

Going Green / Energy Efficiency- CDC / 504 Loan Program Info.

The CDC/504 loan program is a long-term financing tool for economic development within a community. The 504 Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings.

Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped.

The maximum SBA debenture is \$1,500,000 when meeting the job creation criteria or a community development goal. Generally, a business must create or retain one job for every \$50,000 provided by the SBA except for "Small Manufacturers" which have a \$100,000 job creation or retention goal (see below). The maximum SBA debenture is \$2.0 million when meeting a public policy goal.

The SBA now has three new public policy goals for the 504 program. They are described below:

E1 (I) reduction of energy consumption by at least 10 percent,

E2 (J) increased use of sustainable design, including designs that reduce the use of greenhouse gas emitting fossil fuels, or low-impact design to produce buildings that reduce the use of non-renewable resources and minimize environmental impact, or

E3 (K) plant, equipment and process upgrades of renewable energy sources such as the small-scale production of energy for individual buildings or communities consumption, commonly known as micropower, or renewable fuels producers including biodiesel and ethanol producers.

Projects meeting any of these can go to \$2,000,000 without creating or retaining jobs, as with other public policy goals, so long as the CDC portfolio average is \$50,000 as required.

There are two new categories of loans permitted, to reach \$4,000,000 in 504 financing, titled as "Energy Efficiency Projects". The categories are:

E1 (iv) \$4,000,000 for each project that reduces the borrower's energy consumption by at least 10%; and

E3 (v) \$4,000,000 for each project that generates renewable energy or renewable fuels, such as biodiesel or ethanol production.

Projects eligible for up to \$4,000,000 under one of the above do not have to meet the job creation or retention requirement, so long as the CDC portfolio average is at least \$50,000.