

# CREATING AND SUSTAINING SMALL BUSINESS JOBS

BAY AREA DEVELOPMENT  
COMPANY

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2012 ECONOMIC DEVELOPMENT REPORT

# TO OUR PARTNERS

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2012 was a year to work harder and smarter in delivering more flexible SBA 504 financing to the maximum number of qualified small business concerns. Through the recovery, which we all want to accelerate, 504 really came into its own by doing two things:

- Ensuring that small business had access to 504 financing in partnership with a wide range of lenders in order to access financing for their facilities on the best terms, which enables them to grow and create the most jobs.
- Helping good companies that were saddled with inferior mortgage debt to refinance their facility debt to lower their costs and access the equity that was locked up in those facilities and to put it to productive work, helping those companies stabilize and grow.

Huge progress is possible with the essential collaborative work of our partners, who are such a critical element in each and every project we finance, including:

**THE SMALL BUSINESSES** we are so

fortunate to work with, who are so diverse and ingenious in developing strategies and unique blends of products, services and market niches in order to survive, grow and even thrive in these challenging times. They are truly inspirational.

**OUR LENDING PARTNERS**—The vitality of 504 financing depends on a critical mass of lenders actively participating in our program through thick and thin. A huge debt of gratitude goes to our more than 50 lending partners who, in spite of the challenges of the times, have worked hard to help their clients get the best possible loan terms by working with the 504 program.

**THE SMALL BUSINESS ADMINISTRATION**, whose employees continue year after year to epitomize commitment and hard work, and whose guaranty has provided access to critically needed capital so that many thousands of companies each year can access 504 financing to become more resilient.

**A TREMENDOUS THANK YOU** goes to all of our partners. By working together, the effect of our work has been so much greater than the sum of its parts.

Sincerely,



*James R. Baird, Executive Director & CEO*

# ACCOMPLISHING THE 504 MISSION: JOB CREATION

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The core mission of 504 lending has always been to help small businesses create new jobs. We do this by helping companies buy the space they need to grow with the best possible financing terms, and to preserve the working capital they need to grow and create jobs.

This mission has gotten even stronger throughout the great recession and recovery. While some small businesses are still working to survive or stabilize, many are using 504 loans to take full advantage of current market opportunities including extremely low commercial real estate prices and historically low 504 fixed interest rates.

This is what small business entrepreneurs do. They consistently capitalize on market opportunities.

504 financing works best for these entrepreneurs because it:

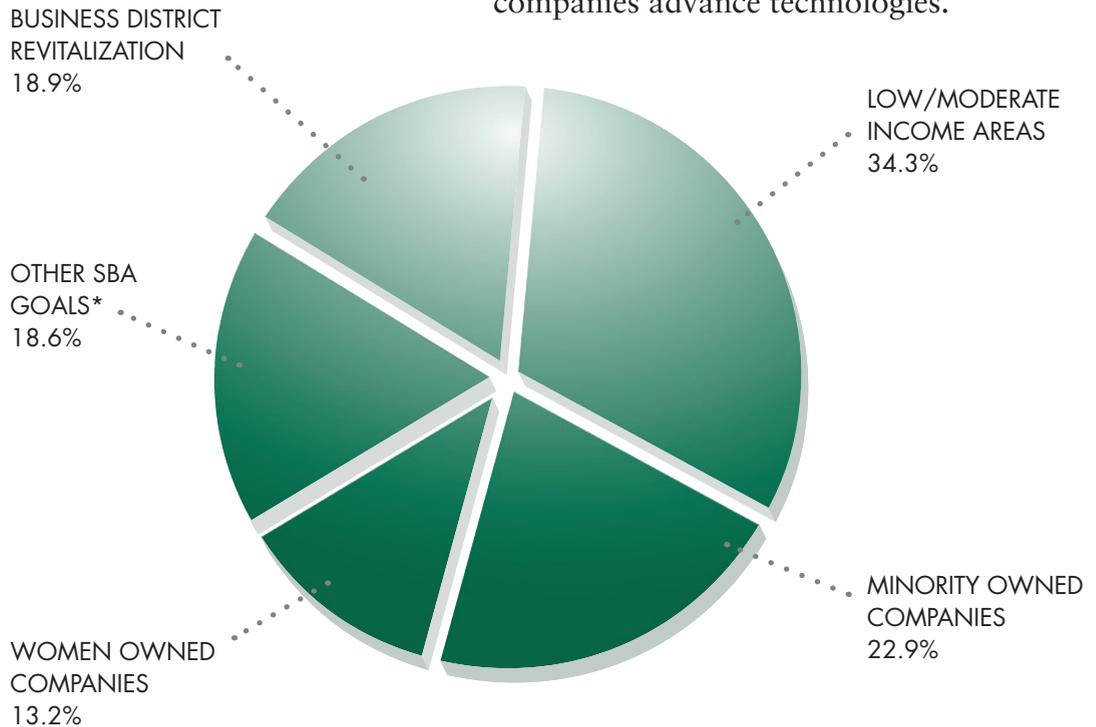
- Specializes in the niche market of small business owner-occupied commercial real estate
- Leverages the SBA guaranty with private lender financing and expertise
- Is delivered by CDCs, which are the lowest cost service providers in the marketplace
- Provides a “Window to Wall Street” for America’s small businesses, which provides much needed capital at the lowest possible cost and at a fixed rate, which is more important than ever in building a sustainable recovery.

