

# SBA 504 LOANS

## FOR GREEN ENERGY UPGRADES



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### 504 GREEN ENERGY LOANS

The following green initiatives are eligible for up to \$5.5 million per project of SBA 504 financing provided they meet the following requirements:

- **Energy Reduction** – The project must be a new facility that is replacing an existing facility or a retrofit of an existing facility and include technologies that reduce energy consumption by at least 10%.
- **Renewable Energy** – Plant, equipment, and process upgrades of renewable energy sources (solar, wind, turbine, thermal) used to run a facility or renewable fuel producers, including biodiesel and ethanol producers. Projects must generate more than 15% of the energy used at the project facility.

NOTE: Sustainable Design (LEED) Certification qualifies as a general SBA Public Policy Goal only (up to \$5 million aggregate limit per borrower) and does not meet the SBA's Green Public Policy Goal of up to \$5.5 million per project.

### BENEFITS OF GOING GREEN

- **Larger SBA/CDC Loan Amount** – SBA's maximum contribution increases to a \$5.5 million cap with no maximum total project limit.
- **Higher Option for Aggregated Lending** – borrowers can have multiple SBA 504 Green Project loans with no aggregate cap limit on capital (up to the maximum SBA/CDC contribution of \$5.5 million per project).
- **Save Money** – a reduction in energy costs will have long-term financial benefits for the business, while most energy improvements/equipment can be financed within the loan.

### OTHER BENEFITS FOR BORROWERS

- Low down payment (10% in most cases)
- Low, fixed interest rate on 504
- Long loan term (up to 25 years)
- Include soft costs
- Include leasehold improvements
- Payment stability
- Preserves working capital
- Protection from balloon payments
- Keep your lender

### BENEFITS FOR LENDERS

- Reduces exposure to 50%
- Bank gets first lien position
- Preserves borrower's working capital
- CRA credits
- Includes eligible soft costs
- Use of SBA guarantee enhances credit

### WHO QUALIFIES?

- Most for-profit, owner-occupied small businesses in the U.S.
- Net worth less than \$20 million
- Net profit after-tax (2 year average) of no more than \$6.5 million (including affiliates)
- Will occupy at least 51% of the project property, or 60% of a new construction



*If you've been considering making energy-efficient improvements or adding renewable energy projects to your commercial property, you should know SBA 504 loans offer some of the most beneficial terms you'll find anywhere. Plus, this program makes it possible to get funding beyond the typical SBA 504 maximum financing cap!*

## Key 504 Details

### ELIGIBLE USES OF 504 FUNDS

- Land
- Acquisition of an existing building
- New construction
- Building expansion or renovation
- Long-term equipment
- Refinance of qualifying debt
- Furniture and fixtures
- Leasehold improvements
- Professional fees
- Other: i.e. appraisals, fees, permits, etc.

### INELIGIBLE USES OF FUNDS

- Working capital
- Inventory
- Goodwill assets from business purchase
- Franchise fees
- Investment in rental real estate

### INTEREST RATE & TERMS

- Fixed-rate
- Fully amortized (no balloons)
- Real estate – 10, 20, 25 year term
- Equipment – 10 year term
- Rate locked when debenture is sold

### LOAN AMOUNT LIMITS (SBA PORTION)

- \$5 million (typical projects)
- \$5.5 million (manufacturers, energy initiatives or public policy goals met)
- No aggregate limit for green energy projects (up to the maximum SBA/CDC contribution of \$5.5 million per project).
- No maximum lending limit on participating lender's portion

### OCCUPANCY

- 51% for existing facilities/buildings (renovations and expansions)
- 60% for new construction (must occupy 80% within ten years)