

# North Bay Business Journal

NORTH SAN FRANCISCO BAY AREA: SONOMA, NAPA, AND MARIN COUNTIES

Real Estate

## How To Buy A Facility For Your Small Business

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Lease cost uncertainty is one of the most common reasons many businesses choose to buy their facility. Small businesses that lived through the hefty lease cost increases in the last few years realize that property ownership can be less stressful than leasing. In addition, when you do the math, purchasing a facility turns out to be more cost effective than leasing for most small businesses.

By purchasing a facility rather than leasing it, a business can control its financial future, receive tax savings and enhance cash flow. Building equity through monthly principal payments and through rising property values are additional rewards that result when a small businesses purchases its facility. The flexibility to modify or improve the building without having to obtain permission from, or negotiate with, a landlord is yet another reason why small-business owners prefer property ownership.

The SBA 504 Loan Program

Many small-business owners have an understandable reluctance to allocate resources toward the purchase of a new building. However, the U.S. Small Business Administration (SBA) 504 Loan Program was specifically designed to make ownership accessible to small-business owners.

With as little as 10% down, the SBA 504 loan provides attractive

below-market, fixed-rate financing that allows businesses to conserve working capital for expansion. SBA 504 loans give businesses the added advantage of a 20-year term with no balloon payments and a fixed interest rate for the entire term of the loan. These factors make SBA 504 financing an attractive option for growing small businesses.

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increased his business space by 50% and his monthly loan payment was less than what he had been paying in rent.

"We were renting multiple suites in the building we previously occupied," says Mr. Pino. "When I looked at our total rent costs, I realize that with an SBA loan, we could reduce our leasing costs and expand our space. The initial down payment was a challenge, as it is for many small businesses, but the long-term financial benefits made it worthwhile.

"I worked with TMC Development to obtain our SBA loan," explains Mr. Pino. "They made the process much smoother than it would have been if we had tried to do it on our own. Because of their experience, they were able to guide us through the process so all I had to do was come up with our down payment, prove our creditworthiness, and sign some paperwork."

### Working with CDCs

To obtain an SBA 504 loan, small-business owners work with Certified Development Companies (CDCs) to process the paperwork. CDCs are private corporations that are certified and regulated by the SBA to make SBA 504 loans in specific geographic areas. Approximately 250 CDCs operate throughout the United States. The role of the CDC is to assist the small business in obtaining 504 financing in partnership with a private lender.

CDCs process the paperwork and facilitate the transaction from beginning to end. Some CDCs have been granted "Premier" status by the SBA to make the loan process even faster. Premier CDCs, which have the authority to approve loans inhouse without submitting the application to the SBA for review, can approve loans in as fast as 30 days.

If you are leasing space for your small business, today's low interest rates and the many benefits of the SBA 504 Loan Program make this an opportune time to look into buying your own facility.



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