We invite you to review our 2012 Annual Economic Development Report and discover how the great terms obtained through 504 financing provide the fuel small business entrepreneurs need to make significant impacts on the economy and on their communities.



# BUILDING COMMUNITIES WITH 504 FINANCING

504 financing works throughout our economy and every sector of our diverse communities. In addition to helping companies create and retain jobs, 504 is also active in revitalizing communities, in assisting businesses owned by women, veterans and minorities, and in helping companies advance technologies.

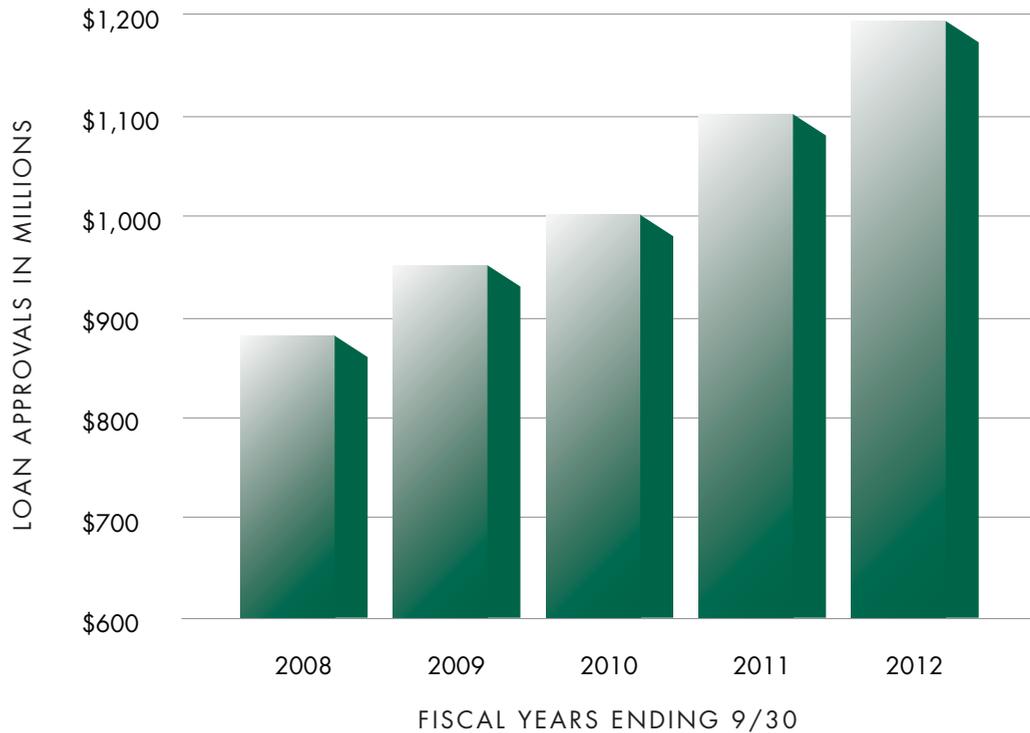


\*Manufacturing, Renewable Energy, Enhanced Technology or Product Exports.

