

SBA 504 Loan Program

WHAT IS IT?

ADA provides financial and technical assistance to small, minority and female-owned businesses to expand and/or relocate in the city. The SBA-504 Loan Program offers businesses a unique source for 90% financing. Loans are available through certified development companies certified under the U. S. Small Business Administration 504 Certified Development Corporation Program.

Details

To be eligible, projects must meet the following requirements—(1) owners must occupy at least 51% of space; (2) acquisition of fixed assets (i.e., land and building); (3) new construction (67% occupancy); (4) renovation; and (5) machinery and equipment.

Ineligible projects include—(1) working capital and (2) refinancing.

Loans may be up to \$1.5 million or 40% of total project costs (up to \$2 million if the company meets a public policy goal). 504 loans for “Small manufacturers” may be made up to \$4 million.



Typical Transactions

Source of Funds	Amount	Collateral
Bank	50%	1st Mortgage
ALDC	40%	2nd Mortgage
Equity	10%	

Terms

Term of Loan: 20 years real estate or a combination of real estate
And machinery/equipment

Interest rates: Fixed for term of loan, based on 10-year Treasury Note, priced monthly. Loans funded through private sale of debentures.

Assumability: The SBA-504 portion is assumable.

Eligible Borrowers: Most for-profit businesses with less than \$6 million in net worth; less than \$2 million after tax profits, or less than 500 employees.

Fees: Processing and servicing fees are paid out of debenture proceeds.

Prepayment: 10% penalty the 1st year, decreasing by 1% to the 10th year.

OPPORTUNITY LOAN FUND

WHAT IS IT?

The purpose of the Opportunity Loan Fund (“Let Atlanta Soar” or the “Fund”) is to stimulate job creation in the City of Atlanta. The Fund will provide “gap” financing to assist small and medium-sized businesses who create at least five new jobs in the City of Atlanta. ADA will provide loans of \$100,000-\$200,000 at an interest rate of one-half (1/2) of the current prime interest rate plus 2% (1/2 Prime+2), with a minimum rate of 4%. The Opportunity Loan Fund is funded by the City of Atlanta.

Loan Terms

Eligibility—For profit businesses located in any commercial and industrial area of the City of Atlanta are eligible for this loan program provided that they meet the loan criteria established herein. Start-up businesses must have a minimum of 20% equity.

Special consideration will be given to employers in the six development priority areas in the New Century Economic Development Plan for the City of Atlanta. The six priorities areas are:

- Campbellton Road
- Donald Le Hollowell Parkway
- Jonesboro Road
- Memorial Drive Corridor
- Simpson Road
- Stadium neighborhoods
- Mechanicsville
- Peoplestown
- Pittsburgh
- Summerhill

Fees – Application fee of \$100 and a loan commitment fee of 2% of loan amount are paid at the time of application and commitment, respectively

Typical Structure

The Opportunity Loan Fund typically funds 50% of costs, with the other 50% coming from private sources, including capital investment by the borrowers or others, financing from private entities and/or SBA affiliated loan programs.

Loan Size – Minimum of \$100,000; Maximum of \$200,000

Quality Employment – At least five (5) new jobs shall be created in the funded project within the first year of funding. Employers would be required to meet or exceed market-based wage thresholds for the specific industry and provide healthcare coverage.

Term of Loan – Maturity dates up to 3 years for inventory and working capital; 5 years for fixed assets; 7 years on leasehold improvements (loan terms shall not exceed the lease agreement or financial institution terms); and 15 years for property acquisition.

Loan Participation – All loans shall be matched at least by a 1:1 ratio with equity and/or a loan from a private sector financial institution.

Type of Collateral – Subordinated mortgage or lien on assets purchased with loan; personal guarantees will be required by all persons who own 20% or more interest in the business; corporate guarantees; other personal property; additional guarantees might be required and shall be determined on a case by case basis.

Interest Rate – Interest rates shall be set at ½ of prime + 2 with a minimum interest rate of 4%.

