



Capital for Communities –  
Opportunities for People™

# New Markets Tax Credits Deal

## Fresh Seafood Distributor Obtains Financial Stability

### **Deal**

Bay Area, California

### **Borrower Profile**

This deal involves a wholesale distributor of fresh fish and live shellfish. The company serves the Bay Area's finest restaurants and food retailers.

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

The property is located in an NMTC qualified area with the Median Family Income at 45.6%. The census tract has been identified as a CDFI Hot Zone. The area is also a Historically Underutilized Business Zone as identified by the U.S. Small Business Administration.

### **Description of the Deal**

In 2002, the borrower in this deal purchased a new facility to house its seafood distribution operation. After the purchase, the company realized that improvements would be necessary in order to expand the business into the future. The company had to use its line of credit to make improvements to the property. This deal allows the company to repay this line of credit and put in place long term financing for the property, allowing for greater financial stability.

### **Loan Purpose and Features**

The purpose of this loan is to put into place long term permanent financing for a recently improved building.

### **Benefits to the Borrower**

In this deal, the borrower will be able to repay its line of credit, converting high interest debt into a more stable long term debt program.

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 \$71,000 annual debt service. However, with the benefit of NMTC, the borrower's debt service is only \$58,000 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 in this deal earns a transaction fee. Also, the lending partner will service the loan, earning an ongoing servicing fee for this transaction.

### **Benefits to the Community**

The improved stability of the business allows the company to retain all 40 of its employees. In addition, the expansion made possible by property improvements allows for the hire of two to three new employees.

### **Terms of the Loan**

Loan Amount: \$700,000

Payment: \$4783.23

Term: 25 Years

Collateral Type: Second Deed of Trust of Commercial Property

Value of Collateral: \$2,000,000

LTV: 85%

Owner Occupancy: 100%

Closing Date: March 2005

### **Strengths of the Deal**

The borrower in the deal showed a strong cash flow and collateral position.