



NEW MEXICO DEPARTMENT OF
FINANCE & ADMINISTRATION

Overview of Section 108 Loan Program

Presented to NMFA Oversight Committee
November 1, 2013

Andrew Jacobson
Deputy Secretary
Department of Finance and Administration

Section 108 Overview

Community Development Block Grant (CDBG) program

Eligible Applicants

- Entitlement Communities
- State-Assisted Non-Entitlement Communities

Eligible Activities

- Economic Development
- Housing, Public Facilities Rehabilitation

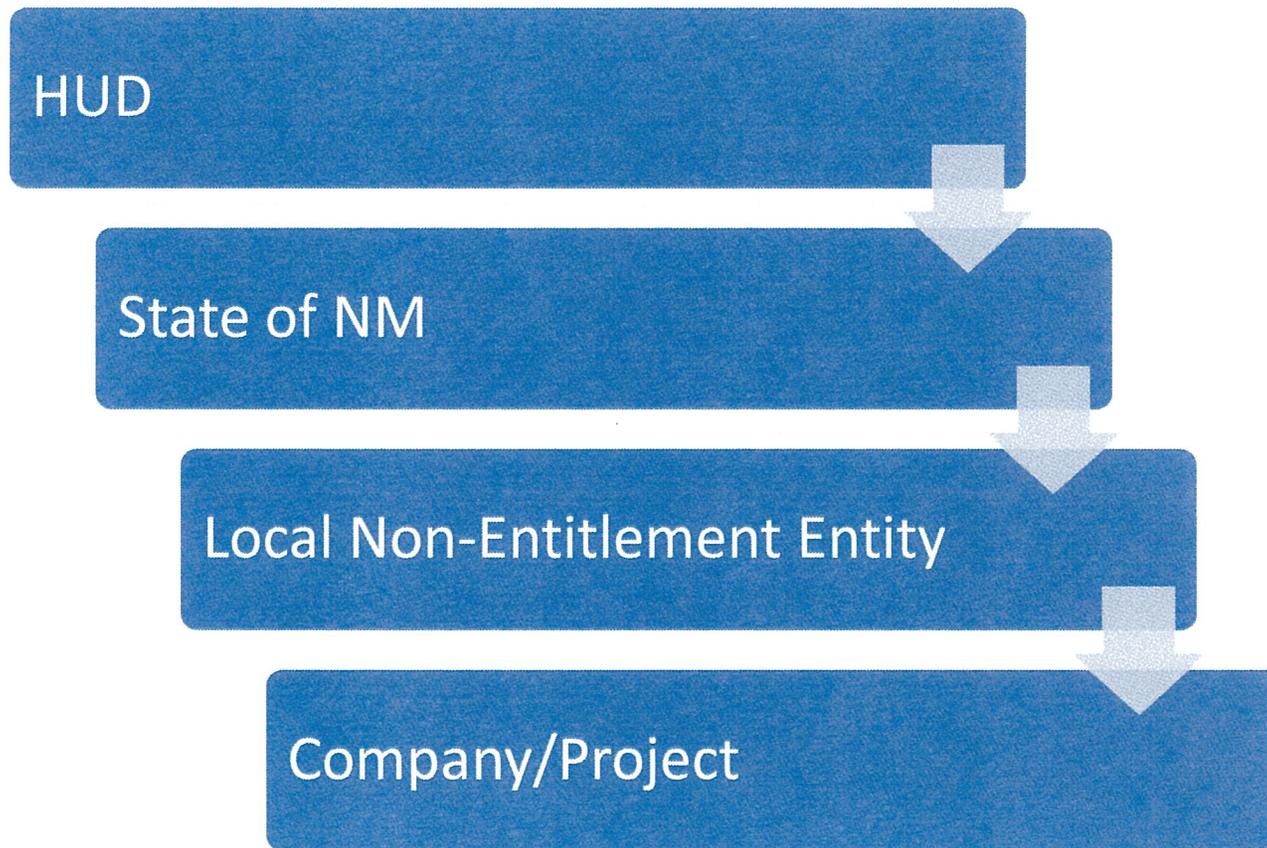
Calculation of Capacity

- CDBG allocation \$8.4M times 5
- Currently around \$42M

Criteria/Goals

- Principally benefit Low-to-Moderate Income areas
- Elimination/prevention of slum and blight conditions

Flow of Funds for a Section 108 Loan



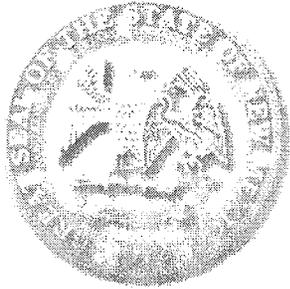
HUD Guidelines

HUD Regulations for 108 Program (CFR 570.711 lists the application requirements for state borrowers)

Underwriting Guidelines (Economic Development Toolkit)