Monitoring and enforcement standards – To ensure that the businesses receiving loans are achieving the job creation results, ADA will monitor the performance of each loan recipient for the first two years. We will require businesses to provide compliance reports semi-annually.

BUSINESS IMPROVEMENT LOAN FUND

WHAT IS IT?

The City of Atlanta and ADA sponsor the Business Improvement Loan Fund (BILF) Program. The BILF is designed to encourage the revitalization of targeted business districts in the City of Atlanta and to support commercial and industrial development in other eligible areas. Presently, designated Business Improvement Districts include: Auburn Avenue, Bankhead Highway (D.L. Hollowell Parkway), Campbellton Road, Cascade Road, East Atlanta, Empowerment Zone, Georgia Avenue, Heart of Atlanta (including Underground Atlanta), Memorial Drive, MLK/Ashby, Pryor Road, Stewart/Lakewood, Sylvan/Dill, Techwood Park, West End/West View.

Details

Loans can be made for additions and/or improvements to commercial, industrial and mixed-use property; purchase of equipment and fixtures, that are part of the real estate; energy conservation designed to encourage the efficient use of energy resources for commercial, industrial or mixed-use facilities; acquisition of commercial, industrial and mixed-use properties; and inventory and office equipment in targeted Business Improvement Districts.

Two forms of financial assistance are available through the Business Improvement Loan Fund:

Direct Loans: The City may provide a direct loan for an eligible project in targeted Business Improvement Districts if the applicant is unable to obtain a market-rate loan for the financing needed. The maximum loan amount is \$50,000. The interest rate will be determined by the project's cash flow, and the loan must be repaid on a monthly basis (over a term not to exceed seven years). Loan funds (not exceeding \$10,000 per applicant) may be used to acquire inventory and office equipment for eligible applicants located in targeted areas of the city where property renovation is not needed.

Loan Participants: The City may participate in larger loans (usually \$50,000 or more) throughout Community Development Impact Areas (CDIA). Loans may be made to small businesses to assist in meeting local injection requirements for SBA loans. No more than 10% of the total financing for a project can be provided from the Business Improvement Loan Fund. The interest rate will be determined by the project's cash flow, and the repayment may not exceed that of the longest participating lender (maximum 25 years).

The Business Improvement Loan Fund Program is made possible by the City of Atlanta through Community Development Block Grant (CDBG) funds provided by the U.S. Department of Housing and Urban Development (HUD).



THE PHOENIX FUND

WHAT IS IT?

The Phoenix Fund assists small and medium-sized businesses with affordable loans. It provides financial assistance for the construction and renovation of privately-owned commercial buildings; equipment purchases needed to operate a business, and, in some cases, working capital. ADA will provide loans of \$10,000 to \$100,000 at a rate below prime as a way of creating and retaining jobs for low/moderate income residents in the City of Atlanta.

Details

Typical Structure

Source	Amount
Private Financing*	67%
Phoenix Fund	33%
Total	100%

* Private financing may include all or a combination of capital investment by the borrower or others, financing from private entities, SBA affiliated loan programs.

Term of Loan—Maturity rates range from 3 to 7 years (15 years for real estate).

Rate of Interest—The interest rate of the loan is one-half of the current prime interest rate and 2% ($\frac{1}{2} + 2$), with a minimum rate of 4%.

Collateral—Subordinated mortgage or lien on assets purchased with loan proceeds. Personal guarantees and other nonprofit collateral may be required.

Job Creation/Retention—The project must create or retain one job for each \$15,000 loaned, and 51% of jobs should be made available to low and moderate income persons.

Pre-Payment Penalty—None

Fees and Payment—\$75 non-refundable payment upon receipt of application.

Eligibility—Most types of small businesses are eligible for the Phoenix Fund with the exception of non-profit businesses or financial institutions or businesses engaged in the sale of the combination of alcohol and nude dancing.

Eligible Uses of Proceeds—Working capital, machinery, inventory, leasehold improvements, land acquisition and development.

The Phoenix Fund program is funded by the Economic Development Administration (EDA) of the U.S. Department of Commerce and the City of Atlanta.

