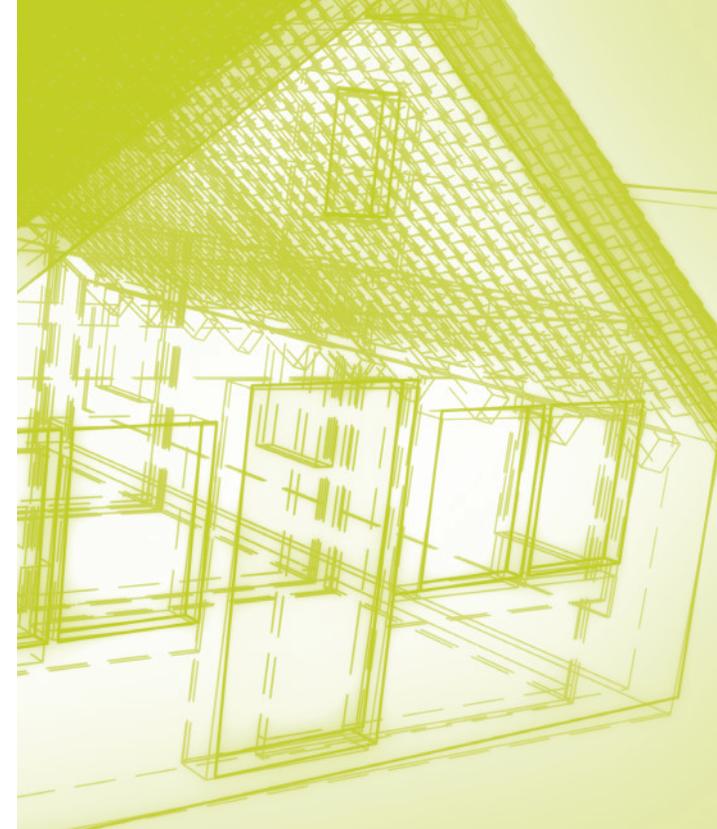




SECTION 108 LOAN GUARANTEE:

A Financial Tool for Economic
Development Projects



For more information, visit
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What is Section 108 Loan Guarantee Program?

Recently, the City of Mesa was awarded \$16.9 million of the Community Development Block Grant (CDBG) for a Section 108 Loan Guarantee from the U.S. Department of Housing and Urban Development (HUD) for an Economic Development Loan Fund.

Projects assisted with this Section 108 loan fund will be primarily to benefit low and moderate-income individuals by creating jobs, and may also be used to help eliminate conditions of slum or blight, when deemed appropriate.

Who is eligible for the Loan Guarantee?

Section 108 Loan Guarantee may be utilized by a business, property owner or developer needing financing for development projects. Nationally, more than 1,200 successfully completed projects have utilized this program.

What are eligible activities?

The following activities are eligible for the Section 108 Loan Fund:

- Real property acquisition
- Rehabilitation of real property
- Relocation
- Clearance and demolition
- Site preparation
- Public facilities improvements
- Issuance costs
- Capitalized interest
- and Reserves



What is the process for applying for the loan guarantee?

- A business, property owner or developer submits a letter of application to Mesa's Office of Economic of Development addressing preliminary questions as described in the Guidelines.
- The City of Mesa processes the application. Typically, the process ranges between 90 to 120 days.
- Section 108 loan fund guidelines require that at least one full-time equivalent (FTE) permanent job is created or retained per \$35,000 of Section 108 funds used for a project.
- Minimum loan amount per project is \$500,000 which translates to a minimum of 14 jobs created or retained.

What is the Interest Rate?

The interest rate for the Section 108 loan fund will be determined, in part, by the cost of funds on the money from HUD. Permanent financing interest rates are pegged to yields on U.S. Treasury obligations of similar maturity plus additional costs that are determined on a case-by-case basis. Interim period or "construction period" interest rates are priced by the 3-month London Interbank Offered Rate (LIBOR) as published in the Wall Street Journal.

What is the Loan Term?

The typical loan term for the Section 108 loan fund is 15 years. However, certain projects may be able to take advantage of a longer amortization period. Loan terms are determined on a case-by-case basis.

Subordination

Section 108 loans can be in a subordinate position to conventional financing if necessary, however several underwriting guidelines must be met.

Collateralization

Section 108 loans will typically be secured in the form of a deed of trust collateralized (100%) by the pledge of real property and/or improvements.

Combined Loan-To-Value (LTV)

The maximum combined loan-to-value for a Section 108 loan is 80%.

Empowered to help you build your business

The City of Mesa Office of Economic Development is committed to provide you the service and solutions to meet your project schedule. The Office of Economic Development works closely with our clients throughout all phases of the development process and we look forward to helping grow your business in Mesa.

