



Capital for Communities—
Opportunities for People™

New Markets Tax Credits Deal

Small Coffee Manufacturer Expands Business with a New Facility in a New Location

Deal Location

Twin Cities, MN

Borrower Profile

This deal involves a coffee roasting company. Using an old family process of hand picking and drying coffee, this company produces a variety of fresh coffees, teas and flavorings, which it sells to local upscale restaurants, catering companies, and grocers.

Area of Greater Economic Distress

This business is in a Particularly Distressed census tract with 55% of the Median Family Income.

Description of the Deal

The company was operating in a space too small to accommodate its expanding needs. The owner had searched for a location and decided on an old masonry-constructed building large enough to house its current and future needs. The new location provides better access to the freeway system and a central location to both Minneapolis and St. Paul, allowing for more efficient delivery time.

Loan Purpose and Features

The purpose of this deal was to provide financing for the purchase of a building that now houses the coffee roasting and wholesale operation.

Benefits to the Borrower

This deal allowed the borrower to purchase the building, moving from a renting to ownership. This ownership provides additional stability to the borrower by controlling occupancy costs.

The combination of a lower interest rate and longer amortization term translates into a lower debt payment for the borrower. Under CRF's non-NMTC loan purchase program, the borrower would have a \$22,500 annual debt service. However, with the benefit of NMTC, the borrower's debt service is only \$18,000 annually. Overall, the NMTC allows the borrower to save \$4,500 annually, with a total savings of \$31,500 over the seven year compliance period, keeping cash in the business to increase stability and help it grow.

Benefits to the Lending Partner

The lending partner, a city redevelopment department, was able to earn a 1% up front fee on this transaction. In addition, the lending partner does not have to pay CRF a fee to purchase the loan as it does under the non-NMTC program with CRF.

Benefits to the Community

With this purchase comes an opportunity for business expansion in the community and an improvement to an older community facility.

Terms of the Loan

Loan Amount: \$234,000
Payment: \$1,499
Term: 25 Years
Collateral Type: Second Mortgage on Commercial Property
Value of Collateral: \$600,000
LTV: 88%
Owner Occupancy: 100%
Additional Financing Attracted: \$321,000
Anticipated Closing Date: November 2004

Strengths of the Deal

This company has been operating for eight years and has remained a financially solid operation. The company has been profitable with increasing margins and declining costs.