# 504 LOANS APPROVED SINCE INCEPTION

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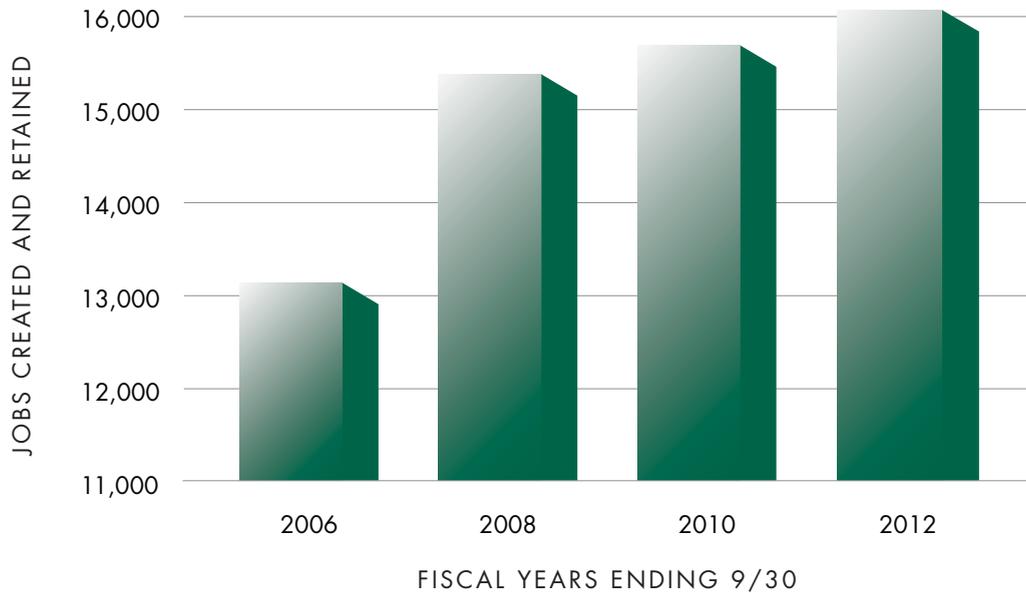
Through 2012, we have made loans to 1,922 companies. This translates into approximately \$1.2 billion of 504 financing.



# JOBS CREATED & RETAINED WITH 504 PROJECTS

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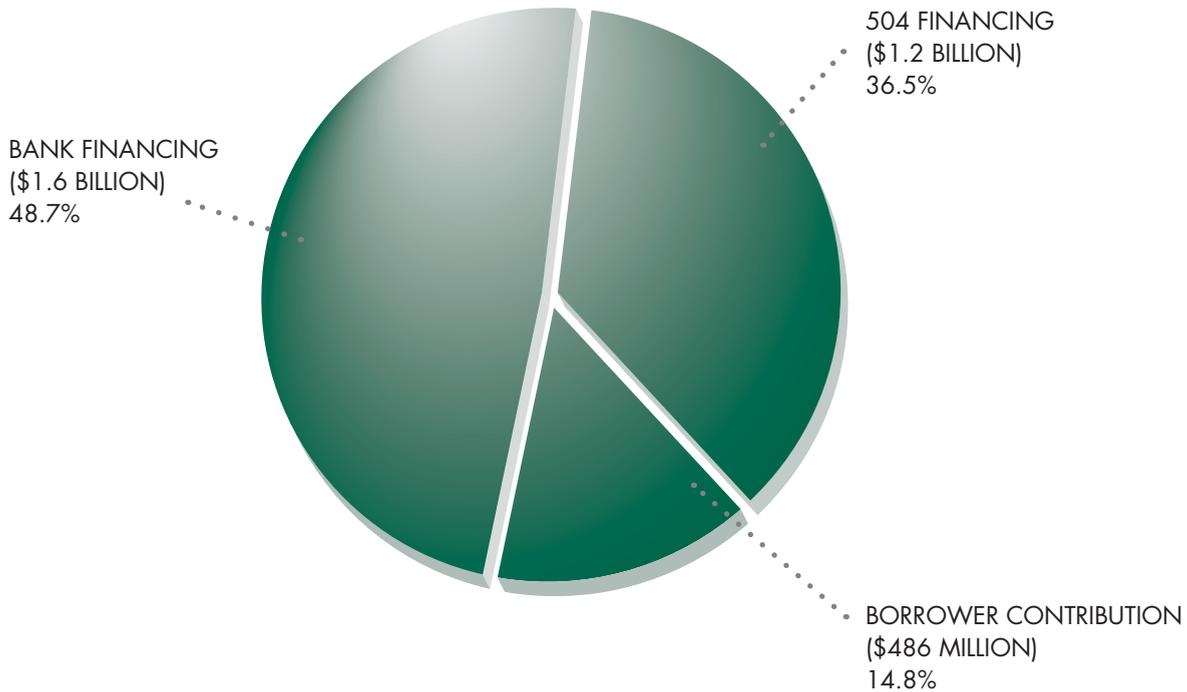
504 loans provide our clients with access to expansion capital at optimal rates and terms. As a result, 504 financing has helped our clients create over 16,000 jobs.



