan	\$12,328,250
Private Equity (Cash)	\$ 9,150,000
HUD 108 Loan	\$ 8,830,000
City Land	\$ 2,500,000
Fireman’s Pension Loan	\$ 1,191,750
TOTAL PROJECT SOURCES	\$34,000,000

A summary of costs are as follows:

Construction Costs	\$22,000,000
Furnishing/Equipment	\$ 5,000,000
Land Cost	\$ 2,500,000
Site Work/Testing Services	\$ 1,300,000
Financing	\$ 1,000,000
Project Management	\$ 700,000
Pre-opening Expenses	\$ 500,000
Contingency/Other Expenses	\$ 500,000
Landscaping	\$ 250,000
Loan Acquisition Cost	\$ 150,000
Signage	\$ 100,000
TOTAL PROJECT COSTS	\$34,000,000

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REPAYMENT

Repayment will be made in equal payments over the maximum 20-year period. It is anticipated that an annual payment will equal \$600,996.

The primary repayment source will be proceeds generated from the hotel's revenue. In order to assure prompt payment, the City is requiring the developer to escrow at least the first year's payment.

Should the proceeds not be sufficient for the annual repayment, the City intends to use the following income streams:

- Sales Tax
- Property Tax
- Community Development Block Grant (CDBG) Entitlement Funds

In addition, the City is required to pledge additional sources of repayment. The City has compiled the attached list of properties to be pledged to HUD as part of the repayment agreement.

ELIGIBILITY

The City of McAllen is eligible to request a Section 108 Loan Guarantee because economic development activities were deemed a "high" priority in the FY 2005-2009 Consolidated Plan and Strategy. Section 108 Loan Guarantee projects must comply with CDBG regulations.

Primarily, the Community Development objective that will be addressed through the use of Section 108 funds will be the creation of jobs to benefit low and moderate income persons.

According to the "Standards for Evaluation Public Benefit" guidance provided by HUD regulations, a minimum number of Full-Time Equivalent (FTE) jobs to be created from an \$8.83 Million Section 108 Loan would be 178. Although the developer anticipates 129 jobs, the City would verify FTE status as well as propose to use any additional jobs created at the McAllen Convention Center to meet the requirements. Please see attached "Basic Staffing Guide" for the developer's assessment.

Further, the City would require construction contractors and subcontractors to adhere to the Davis-Bacon and Related Acts (DBRA) requirements. DBRA state a minimum wage to be paid to the various classifications of employees.

City of McAllen, Pledge for Collateral of Proposed HUD 108 Loan:

Actual/Projected Sales of McAllen Convention Center Parcels:

Lot	Use/Buyer/Date of sale Completion	Date of Sale	Acres	SF	Est /Actual Price per SF	Actual Lot Value	Est Lot Value	Pledge for HUD 108
<u>Retail/ Restaurants/Office/ Disc Hotels</u>								
5	City Master plan for Auditorium? part of site has existing CC parking		5.50	239,580	13.34		\$3,195,997	
Total City use			5.50	239,580			\$0	
3	Vacant Lot: NW corner 29th & Ithica		5.13	223,625	\$13.34		\$2,983,158	\$2,983,158
1 & 2	Sold to Palms Crossing/Simon :	9-Jan-06	70.00	3,049,200	\$5.56	\$16,939,981		
Total Retail			75.13	3,272,825	18.90	16,939,981	\$6,179,155	\$2,983,158
<u>Hotels</u>								
		Rooms						
6 revised	Proposal from McAllen Skyline ltd for Embassy Suites	195	4.27	186,049	\$13.34	\$2,481,895		
7 revised	Tri-wanis Ventures: For LaQuinta : 5-12-08	168	3.22	140,395	\$13.34	\$1,872,863		
10	SE corner Ware & Erie		2.408	104,907	\$13.34		\$1,399,459	
9	NE corner Ware & Galveston		1.947	84,811	\$13.34		\$1,131,383	
8	RFP for 3rd Hotel due 4-17-09		3.711	161,833	\$13.34		\$2,158,852	
Total Hotels		363	15.56	326,444	\$13.34	\$4,354,758	\$4,689,695	
12	Vacant Lot (Old Sundance Trailer Park) streets, utilities remain		20.99	914,321	\$5.00		\$4,571,605	\$4,571,605
13	Vacant Lot (Old Sundance Trailer Park) streets, utilities remain		5.146	224,171	\$3.50		\$784,599	\$784,599
Subtotal:			26.14	1,138,492	\$0.00	\$0	\$5,356,204	\$5,356,204
Grand Total								
			148.47	6,115,833		\$21,294,739	\$16,225,053	\$8,339,362

