



Capital for Communities –
Opportunities for People™

New Markets Tax Credits Deal

Tortilla Manufacturing Factory Purchases Second Facility

Deal Location

Bay Area, California

Borrower Profile

This deal involves a tortilla factory that specializes in manufacturing tortillas and tamales. The company sells these goods to grocery stores and restaurants in the Bay Area. Started in 1965 by a husband and wife, the couple's three sons currently own and operate the business.

Area of Greater Economic Distress

In addition to being located in a low-income area, this business is also located in an area of greater economic distress. The area has an unemployment rate of 2 times the national average.

Description of the Deal

This tortilla factory was operating in two separate locations 6 miles apart from each other. This distance had caused distribution problems for the company. This deal will allow the company to purchase a new warehouse building within ½ miles of the main site, hopefully allowing the company to gain operating efficiencies.

Loan Purpose and Features

The purpose of this loan was to provide long-term financing for the purchase of a second facility for a business expansion of the operating company.

Benefits to the Borrower

This deal will be an asset building opportunity for the company. The two locations used by the company were rental properties; this deal will allow the company to become owners of their operating site. In addition, the monthly loan payments for the purchased property will be less than the monthly payments on the rental property, saving the company \$50,000 annually. This program provides lower origination and documentation prep fees than typical.

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 \$21,000 annual debt service. However, with the benefit of NMTC, the borrower's debt service is only \$17,000 annually. Overall, the NMTC allows the borrower to save \$4,000 annually with a total savings of \$28,000 over the seven year compliance period, keeping cash in the business to help it grow.

Benefits to the Lender

In this case, the lender will be able to provide the financing to a customer at a lower cost than it had previously. Seller will earn both origination and servicing fees.

Benefits to the Community

With this purchase will come an expansion in the company, allowing for the creation of 5 new jobs in an underserved area and an increase in community business.

Terms of the Loan

Loan Amount: \$210,000

Payment: \$1430

Term: 25 Years

Collateral Type: Second Deed of Trust on Commercial Property

Value of Collateral: \$600,000

LTV: 85%

Owner Occupancy: 100%

Closing Date: September 2004

Strengths of the Deal

This business has operated since 1965 and has long standing success. The company has expanded during its history and continues to do so. In addition, the company has had strong cash flow for 5 years.