# MAXIMIZING PRIVATE CAPITAL WITH 504 LOANS

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All 504 projects include a conventional first mortgage, which makes up approximately 50% of the total financing. As a result, our 504 activity to date has leveraged total direct capital investments of \$3.3 billion.





“ We found a great building and we got it at a great rate because of SBA funding. **OUR EMPLOYEES ARE OUR BIGGEST ASSET** and we all work together to proudly create a world-class product. This new space allows us room for growth and to create new jobs. ”

— *Tom Frainier, CEO, Semifreddi's  
Alameda, CA*

“ **THE 504 REFINANCE PROGRAM ALLOWED US TO ALMOST DOUBLE OUR SALES THIS YEAR** over last. Not only did sales improve dramatically but our profitability has also improved more than 100% over 2011. The refinance program was a “Godsend” and I hope it continues for the sake of other small businesses in our country. ”

— *Michael R. Harvey, Burlingame  
Automotive, Inc.  
DBA Mike Harvey Honda  
Burlingame, CA*

“ **IT HAS BEEN A PLEASURE TO WORK WITH JOE LAMPE ON FIVE SBA FINANCING DEALS** since 2003. He possesses the highest level of professionalism in all that he does. He is thorough, efficient, timely and, best of all, completely trustworthy. ”

— *Ruth Weizman, Watersavers Irrigation  
Concord, CA*

“ The 504 refinance program is absolutely the right tool to deal with the dramatic change in the ability of businesses to cope with re-valuation of properties. **THE 504 REFINANCE PROGRAM ALLOWED US TO REFINANCE THE NOTE AT A HIGHER VALUE** while keeping our expenses the same, and reduce the amount of exposure the old lender now has. ”

— *Robert Lee, Diede Construction  
Lodi, CA*

“**BOB THOMPSON AND YOUR STAFF KNOW HOW TO MAKE THINGS HAPPEN.** Everything went smoothly and in a timely manner. We had plenty of advance notification and guidance for items needed and there was never a time when any aspect of the financing was held up by the 504 process.”

— *Stuart Walkenhorst, President  
Walkenhorsts Company  
Napa, CA*

“Through the SBA 504 refinance program, our company was able to **CONSOLIDATE OUTSTANDING LOANS AND GET A LONG TERM LOWER INTEREST RATE.** It also enabled us to stay in our building and reduce monthly costs. With the additional monthly savings, we can now invest back into our company and create new jobs.”

— *Eniko Sarkisian, Dependable Furniture  
Manufacturing, Inc.  
San Leandro, CA*

“**CAL CAIN GAVE US GREAT SERVICE. I FELT LIKE WE WERE CARED FOR AND OUR NEEDS WERE IMPORTANT TO EVERY PERSON AT BAY AREA DEVELOPMENT THAT I WORKED WITH.** Anything I did not understand was explained very quickly and I always received a prompt response to any of my needs.”

