

Sample BDC Loan: Architecture Firm

The Business Development Center:
Commercial Loan Financing and Technical Assistance Network

Contact the BDC at fdc@ura.org
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BUILDING PITTSBURGH WITH



The URA's Business Development Center's mission is to help business's grow and succeed.

Business Case

A long established architecture firm is looking to move its operations and 25 employees to a new building near downtown Pittsburgh. The firm has identified a building it wishes to purchase and rehab. The building is an historic structure that requires significant rehabilitation. Total project costs include \$500,000 for the real estate acquisition, \$400,000 in rehabilitation and construction costs, \$200,000 for working capital to complete move, hire a new employee and purchase new office equipment. The bank appraises the building at \$500,000 and will lend 75% LTV or \$375,000 and will extend

the firm's line of credit by \$100,000. The firm will invest \$100,000 in equity. A \$525,000 'gap' exists.

Financing Solution

The BDC identifies this as a perfect SBA 504 deal as the building will be 100% owner occupied. The BDC coordinates with the firm's bank to structure an SBA 504 deal on the real estate and rehabilitation and lend \$90,000 for working capital. The SBA 504 is collateralized by the real estate and is a 20 year fully amortizing loan at a 6.5%

fixed interest rate. The BDC working capital loan is 5 years, 6.5% 10 year amortization with a balloon.

Project Costs

Real Estate acquisition	\$500,000
Construction + soft costs	\$400,000
Working Capital	\$200,000
Total Project Cost	\$1,100,000

Project Benefits

- Rehabilitation of vacant historic structure
- New jobs
- Firm better able to grow

Loan Structure

Bank/Private Lender (50% of RE)	\$450,000
SBA 504 (40% of RE)	\$360,000
Bank WC	\$100,000
BDC WC	\$ 90,000
Equity	\$100,000
Total Project Cost	\$1,100,000