



Capital for Communities—
Opportunities for People™

New Markets Tax Credits Deal

Colorado-based Company Moves from Rent to Own

Deal

A Small Town in Eastern Colorado

Borrower Profile

Much of Eastern Colorado is awash in grasslands as the land eases from the base of the Rocky Mountains. On the leeward side of the range, the wide flatlands accentuate the rigors of making a living. The owner of a gas station, convenience store, and fast food operation is the borrower in this deal.

Area of Greater Economic Distress

The state of Colorado recently deemed Eastern Colorado an area of special need for economic development, making the area subject to reduced taxes and other business incentives. Based on the borrower's qualifications at the 80/20 threshold and the area's designation as one of greater economic distress, the deal qualifies for the New Markets Tax Credit program.

Description of the Deal

The city owned the property and leased it to the borrower. When the opportunity arose to purchase this property from the city, the borrower decided to act. In order to make this purchase, the borrower needed to refinance their existing debt.

Loan Purpose and Features

The purpose of this loan was to refinance the existing debt and purchase the land from the city.

Benefits to the Borrower

Buying the land and refinancing through an extension of debt using NMTC dollars offered a great benefit to the borrower. With the refinancing of the existing loan, the business owner was able to reduce interest rates and increase cash flow on a monthly basis by extending the loan term. This deal will strengthen the viability and increase self-sufficiency of the business.

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 \$42,000 annual debt service. However, with the benefit of NMTC, the borrower's debt service is only \$34,000 annually. Overall, the NMTC allows the borrower to save \$8,000 annually with a total savings of \$56,000 over the seven year compliance period, keeping cash in the business to support growth.

Benefits to the Lending Partner

The lending partner, a certified development company, earned a .5% origination fee and will service the loan, earning monthly service fees. The first mortgage lender was able to finance a current customer and place a well secured loan in their portfolio. This program also allows lenders such as this bank to strengthen relationships with borrowers and other business partners by having increased lending abilities.

Benefits to the Community

This deal allows for the retention of 13 jobs with the potential for additional job creation in the community.

Terms of the Loan

Loan Amount: \$434,913

Payment: \$3,509

Term: 25 Years

Collateral Type: Second Deed of Trust on Commercial Property

Value of Collateral: \$1,800,000

LTV: 79.6%

Owner Occupancy: 100%

Additional Financing Attracted: \$1.3 million

Closing Date: October 2004

Strengths of the Deal

The business has been in operation for five years, and the owner-operator has over 10 years of experience in this industry. The business has had steady increase in gross profit throughout the past five years.