— *Kathleen Burgess, Owner, Cen-Cal  
General Construction  
Fresno, CA*

“**THE STAFF AT BDC ARE VERY DETAIL ORIENTED AND PROFESSIONAL.** When they say they can do this loan for you, they mean it and they take care of it.”

— *Angeline Mahabali, Pacific Medical, Inc.  
Petaluma, CA*





## 504 REFINANCING: THE BEST TOOL TO SUSTAIN SMALL BUSINESS JOBS

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Helping small businesses grow and create new jobs is critical to our economy's recovery, but it's only part of the equation. **The other essential piece is helping successful small companies sustain the jobs they have already created and to be ready for future growth.** A key tool to affect this was the "Temporary 504 Refinancing Program" which was created by the adoption of the Small Business Jobs Act of 2010 and unfortunately, sunset in September of 2012 after just less than a year of full operation.

The impacts of the great recession and the slow recovery continue to affect access to capital for good small businesses. 504 refinancing was enacted to address the needs of these existing good companies that already

owned their business' properties and were current on their existing loans, but were saddled with poorly structured debt—like loans with balloon payments coming due, a short amortization, or companies needlessly paying interest rates far above the market. 504 refinancing also helped companies access the equity locked up in their commercial real estate and use it to recapitalize their operations to become more sustainable now and poised for future growth.

The need for such a program among small businesses is clearly evidenced by the fact that refinancing accounted for a full one-third of all 504 applications approved in 2012, and there were over a billion dollars of small business capital needs turned away at the program sunset date. Efforts are underway to extend the program. Doing so would represent a clear recognition that responsibly creating and sustaining small business jobs are of critical importance to our nation's recovery.

# OTHER ECONOMIC DEVELOPMENT ACTIVITIES

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In addition to all of the jobs created and other economic development brought on through our SBA 504 financing activities, Bay Area Development is committed to the communities we serve. We support many other small business economic development and community development activities, from the financial sponsorship of technical assistance, training programs and small business awards programs to general community program support. Here are just a few of the excellent programs and organizations that we assisted over the last year:



[www.acsbdc.org](http://www.acsbdc.org)

*The Alameda County SBDC provides classes, technical assistance and personalized training to budding entrepreneurs and to existing business owners interested in accelerating the success of their ventures. We have sponsored classes and workshops for the SBDC and our staff participates in many Access to Capital events each year.*



[www.sfsbn.org](http://www.sfsbn.org)

*The San Francisco Small Business Network serves as a strong, clear, and unified voice of the small business community in San Francisco. BDC is a member of this important association and helps to sponsor their annual small business awards event.*



[www.smallbusinesscalifornia.org](http://www.smallbusinesscalifornia.org)

*Small Business California is a proactive, non-partisan small business advocate whose only agenda is the well being of California's 3.2 million small businesses. BDC is a member of Small Business California and sponsors many of their important business outreach and advocacy activities.*



[sbdc.ucmerced.edu](http://sbdc.ucmerced.edu)

*The UC Merced Central California SBDC Network provides entrepreneurs and small businesses with high quality education, consulting, support for innovation, access to information and tools necessary to build successful sustainable businesses. BDC worked with the Merced SBDC to help with the sponsorship of Small Business Week in the Fresno District of the SBA.*

At Bay Area Development great customer service is what we live by. Since 1981 we've offered common sense explanations and creative solutions for the most complex small business situations. And while we're proud to be among the top twenty of over 300 SBA 504 lenders nationwide, the satisfaction and success of our clients is what motivates us every day and is the true measure of *our* success.



**BAY AREA  
DEVELOPMENT  
C O M P A N Y**

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**HEADQUARTERS**

1801 Oakland Blvd., Suite 100 • Walnut Creek, CA 94596  
Phone: (925) 926-1020 • (888) 504-0504

**CENTRAL VALLEY OFFICE**

114 E. Shaw Ave., Suite 207 • Fresno, CA 93710  
Phone: (559) 226-3700

[www.bayarea504.com](http://www.bayarea504.com)