

SBA real estate loans double

Optimism returns to Bay Area biz

BY MARK CALVEY
San Francisco Business Times

The Bay Area saw almost a doubling of commercial mortgages backed by the SBA's 504-loan program during the first quarter.

Total SBA 504 loans in the greater Bay Area jumped to \$125.4 million in the first quarter, up from \$65 million in the first quarter of 2009, during the depths of the Wall Street crisis. A total of 75 SBA-504 loans were made in the first quarter, up from 32 such loans a year ago.

Among the beneficiaries of that lending backed by the Small Business Administration was Anthony's Shoe Service Inc. — and a stretch of Kearny Street riddled with vacant storefronts. Mario and Gino Gentile, brothers and co-owners of the shoe-repair service their father bought in 1966, purchased 340 Kearny St. in February for \$1.2 million. They'll spend \$350,000 on renovations.

The financing backed by the Small Business Administration and with the participation of TMC Development and Goleta-based Community West Bank, will also help pay for renovations to the three-story structure built in the wake of the 1906 quake.

"I had no idea such a loan program was available," said Mario Gentile, relieved that his company owns its space after facing prospects of rent tri-



SPENCER BROWN

"I had no idea such a loan program was available," says Mario Gentile, right, with Gino.

pling at its former place at the foot of Geary Street.

The rise in SBA 504 lending represents both the increased confidence of business owners as well as the dearth of options to finance commercial real estate purchases amid the credit crunch for small business.

"We're clearly regaining traction in the Bay Area," said Fernando Alvarez, a senior loan officer at CDC Small Business Finance in San Ramon.

Bank of America was the most active lender for Bay Area SBA-504 financings, partnering in a dozen transactions.

Several factors are contributing to the growth in 504 lending.

"There's a perception in the market that real estate prices are bottoming," said Michel Ottolia, a vice president at California Lending Partners in San Francisco. "People want to get on the

bandwagon and buy commercial property while interest rates are low."

Another factor is the secondary market for 504 loans is finally showing faint signs of life, Ottolia said.

But SBA lenders are urging law makers to pursue measures to facilitate more SBA lending.

Circle Bank President and CEO Kimberly Kaselionis recently traveled to Washington to request, among other things, that special incentives for SBA financing under the federal stimulus package be extended to the end of the year.

Barbara Morrison, president of TMC Development, says clients are taking advantage of market conditions.

"The window of opportunity won't stay open forever," she said.

mcalvey@bizjournals.com / (415) 288-4950 ■