Mandatory Public Benefit Standards (Job Creation)

- 1 FTE per \$50k of Section 108 loan assistance
- \$5M loan would require 100 jobs



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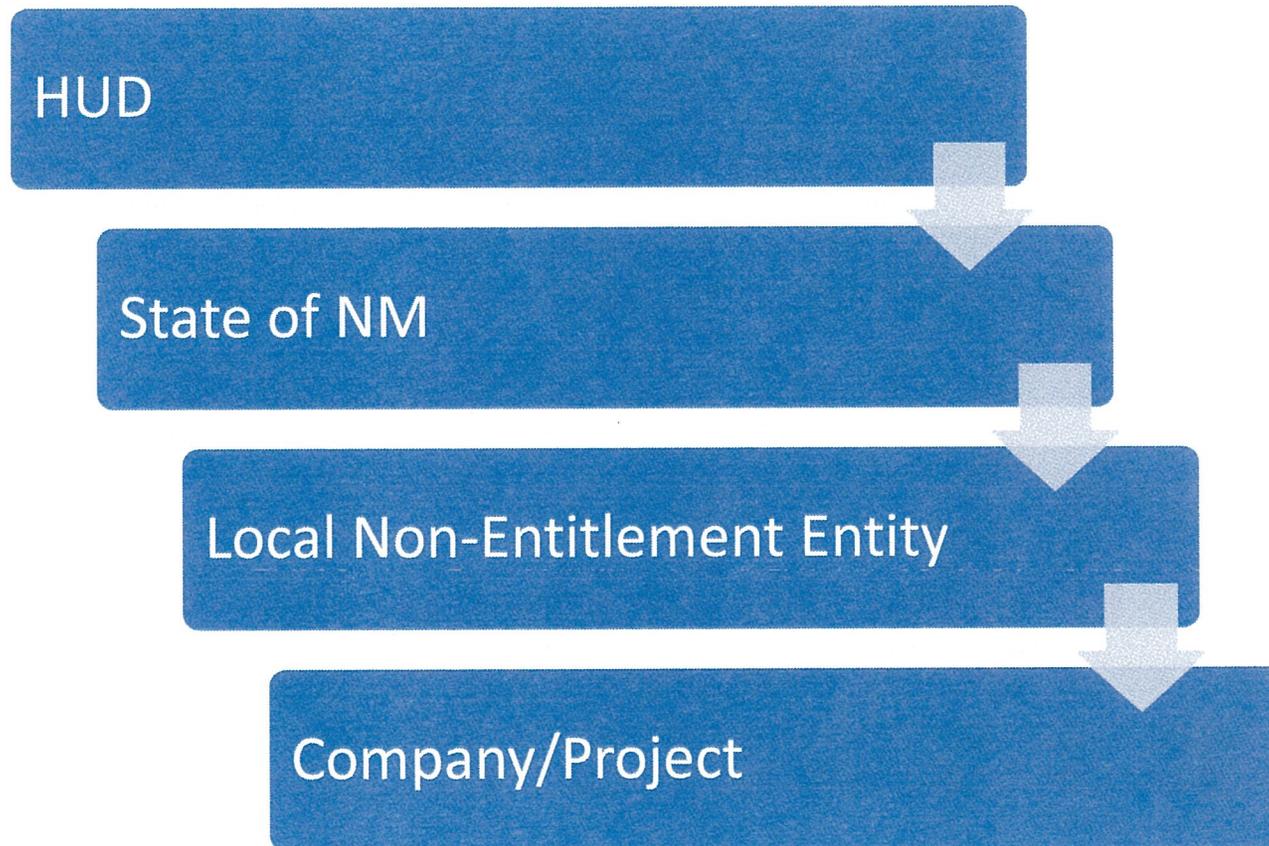
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Community Development Council Process

4 companies were brought to the CDC:

- Horizons Building Technologies, Inc. (withdrew request)
- Safety Technologies, Inc. (deemed ineligible by HUD)
- RIEtech, Inc.
- Atlantis Cyberspace, Inc. / Virtual Edge

CDC provided conditional approval for ACI and RIEtech, Inc. subject to DFA's satisfaction on the following items:

1. Loan-to-Value
2. Return on Equity
3. Collateralization

Issues/Concerns

- Risk to future CDBG funding
- Lack of underwriting “infrastructure”, evaluation of collateral
- Complicated structure, Fed/State/Local Entity/Project
- Section 108 in other states
- Lack of clear program guidelines
- What type of loan is appropriate? What would constitute adequate coverage for the loans? Should there be a clawback if job requirements are not met?
- Borrower concerns (lack of structure, predictability)

Conclusion

- A potentially important tool for economic development in NM
- A number of issues and concerns to be addressed
- Program rules need to be developed so program can be implemented in a consistent, strategic and thoughtful manner
- Avoid the appearance of favoritism

Questions/Discussion

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