

Getting More by Going Green with the SBA Grow (504) Loan Program

Did you know that saving energy can help you gain capital?

The U.S. Small Business Administration (SBA) and U.S. Department of Energy (DOE) are working together with a shared mission—to inspire small business owners and entrepreneurs to leverage SBA loan programs for building energy efficiency projects. By helping small businesses invest in energy efficient building solutions, SBA and DOE are helping small businesses improve and modernize their buildings, save on utility costs, and ultimately, increase their bottom lines.

There are multiple SBA loan programs that can be used to finance building energy efficiency improvements; however, SBA’s Grow (504) Loan Program offers an incentive for incorporating energy efficiency or renewable energy solutions into building projects. The Grow Loan Program is designed for small businesses that need financing for real estate and equipment purchases. The loans are generally used for larger projects that will make a positive impact on a particular community and are delivered by certified development companies (CDCs), nonprofit organizations that are set up to



SBA can help small business owners invest in energy efficiency and renewable energy solutions for their buildings. Photo from iStockPhoto, 85474943

contribute to the economic development of their communities (SBA 2013a).

More Savings, More Money

Maximum loan amounts for the Grow loan program are determined by how funds will be used and which goal they support. One of these goals is a public policy goal for energy efficiency and renewable energy. Complying projects must show a 10% reduction in building energy consumption, or offset their

energy consumption by 10% with renewable energy sources (such as wind, solar, or geothermal). If the public policy goals are met, borrowers can increase their maximum debenture from \$5 million to **\$5.5 million**. So, by spending less on your utility bill, you can get *more capital* for building projects!

To help determine cost-effective energy efficiency solutions, DOE has developed two additional resources that can help SBA borrowers navigate the sea of information on energy efficiency and renewable energy solutions. These resources are designed to help small businesses understand the process required to incorporate energy efficiency and renewable energy solutions into their building projects, know what solutions are most appropriate for their buildings, make the business case for energy efficiency, and learn how to find incentive dollars through local utilities, and federal efficiency programs.

- A Borrower’s Guide To Increase the Bottom Line Using Energy Efficiency: <http://www.nrel.gov/docs/fy15osti/62960.pdf>
- A Guide To Help SBA Lenders Understand and Communicate the Value of Energy Efficiency Investments: <http://www.nrel.gov/docs/fy15osti/62959.pdf>

SBA Loan Programs for Financing Building Energy Efficiency Projects

SBA Grow (504): Designed for financing real estate projects and equipment purchases.

SBA Advantage (7a): SBA’s most common and flexible loan program. \$5 million maximum loan amount.

SBA Express: 36-hour application review and response from SBA. \$350,000 maximum loan amount.

SBA Microloan: Typically up to \$50,000 in loan dollars; however, some lending institutions can go up to \$350,000.

• The Grow Loan Program is a powerful economic development loan program that offers small businesses financing while promoting business growth and job creation (SBA 2016a). Grow loans are delivered by certified development companies (CDCs) and provide long-term, fixed rate financing to acquire fixed assets (such as real estate or equipment) for business expansion or modernization.

• Grow Loans can also be used to purchase land (including existing buildings), and improve assets, construct new facilities, and modernize, renovate, or convert existing facilities.

• Maximum loan amounts are \$5 million unless a building owner can reduce energy use by 10% or offset energy use by 10% with renewables. Then the maximum loan amount is \$5.5 million.

More Savings, More Benefit

Increased loan amounts and utility bill savings aren't the only benefits for going green. Investing in energy efficiency can offer additional "non-energy" benefits for small businesses. These benefits can be hard to quantify and are often omitted from financial analyses, but should be considered in the business case because they can support a business's mission. Non-energy benefits can include:

- **Reduced operating costs:** Not only can you save on utility bills, you can also reduce operation and maintenance costs associated with your building by installing efficient, longer-lasting equipment such as light-emitting diode (LED) lighting, where each bulb can last significantly longer than other bulb types. This means fewer calls to contractors to replace or fix equipment.
- **Improved indoor environmental quality:** By installing energy efficient, up-to-date equipment, you can improve the indoor environmental quality of your building. For instance, by installing energy efficient, high-quality heating, ventilating, and air-conditioning (HVAC) systems, insulating your building, and reducing leakages through windows and doors, you can improve air quality, occupant comfort, and well-being. Likewise, improving the amount of daylight in a space can reduce the need for electric lighting and improve the quality of lighting in a space. These improvements can help increase occupant productivity, reduce the number of employee sick days, and improve customer experience.
- **Increased profits:** In today's world, there are a growing number of environmentally concerned people. Going "green" is preferred across many markets. Investing in energy efficiency and sustainability can support the marketability of products or services that your business offers, and can help enhance your business brand image. Additionally, in many real estate markets across the nation, energy efficiency and renewable energy strategies can increase the value of a real-estate asset, as well as increase rental incomes associated with an asset.

SBA Grow Loan Structure:

- 40% of the total project cost is provided by a certified SBA CDC
- Up to 50% of total project costs are covered by a participating lender (typically a bank)
- At least 10% of total project costs are provided by the borrower.

Learn more at www.SBA.gov/loanprograms

Rethink, Redesign, Refinance

As of May 2016, the SBA has made the SBA Grow Refinance Program permanent (SBA 2016b), providing eligible small business owners more options to refinance eligible fixed assets and business expenses (SBA 2016b). This program will help small business owners gain more access to capital for overcoming financial burdens, expanding their business, and furthering job creation. If a business plans to expand, capital from the Refinance Program can be used for building upgrades – including energy efficiency and renewable energy upgrades. This presents an enormous opportunity for small businesses that have wanted to upgrade and modernize their buildings but have lacked the capital. Through the Refinance Program, these businesses now have access to capital that can make their building more modern, energy efficient, and competitive in our current day market.

Learn more about how you can tap into the SBA Grow Loan Program or Grow Refinance Program today!

www.sba.gov/loanprograms

References

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