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**MEMORANDUM**

**DATE:** April 9, 2015  
**TO:** Members, Board of Directors  
**FROM:** Juan Salgado, Executive Director  
**SUBJECT:** Phoenix IDA Loan Fund

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In September 2014, the Board approved the addition of a line of credit option to the Education Loan Fund, which is encompassed within the \$1 million allocation previously made by the Board to fund loans for pre-development costs to schools applying for bond funding. Terms for these existing loans are attached.

Based on interest from other nonprofit bond applicants, I am requesting authorization to change the name of the fund from “Education Loan Fund” to “Phoenix IDA Loan Fund” thereby expanding the Phoenix IDA’s ability to make loans to a wider range of potential applicants and with terms similar to the existing loan programs outlined below.

- **Education Phoenix IDA Pre-Development Loan Fund.** Funds to provide short-term financing of up to \$250,000 for pre-development costs incurred by nonprofit organizations seeking Phoenix IDA bond financing, thus reducing applicants’ overall debt service costs. With a \$500,000 commitment from Arizona Community Foundation (ACF), specifically for education-related loans, there is a combined availability of up to \$1.5 million for these interim loans.
- **Education Phoenix IDA Line of Credit.** This facility targets creditworthy nonprofits that have limited access to credit. It is expected that the loans will range from \$50,000 to \$250,000 for short-term (12 month maximum) loans or lines of credit. Interest rates will be competitively indexed to the Wall Street Journal Prime Rate. The Executive Director is authorized to approve the loans and to execute all documents related to the facility.

I request the Board approve the suggested change, thereby expanding the ability to make other loans consistent with the terms of the existing loan programs described above, and to authorize the Executive Director to make all related lending decisions.

**Education Pre-Development Loan Fund**  
**Program Description**

<b>Borrower:</b>	A qualified Arizona <del>school</del> - <a href="#">nonprofit</a> in the bonding process with Phoenix IDA.
<b>Finance Amount Per Project:</b>	Up to \$250,000
<b>Pre-Requirement:</b>	A complete application for bond financing must be received for a loan application to be considered.
<b>Deadlines:</b>	A completed loan application must be received by the Phoenix IDA at least 45 calendar days, but no more than 180 calendar days, prior to the anticipated bond closing date. The loan application must also be received at least 15 calendar days prior to the date of loan funding.
<b>Completed Loan Application:</b>	All requirements of loan application are met including, <ul style="list-style-type: none"><li>• related bond application and bond application fee,</li><li>• loan commitment fee,</li><li>• proposed uses of funds,</li><li>• Bond Counsel approval letter,</li><li>• proposed draw schedule,</li><li>• Underwriter’s highly confident letter, and</li><li>• access to all relevant information regarding the Applicant’s financial condition; if web-based access is not provided, all financial information must be provided in multiple copies with application.</li></ul>
<b>Use of Funds:</b>	To provide interim loans to pay pre-development project costs eligible for bond financing, such as the costs of due diligence, architectural and consulting fees, zoning and permitting costs, insurance, bonding, and other qualified pre-development costs.
<b>Disbursement of Funds:</b>	Funds to be disbursed to borrower either as reimbursement, on requisition, or in combination, as detailed in draw requests submitted to the Escrow Agent.
<b>Source of Repayment:</b>	The repayment source is from bond proceeds upon closing of the bond transaction or other permanent financing.
<b>Documentation:</b>	The parties will prepare and sign a Loan Agreement, Promissory Note and other lender-required documents.

<b>Maturity:</b>	Up to six months (the time required to prepare for closing the bond transaction).
<b>Amortization:</b>	Interest only payments are required on the loan. All principal and any accrued interest will be paid in full at closing.
<b>Interest Rate:</b>	5.5%
<b>Term Loan Rate:</b>	8.5%
<b>Prepayment:</b>	The borrower will have the option to prepay all or any portion of the debt at any time without penalty or premium.
<b>3<sup>rd</sup> Party Expenses:</b>	All such expenses to be paid by the borrower.
<b>Project Location:</b>	Within the State of Arizona.
<b>Fees:</b>	Non-refundable loan commitment fee of 80 basis points (up to \$2,000), collected at time of loan application.

**Education-Line of Credit**  
**Program Description**

<b>Borrower:</b>	A qualified Arizona <del>school</del> <a href="#">nonprofit organization</a> .
<b>Credit Line:</b>	Up to \$250,000
<b>Use of Funds:</b>	Short-term cash flow and/or working capital needs.
<b>Disbursement of Funds:</b>	Either one-time or as needed.
<b>Source of Repayment:</b>	Future cash flows from <del>state payments</del> <a href="#">revenues</a> .
<b>Documentation:</b>	The parties will prepare and sign a Loan Agreement, Promissory Note and other lender-required documents.
<b>Maturity:</b>	Up to twelve months with no pre-payment penalty.
<b>Amortization:</b>	Interest only payments are required. All principal and any accrued interest to be paid at maturity.
<b>Interest Rate:</b>	Variable, indexed to WSJ Prime Rate.
<b>Prepayment:</b>	The borrower will have the option to prepay all or any portion of the debt at any time without penalty or premium.
<b>3<sup>rd</sup> Party Expenses:</b>	All such expenses to be paid by the borrower.
<b><a href="#">School-Nonprofit</a> Location:</b>	Within the State of Arizona.
<b>Fees:</b>	Origination fee of \$500, renewal fee of \$150 for creditworthy borrowers.