



Capital for Communities—
Opportunities for People

New Markets Tax Credits Deal

Twin Cities Premiere Florist Relocates to Distressed Community

Deal Location

Twin Cities, MN

Borrower Profile

This deal involves a full-service floral shop. The owner is considered a premier florist in the Twin Cities.

Area of Greater Economic Distress

The new location of this business is in a Particularly Distressed census tract with 39.6% of the Median Family Income and a poverty rate of 34%, making this one of the most severely distressed neighborhoods in the metropolitan area. The location of the business is also in the city's Empowerment Zone.

Description of the Deal

Since its inception in 1989, this company has operated from three different rental locations. The financing allows the owner to purchase a permanent location, allowing for more stability and efficiency for the company as well as projected increased sales.

Loan Purpose and Features

The purpose of this loan is to provide permanent financing for the purchase of a new building to house the floral shop operation.

Benefits to the Borrower

This deal allows the borrower to attain ownership, which provides additional stability to the borrower by controlling occupancy costs. The new location will provide significantly more space for business operation. Because there is a large parking lot attached to the building, the company will have better access for commercial vehicles. The borrower also believes that the new location will improve his walk-in sales 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 \$24,000 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 \$7,000 annually, with a total savings of \$28,000 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

The new location is in an area that is targeted by the city for redevelopment. The florist will support community improvement by operating a successful business in the area.

Terms of the Loan

Loan Amount: \$214,000

Payment: \$1395

Term: 25 Years

Collateral Type: Second Mortgage on Commercial Property

Value of Collateral: \$550,000

LTV: 87.5%

Owner Occupancy: 100%

Additional Financing Attracted: \$351,000

Anticipated Closing Date: December 2004

Strengths of the Deal

This business has operated since 1989, with the current owner taking sole proprietorship in 1992. The business owner has extensive experience, good management skills, and has shown strong profitability.