

WELCOME



HOUSTON- GALVESTON AREA Local Development Corporation

What is H-GAC?

- Regional planning organization
- Volunteer board of local governments
- Solve region-wide issues
 - Transportation
 - Environment
 - Public Safety
 - Aging Citizens
 - Cooperative Purchasing
 - Emergency/ Disaster Planning
 - Workforce Solutions
 - Business and Economic Development



HOUSTON- GALVESTON AREA

Local Development Corporation



We offer low-cost, fixed-rate loans to support small business creation and expansion, economic development, and job growth.



SBA 504 Loans

The Small Business Administration (SBA) 504 Loan Program partners with banks to offer government-guaranteed loans for small businesses.

Major Characteristics

Local Development Corporation +
Banking Partner +
Borrower =
Project!!!

Up to \$5,000,000 contributed by Local
Development Corporation

Bank contributes up to \$5,000,000 or
more

Borrower investment 10-20%

SBA 504 Loan



SBA 504 Loan

Advantages for Borrowers

- Long-term, fixed rates – 10 or 20 year terms
- Lower equity injections – as low as 10%
- No project maximums!
- Eligible soft costs may be rolled into project financing
- Debt refinancing opportunities available
- Start-ups are welcome to apply!
- Government-guaranteed loans

SBA 504 Loan

Basic Eligibility for Borrowers

- Most for-profit, owner-occupied small business
- Net worth less than \$15 million
- Average net income after tax (previous 2 yrs.) of no more than \$5.0 million (including affiliates)
- Manufacturers with 500 or less employees (including affiliates)
- Evidence that credit is not available elsewhere (i.e. decline letter from bank)

SBA 504 Loan

Eligible Use of Funds

- ✓ Land
- ✓ Purchase of Existing Buildings
- ✓ New Construction
- ✓ Fixed Assets from Business Acquisition
- ✓ Building Expansion/Renovation
- ✓ Long Term Equipment
- ✓ Professional Fees
- ✓ Lenders Interim Points & Interest
- ✓ Debt Refinance
- ✓ Franchise Fees

Ineligible Use of Funds

- X Working Capital
- X Goodwill Assets from Business Acquisition
- X Tenant Improvements
- X Passive Real Estate Development

Typical Structure



50%

*borrowed from a
bank or other
financial
institution*



40%

*borrowed from
H-GALDC SBA
504 Loan
Program*



10%

*contributed by the
borrower*

SBA 504 Loan

Sample SBA 504 Loan Projects

- Office Condos
- Medical and Dental Facilities
- Retail and Convenience Stores
- Suppliers/Wholesalers
- Restaurants
- Hotels
- Franchises
- Recreational Facilities/Clubs
- Manufacturers
- Child/Adult/Pet Daycare
- Animal Hospitals

SBA 504 Loan

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Revolving Loan

Economic Development Administration funds targeted towards disaster assistance and economic infusion.

Revolving Loan

Major Characteristics

- Loan amount is generally \$30,000 to \$500,000
- Loan maturity - up to 10 years
- The minimum interest rate is 4% and is fixed at closing
- Shorter processing time!

Additional Information

Eligible Use of Loan Proceeds

- ✓ Construction, building repairs and improvements
- ✓ Purchase equipment, furniture, and inventory
- ✓ Closing costs
- ✓ WORKING CAPITAL!!!

Borrowers Equity Injection

- Minimum equity injection is 10% of total project cost. Some projects may require more equity.

Ineligible Use of Loan Proceeds

- X Debt refinance
- X Business acquisition
- X Speculative and investment businesses

Collateral

- All available collateral must be pledged to secure the loan on a liquidation basis.
- All business assets financed as part of the project will be secured as collateral. This includes, but is not limited to, commercial land and building, equipment, furniture, inventory, and accounts receivable.
- All other available business and personal assets will be secured as needed.
- Personal guarantees will be secured.

Revolving Loan

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Other Loans

Additional loan opportunities to support small business, community and government development projects.

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SBA 7A

- Loans up to \$5,000,000
- Includes working capital and leasehold improvements
- Variable rates



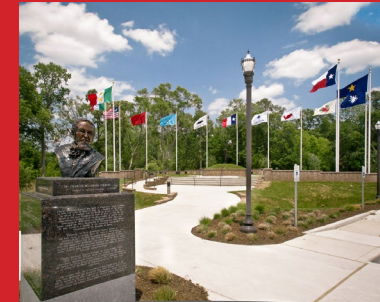
USDA

- USDA-backed financing programs for rural municipalities and unincorporated communities to improve or restore water, storm water, wastewater or community structures, systems or facilities.
- 40 year terms



Community Investment & Enhancement Grants

- Small grants to local governments
- Bringing Back Main Street!
- Revitalize downtown areas
- Beautify public spaces



Microloans

- Small loans to help businesses access quick working capital to make small purchases and improvements.



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THANK YOU

HGALDC

A Licensed
Texas Certified
Development Company

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