



Capital for Communities –  
Opportunities for People™

# New Markets Tax Credits Deal

## Excavation Company Acquires Concrete Plant

### **Deal**

Rural, Northern Minnesota

### **Borrower Profile**

The borrower is an excavation and cement supplier company. The business is a full service company with full equipment line to do all types of jobs.

### **Area of Greater Economic Distress**

The project location is designated a "Job Opportunity Building Zone" (JOBZ) project by the Department of Employment and Economic Development of the State of Minnesota and the Grand Rapids Township.

### **Description of the Deal**

The loan will allow the borrower to upgrade the existing plant by adding a new central office building housing all the staff related to the operations, a new maintenance building and a new computerized redi-mix plant complex complete with dispatching systems and all material handling components.

### **Loan Purpose and Features**

The purpose of this loan is to provide permanent financing for the expansion and construction for a more modern facility on the company's existing site.

### **Benefits to the Borrower**

The expansion and improvements of the redi-mix plant will lower material costs, improve products, and provide greater flexibility for the company.

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 \$68,000 annual debt service. However, with the benefit of NMTC, the borrower's debt service is only \$55,000 annually. Overall, the NMTC allows the borrower to save \$13,000 annually with a total savings of \$91,000 over the seven year compliance period, keeping cash in the business to support growth.

### **Benefits to the Lending Partner**

The lending partner 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**

In addition to retaining 22 jobs, the expansion will create an estimated 8 to 10 new jobs in the community.

### **Terms of the Loan**

Loan Amount: \$700,000

Payment: \$4574.50

Term: 25 Years

Collateral Type: Second mortgage on commercial property

Value of Collateral: \$1,700,000

LTV: 72.4%

Owner Occupancy: 100%

Closing Date: May 2005

### **Strengths of the Deal**

The borrower has the proven track record of a successful management team and a good equity position.