Basic Staffing Guide
 Fulltime and Parttime Employees
 Proposed Suite Hotel
 McAllen, Texas

			Total	#
	Wage Range*	Positions	Wages	Ft/Pt Employees
<u>Room Division</u>				
Front Office Manager	Salary	Salaried Manager	33,000	1
Desk Staffing	\$ 8.00	2 Clerks/Shift 2 Shifts Daily	105,120	6
Uniform Service	\$ 7.50+Tips	3 Bellmen/Driver Daily	65,700	5
Audit Personnel	\$ 11.00	1 Night Audit Daily	32,120	2
Housekeeping Manager	Salary	Executive Housekeeper	45,000	1
Asst. Housekeeper	\$ 9.25	Asst. Housekeeper	19,240	1
Room Attendants	\$ 8.00	35min. Cleaning time per Suite	250,000	25
Housemen	\$ 7.75	Lobby Care + One Attendant/75rooms	81,468	8
Laundry Attendants	\$ 8.00	16 Hours Daily	46,720	4
Total Rooms Salaries			678,368	53
<u>Food & Beverage</u>				
Food & Beverage Dir.	Salary	Salaried Manager	45,000	1
Executive Chef	Salary	Salaried Manager	40,000	1
Assistant Mgr.	Salary	1 Restaurant 1 Banquet Manager	52,000	2
Culinary Personnel	\$ 9.50	1 Lunch/Dinner & Banq. Prep Personnel	250,000	7
Stewarding	\$ 7.50	16 Hours Daily + Banquet Cleanup	65,000	5
Café Service	\$ 4.00+Tips	2 Waiters Daily (Lunch-Dinner)	26,280	6
Banquet Set-up / Service	\$ 8.25	Based on Banquet Sales (15%)	96,579	18
Total F&B Salaries			574,859	40
<u>Beverage Department</u>				
Lobby Bartender	\$ 8.00+Tips	1-2 Bartender (Lobby Bar)	35,040	4
Cocktail Servers	\$ 4.00+Tips	1-2 Servers (based on business)	17,520	4
Total Beverage Department			52,560	8
<u>Hospitality Personnel</u> <i>breakfast and evening reception)</i>				
Breakfast Cook	\$ 8.00	2 Cooks Daily	32,850	2
Breakfast Servers	\$ 4.00+Tips	3 Servers Daily	21,900	3
Bartender (7days)	\$ 8.00	2 Monday-Sunday (4Hrs.)	23,298	4
Evening Service Staff	\$ 7.50	3 Monday-Sunday (4Hrs.)	32,760	8
			110,806	15
<u>Maintenance Department</u>				
Chief Engineer	Salary	1 Salaried Manager	35,000	1
PM/ Mechanics	\$ 9.25	Shift Coverage (24Hrs.) + PM Person	100,270	6
Grounds/Landscaping	\$ 7.50	1 Gardner	15,600	1
Total Repairs & Maintenance			150,870	8
<u>Administration/Sales</u>				
General Manager	Salary	1 Salaried Manager	90,000	1
Property Accountant	Salary	1 Salaried Accounting Mgr.	31,000	1
Admin. Assistant	\$ 10.75	Payroll/Office Administration	22,360	1
Director of Sales	Salary	1 Salaried Manager	55,000	1
Director of Catering	Salary	1 Salaried Manager	35,000	1
Total Administration/Sales			233,360	5
Annual Salary/Wages			1,800,823	129

*Wage/Salary Based Present Wage (\$7.25) Factor (4%per annum) to 2011
 Excludes any taxes and/or benefits