

SBA 504 Aids Trio of MA Borrowers

MEDFORD — After an encouraging 2011, the US Small Business Administration's 504 lending program is again proving a viable tool for buying commercial real estate this year, as evidenced by three more multi-million dollar financings completed this month on a nursing home here at 300 Winthrop St. that sold for \$7.5 million, and separate instruments for a Boston warehouse and motel in seaside Eastham. Brookline Bank (Medford) and TD Bank (Boston and Eastham) provided mortgages for the April closings.



George "Tony" Hewett



Barbara Arena

"It seems to have taken off," acknowledges Davis Malm D'Agostine attorney George "Tony" Hewett, an expert in the long-running 504 program that can generate 90 percent financing for equipment and real estate, with the main stipulation on the latter route being the owner operate the existing business used by the property—such as the nursing home—or occupy at least 51 percent with their own company. Hewett, who worked with New England Certified Development Corp. on the Medford and Boston financings, estimates his group is handling upwards of five deals per month at present, putting Davis Malm D'Agostine ahead of a busy 2011. "We have been very active, yes," Hewett says, adding there are indications the pace will continue brisk through the summer, particularly in light of a temporary program enabling refinancing of existing 504 loans. An That opportunity that expires in September was created to assist 504 borrowers whose loans are coming due, many from the 2007 era being hurt by devalued properties that make lenders less amenable to meet prior terms or rates. Given the tight time frame and relaxed qualifications that took effect last October, legal advisors for 504 loans and intermediaries such as New England CDC anticipate the refinancing program will gain momen-



Photo: Derek Szabo

tum as the deadline approaches.

Granite State Development Corp. is also juggling boiler plate 504 loans such as the Eastham motel, relays Vice President Barbara Arena. The hospitality property that dates to 1959 is flagged as the Blue Dolphin Inn, and its 504 financing was handled by Granite State loan officer Matt Collins, who was unavailable for comment on the assignment in which his group committed \$480,000 and TD Bank delivered mortgages of \$480,000 and \$787,500. Arena deferred questions on that arrangement to Collins, but the 25-year SBA financing veteran who focuses on Massachusetts concurs that borrowers are hot for 504 funding in 2012. In Q1, for example, figures provided by Granite State show GSDC completed 125 loans accounting for \$69.1 million in its coverage area of Maine, New Hampshire, Massachusetts and Vermont. That follows up on a 2011 campaign when the group did 256 loans and a volume of \$122.6 million. "I know I'm on track this year to hit my numbers," says Arena, adding she has several deals in the works slated to close by summer, transactions she declined to identify.

Q1 deals for Granite State included a Watertown dentist's office with Sovereign Bank that had a total project cost of \$1.2 million; the \$8.8 million financing through Fidelity Bank of a country club in Kingston; and a \$1.5 million venture in Bellingham for a fitness center arranged by the Milford National Bank & Trust Co. In the most

recent conclusion recorded in Barnstable County Registry of Deeds, Granite State assisted borrower Kirtikumar S. Patel in his \$1.45 million purchase of the Blue Dolphin establishment. It is unclear whether the new ownership who bought the asset under the entity Blue Dolphin Acquisition LLC plans any upgrades to the enduring inn that is nestled on six acres in the Cape Cod National Seashore district.

As for Wakefield-based New England CDC, efforts to contact Senior VP Elizabeth C. Trifone regarding her firm's 2012 pace were unsuccessful by press deadline. In the Medford nursing home financing, her operation provided the junior lien of \$2.69 million while Brookline Bank stepped up with loans of \$1 million, \$2.62 million and \$3.75 million. The two-story facility that encompasses 48,975 sf and sits on 1.8 acres near the Mystic River Reservation last sold for \$6.07 million in March 2007.

The South Boston financing had a twist given that an environmental glitch kept the traditional 504 process from closing last autumn. When the seller would not budge on the sale date, TD Bank stepped in to provide a bridge loan that was concluded in the April finalization of the New England CDC note of \$2.49 million. "It was a little tricky, but (TD Bank) made it work," says Hewett. Between the refinancing program and overall activity, Hewett anticipates a busy summer due to a combination of factors. Interest rates remain at historic lows, a sphere they have been in for a while, but now borrowers are in better shape to fund deals now, as are the lenders who are emboldened by the improving economy. "Those who have made it through (the recession) are seeing a lot of buildings available from companies who didn't survive, and with the low interest rates, they are seeing this as a real opportunity to own versus continuing to rent," he says. "Everything is coming together at the right time." ■