



**Chandler · Arizona**  
*Where Values Make The Difference*

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**MEMORANDUM**

**Management Services Memo No. 13-041**

**DATE:** MARCH 11, 2013

**TO:** MAYOR AND COUNCIL

**THRU:** RICH DLUGAS, CITY MANAGER *RD*

**FROM:** DAWN LANG, MANAGEMENT SERVICES DIRECTOR *DLL*

**SUBJECT:** CHANDLER INDUSTRIAL DEVELOPMENT ASSOCIATION'S (CIDA)  
NEW COLLATERAL ASSISTANCE PROGRAM BRIEFING

The President of the CIDA, Edward Salanga, will be briefing Mayor and Council regarding a new program to be offered to eligible for-profit businesses located in Chandler, Arizona. The program is called the Chandler Collateral Assistance Program. The program was approved by the CIDA at the January 8, 2013 board meeting and established to assist Chandler businesses in obtaining loans and creating jobs in Chandler. The attached Powerpoint presentation will be used to explain the details of this program.

Successful applicants/borrowers under the Chandler Collateral Assistance Program receive a collateral contribution from the CIDA towards the closing of a loan offered by an eligible financial institution. The collateral contribution is up to \$50,000 or 20% of the total loan proceeds, whichever is less, and is deposited with the borrower's lender. After two (2) years, the CIDA withdraws the collateral and all interest earned from the lender, allowing the CIDA to use these funds to support future applications. Job creation is an essential element of any request for Collateral Assistance, with at least one job created in Chandler for every approved application.

The CIDA is excited to offer this new Collateral Assistance Program within Chandler and looks forward to answering any questions, as well as Mayor and Council's continued support to the CIDA efforts.

Attachment: Briefing Powerpoint Presentation

cc: Pat McDermott, Assistant City Manager  
CIDA Board Members



**City of Chandler  
Industrial Development Authority**

Introduces the New  
**Chandler Collateral Assistance Program  
(CCAP)**

**Chandler Collateral Assistance Program  
was established to:**

- Create a sustainable IDA program focused on economic development in Chandler
- Stimulate private-sector financing for expansion and maximize financing dollars
- Encourage development of commercial and industrial parcels in Chandler
- Create new jobs in Chandler

## How does the Chandler Collateral Assistance Program work?

- Works in partnership with lenders to make credit more readily available to growing businesses
- Encourages lending by providing additional collateral for repayment of a loan – the “Reserved Collateral Account”
  - Maximum \$50,000 or 20% of the loan - whichever is less
  - Held by the lender for up to 2 years
- Every borrower commits to creating 1 job in Chandler

## Who is eligible?

- For-profit companies operating in Chandler
  - Retail
  - Manufacturing
  - Wholesale
  - Services
- No start ups - established track record required:
  - 2 years of operating history
  - Net worth of not more than \$7.5 million, and
  - Profit (after federal income tax) of not more than \$2.5 million averaged over past two years

### Eligible uses:

- New construction
- Purchase or renovation of existing facility
- Leasehold improvements
- Acquisition of machinery and equipment
- Working capital

### Ineligible uses:

- **Businesses involved in:**
  - Gambling or illegal activities
  - Speculative ventures, investment-oriented activities
  - Substantial sale of alcohol
- Not-For-Profit Businesses
- Debt refinancing
- Payment of delinquent taxes or judgments
- Start-up or product development costs
- Residential real estate

## How does a typical project work?

- Owner establishes a business relationship with a Lender who considers providing financing
- Lender and Owner negotiate financing terms
- Lender/Owner apply for collateral assistance from CIDA
- CIDA reviews application, including Lender's files

## How does a typical project work?

- If the CCAP application is approved, CIDA deposits the Collateral Reserve Account with the Lender and the loan closes
- Interest accruing on the Collateral Reserve Account belongs to CIDA
- Owner provides annual reporting to CIDA regarding job creation – at least one job within 2 years
- After 2 years, CIDA withdraws the Collateral Reserve Account and all accrued interest

## Chandler Collateral Assistance Program Fees

- Non-refundable application fee of \$250
- Closing fee equal to 1% of the total amount of the Collateral Reserve Account
- Administration fee equal to 1% of the total amount of the Collateral Reserve Account at the 1-year anniversary
- Reimbursement of third-party consultants, legal and accounting fees

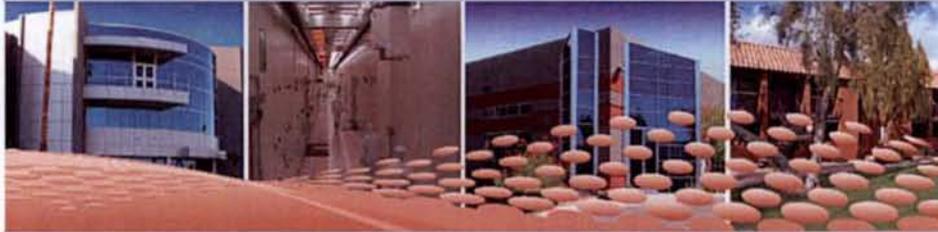
## Contacts

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- Christine Mackay, Economic Development Director  
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- Edward Salanga, President CIDA  
([edward.salanga@quarles.com](mailto:edward.salanga@quarles.com); 602.229.5422)

# QUESTIONS?



**City of Chandler  
Industrial Development Authority**



**Chandler Collateral Assistance Program**