



# Using New Market Tax Credits and the SBA 504 Program To Fund Your Commercial Real Estate Projects

Workshop on Commercial Districts  
Centralina Economic Development  
Commission



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## About Us

- Non-profit CDFI founded in 1980
- Mission

*Creating ownership and economic opportunity for minorities, women, rural residents and low-wealth families*



# Services

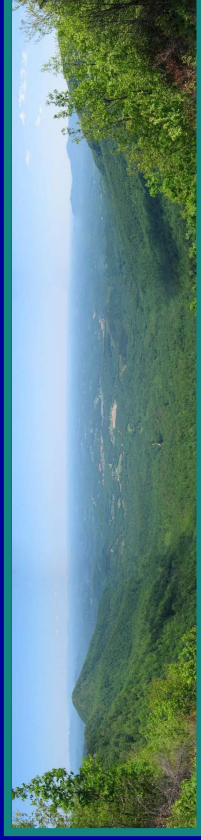
- Home loans
- Small business & non-profit loans
- Community development & neighborhood revitalization
- Nationwide advocacy





# Community Impact

- \$4.5 billion in financing to 50,769 borrowers



## What is NMTC?

- Program designed to bring new investment capital to low-income urban and rural commercial and economic development programs



## How It Works

- Self Help sells the tax credits to private investors and uses the proceeds to subsidize loans to projects that encourage development in rural, inner-city and impoverished areas

# Eligible Projects

- Office
- Retail
- Residential\*
- Industrial
- Health Care
- Charter Schools

*\* At least 20% of property revenue must come from non-residential uses*

## Loan Types

- Construction to permanent
- Permanent (refinancing of investment property is subject to restrictions)



## Loan Terms

- \$300,000 to \$50,000,000
- Term of at least 7 years to 20 years

## Interest Rates

- 7-year fixed
- Rate approximately 200 basis points over 7-year treasury rate depending on the size of the project and underwriting criteria
- 1% origination fee
- No prepayment allowed
- 20-year amortization

## Underwriting Criteria

- Debt service criteria: 1.20x minimum
- Loan to value: 75% to 80% maximum



## SBA 504 Loans

- Designed for fixed asset acquisition by small business—typically real estate or machinery.
- Loans done in partnership with bank or other financial institution, who does 50 percent senior loan.
- SBA 504 loan up to 40 percent of total project, which can include soft costs.



## SBA 504 Loans (Continued)

- 20-year term and fixed rate for real estate. Effective annual rate about 2 percentage points above comparable US Treasury. November 2006 funding rate was 6.33%.
- 10-year term for equipment-only loans.



- Self-Help is North Carolina's largest SBA 504 lender.



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# Contact Us

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