

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.

Section 108 CALENDAR (TENTATIVE)

April 7 – Tuesday	Hospitality Forum (Sponsored by McAllen Chamber of Commerce) – 9:00 A.M.
April 13 – Monday	City Commission Meeting <ul style="list-style-type: none"> ▪ CDBG Week Proclamation – 4:00 P.M. ▪ authorizing exploration of 108 application
April 14 – Tuesday	CD Meeting /Recommendation of Projects – 5:30 P.M.
April 16- Wednesday	Project Review with Firemen’s Pension Board- 9:00 a.m.
April 16– Thursday	* Publish Public Hearing Notice for Recommendation of Project and Section 108 * Commence Environmental Review for CDBG and 108 projects
April 17 - Friday	<i>Receive relevant data for 108 review includes financial proposal</i>
April 23- Thursday	Project Review by CDBG Advisory Board- 5:30 p.m. at the McAllen Convention Center –Ballroom C-D
April 27-Monday	City Commission Meeting <ul style="list-style-type: none"> ▪ Public Hearing/Recommendation of Proposed Projects - 6:00 P.M. ▪ Public Hearing/Section 108 - 6:00 P.M. ▪ Approval of HPRP
May 20, Wednesday	Firemen’s Pension Board Commitment Date – 9:00 a.m. at the Central Fire Station
May 22 – Friday	End Comment Period
May 26 - Tuesday	City Commission Meeting: Approval of Projects and Section 108 Application- Time TBA
June 5 - Friday	Tentative submission of Section 108 application to HUD
June 15 - Monday	Receive Environmental Clearance on CDBG and 108 projects; <i>if no concerns are noted</i>