



Economic Development Objectives of SBA 504

ECONOMIC DEVELOPMENT OBJECTIVES	MAXIMUM 504 LOAN	JOB FACTOR
JOB CREATION/JOB RETENTION	\$5 million	1 job created per \$65,000 of 504 Debenture funds
COMMUNITY DEVELOPMENT GOALS	\$5 million	None if CDC can absorb
<ol style="list-style-type: none"> 1. Improve, diversify, stabilize a locality's economy 2. Stimulate other business development 3. Bring new income into the community 4. Assist manufacturers (SIC Codes 20-49) 5. Assist business in Labor Surplus Areas 		
PUBLIC POLICY GOALS	\$5 million	None if CDC can absorb
<ol style="list-style-type: none"> 1. Revitalizing a business district of a community with a written revitalization or redevelopment plan 2. Expand exports 3. Expand Minority Enterprise development 4. Aid rural development 5. Increase productivity and competitiveness (retooling, robotics, modernization, competition with imports) 6. Modernize or upgrade facilities to meet health, safety and environmental requirements 7. Assist businesses affected by Federal budget reductions, including base closings, either because of the loss of Federal contracts or the reduction in revenues due to a decreased Federal presence 8. Veterans 9. Female-owned businesses 		
SMALL MANUFACTURERS	\$5.5 million	1 job created per \$100,000 of 504 Debenture funds

SBA 504 Debenture Program



Providing Long-Term Funding for Fixed Asset Acquisitions and Expansions

To help small businesses save on financing costs, the SBA 504 program is a long-term, fixed-rate financing tool designed to stimulate economic development and job growth within a community.

***Fixed-Rate, Long-Term Financing for
Businesses wanting to Grow and Expand***

Certified Development Corporation (CDC)

Certified Development Corporation (CDC) is associated with Business Development Corporation (BDC) and all loans are administered and serviced by BDC. CDC is a private, non-profit corporation designed to encourage economic development in South Carolina by working with the SBA and private sector lenders to provide attractive financing options for small businesses in need of expansion and/or acquisitions.

SBA 504 Loan Overview

DEBENTURE AMOUNT	Limited to \$5 million (most cases) Can be up to \$5.5 million for small business manufacturers in certain cases
DEBENTURE MAXIMUM	40% of the project, subject to the limitation of the debenture amount First mortgage lender amount is unlimited
EQUITY REQUIREMENT	10% - if business is over 2 years old and project real estate is general purpose 15% - if business is less than 2 years old and project real estate is general purpose 20% - if business is less than 2 years old and project real estate is single purpose
USE OF PROCEEDS	Major fixed assets – land, buildings, improvements, long-term equipment, construction, renovations Soft costs – architect and engineering fees, interim interest, environmental studies, equipment set up and delivery, certain legal fees related to the loan
NOT ELIGIBLE	Working capital, accounts receivable, inventory, franchise fees and vehicles
MATURITY	10 years – equipment 20 years – real estate
INTEREST RATES	Current market rate at time of funding for 5- and 10-year Treasury issues, plus an increment above the Treasury rate
FEES	Approximately 3% of the debenture amount (funded with the debenture proceeds)
ELIGIBILITY	For-profit businesses with tangible net worth not in excess of \$15 million or average after-tax net earnings less than \$5 million for past 2 years
JOB CREATION OR JOB RETENTION REQUIREMENT	Non-Manufacturers - One full-time job equivalent (FTE) for each \$65,000 of the debenture amount (2 Part-Time = 1 FTE) Manufacturers - One full-time job equivalent (FTE) for each \$100,000 of the debenture amount (2 Part-Time = 1 FTE)

How SBA 504 Funding Works to help the Borrower, the Banks and the Local Economy

The SBA 504 debenture is a three-part loan project as detailed below:

FUNDING SOURCE	PROJECT AMOUNT
BORROWER'S EQUITY	10 - 20%
PRIVATE SECTOR (E.G. BANK)	Up to 50%
SBA 504 NET DEBENTURE PROCEEDS	Up to 40%

Project Examples

EXAMPLE #1 – CONSTRUCTION AND PERMANENT FINANCING FOR A PROPOSED FACILITY

PROJECT COSTS	
LAND ACQUISITION	\$150,000
BUILDING CONSTRUCTION	\$294,000
TOTAL	\$444,400

PROJECT FUNDING	PERCENTAGE OF COST	COST
FIRST MORTGAGE – BANK	50%	\$222,200
504 DEBENTURE – CDC	40%	\$177,760
BORROWER EQUITY	10%	\$44,440
TOTAL	100%	\$444,400

Notes:

- Bank provides construction loan and first mortgage
- Borrower will pay for 504-ineligible soft costs such as working capital, inventory, etc.
- Gross debenture amount will be \$185,000, which includes administrative costs involving the approval, closing & funding of the debenture

EXAMPLE #2 – PURCHASE OF AN EXISTING BUILDING AND REAL ESTATE

PROJECT COSTS	
PURCHASE REAL ESTATE AND BUILDING	\$800,000
504-INELIGIBLE SOFT COSTS (ESTIMATED)	\$20,000
TOTAL	\$820,000

PROJECT FUNDING	PERCENTAGE OF COST	COST
FIRST MORTGAGE – BANK	50%	\$400,000
504 DEBENTURE – CDC	40%	\$320,000
BORROWER EQUITY	10%	\$80,000
TOTAL	100%	\$800,000

Notes:

- Bank provides first mortgage
- Borrower will inject an additional \$20,000 for 504-ineligible soft costs
- Gross debenture amount will be \$332,000, which includes administrative costs plus a portion of closing costs.



For more information about
SBA 504, please contact CDC at

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