



SBA 504 ELIGIBLE PROJECT COSTS

An SBA 504 Loan through Minnesota Business Finance Corporation is utilized to support a Borrower in a given “Project.” The Project Costs may include:

Land

- Purchased or leased
- Evaluated at cost if acquired within the past two years
- Evaluated at appraised value if owned more than two years

Site Improvements

- e.g. Grading, paving, landscaping, curb and gutter, etc.

Acquisition of existing building

Convert, expand, or renovate existing building

Construct new building

Refinancing of existing Debt

If the project includes the acquisition, construction or improvement of land, building or equipment – application may include up to 50% of debt refinancing in the project costs if the following conditions are met:

- The debt being refinanced was incurred for the benefit of the small business to acquire or construct land, building, or equipment.
- The debt being refinanced is collateralized by fixed assets which will collateralize the new loan.
- The new financing must provide substantial benefit to the borrower – 10% improvement in the installment amount.
- Borrower has been current on all payments on existing debt for one year.
- The SBA 504 financing will provide better interest rate or terms than the existing debt.
- The 504 loan proceeds may not be used to pay any creditor in a position to sustain a loss from the existing debt.

Acquire and install machinery and equipment

- Assets must have 10 year useful life
- Assets must be at a fixed location
- May be less than 10 year useful life where furniture, fixtures, and equipment (FF&E) are essential to and a minor part of the 504 project
- Installation may be financed when the cost of installation is included in the equipment purchase order



Professional fees directly attributable and essential to the project

- Title Insurance
- Architect
- Engineering
- Environmental
- Appraisal
- Municipal
- Hook-up
- Survey
- Legal
- Accounting

Interim financing costs

- Interim Loan's Origination Fee
- Interim interest

The following items are not able to be included in the Project Costs:

- Incorporation and organization costs
- Counseling or management service fees
- Finders fees, broker fees, commitment fees, and application fees
- Origination Fees on permanent lender financing
- Working Capital
- Furniture, fixtures and equipment with a useful life less than 10 years
- Automobiles, trucks and airplanes
- Franchise fees
- Moving costs
- Advertising
- Legal fees associated with the loan closing
- Construction Equipment (except for heavy duty equipment integral to a business and meeting IRS definition of capital equipment.)