

Sample BDC Loan: Commercial Real Estate

The Business Development Center:
Commercial Loan Financing and Technical Assistance Network

Contact the BDC at bdc@ura.org
or contact 412.255.6669

BUILDING PITTSBURGH WITH



The URA's Business Development Center's mission is to help business's grow and succeed.

Business Case

A developer is building a new mixed used commercial development in a targeted investment area in the City of Pittsburgh. The development is new construction, but is redeveloping long underutilized and previously developed land. Total project costs include \$300,000 for land acquisition, \$1,200,000 in construction costs and \$200,000 in soft costs. The developer secures a bank commitment for \$1,250,000 and can invest \$200,000 and still earn a reasonable return on investment. A \$250,000 'gap' exists on this project.

Financing Solution

The BDC can lend \$250,000 for property acquisition secured by a 2nd mortgage on the real estate and building. The terms match the bank rate at 6%, 15 year amortizing loan with a 10 year term.

Project Costs

Real Estate acquisition	\$ 300,000
Construction	\$1,200,000
Soft Costs	\$ 200,000
Total Project Cost	\$1,700,000

Project Benefits

- New Construction building on long vacant, blighted land in targeted investment area
- New real estate taxes
- New job creation and business attraction

Loan Structure

Bank/Private Lender (74%)	\$1,250,000
BDC (15%)	\$ 250,000
Equity (12%)	\$ 200,000
Total Project Cost	\$1,700,000