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By BILL PERRY

LANSING — When The American Recovery and Reinvestment Act, (ARRA) a.k.a. the Stimulus Package, was signed by President Barack Obama, last spring, Jane K. Sherzer, president of Michigan Certified Development Corp. (MCDC) felt the package would benefit the SBA 504 program in Michigan, providing new opportunities for businesses. After a year, that feeling is more fact.

“We started seeing more phone calls coming into our office from small business owners in Michigan as soon as the Stimulus package passed and our volume ramped up considerably in the last half of the year,” said Sherzer. “We did two-thirds of our volume in the last six months and we attribute that to the ARRA which provided for a waiver of the bank and CDC fee in our loan program. That amounted to approximately two percent of the total transaction. We are now on a record pace again, and are seeing loan volume throughout the state.”

Sherzer said these days everyone is concerned about risk mitigation and capital preservation, which makes the 504 program very beneficial. “We are aware of several banks that have issued an edict stating that due to those reasons, all loans must include an SBA support. The MCDC continues to be the leader in the state for the SBA 504 loan program,” she said.

Kenneth Morley VP—small business banking at National City, now a part of PNC, said he really likes the SBA 504 program because it has been really helpful to his customers. “In our cash strapped business community, the 504 program helps borrowers qualify for financing of owner occupied real estate or equipment with a lower down payment and lower interest expense,” he explained. “From my perspective, this feature has helped facilitate transactions which otherwise would not have occurred, helping move real estate and capital equipment, just what our economy needs.”

Success Stories: Running Fit and Morley Companies

Sherzer cited a couple of business examples in 2009 that stand out as success stories for MCDC efforts. One is a retail operation in Metro Detroit with several locations known as Running Fit; the other is a diversified enterprise, Morley Companies Inc.

Running Fit recently purchased a building on the west side of Ann Arbor, renovated it and made it their new headquarters. Started in 1985 by Randy Step and Steve Angerman, Running Fit emphasizes individual health and community wellness. “We have been working and living our passion for running for 25 years and since we opened our first location in Ann Arbor we have continued to grow in gross sales every year since,” Step explained. “We are as excited today about what we do, perhaps even more so each year since we started.”
According to Step, the SBA 504 loan allowed Running Fit to invest and expand. Running Fit purchased a 5,700 square foot former church and renovated it into a new Running Fit store and corporate headquarters. This will allow for additional office and inventory space and to offer more classes.

Sherzer said both Step and Angerman were able to affordably finance this new store with a fixed-rate loan through the MCDC SBA 504 Loan Program, with only 10 percent down. This is their seventh store in Michigan. The total project amount was $1.07 million and the loan amount is $434,000.

Running Fit’s lender is National City Bank and the company hopes to take advantage of the loan program again in 2010. “I believe I’m not unlike other hard working business owners. We don’t look to the government for help and are not familiar with the programs that might actually be available to us. I went to my bank for this loan, and my loan officer suggested the SBA 504, or I would have had no idea,” Step added.

Running Fit is a retail and event company with a growing online business and a running event and timing company. According to Step, the company is promoting 23 annual events that include marathons, triathlons and extreme off road running relays that now take place in four states. In 2008 Running Fit was named one of the 50 best running stores in America.

Morley Companies Inc. has been a family-owned business since its founding in Saginaw in 1863. It began as a hardware store, and by the 1880s, was one of the largest hardware wholesalers in Michigan. By the 1890s, it was the second largest hardware company in the nation. As the lumbering industry, its primary customer, began to decline, Morley diversified, incorporating various other wares into the enterprise. Throughout the 1950s and ‘60s, Morley Brothers was the premiere department store in the region, widely recognized for its range of merchandise and fantastic window displays.

Over the last 20 years, Morley’s services have evolved. It is still diverse and now includes five product groups. When Morley obtained a significant contract from IBM to establish a call center for technical issues and with expectation of several hundred jobs to be created as a result, MCDC stepped in with Citizens Bank providing financing through the SBA 504 Program.

According to Richard Mott, VP and CFO of Morley, the company evaluated the loan program
based on competing alternatives in the marketplace. It found the programs were competitive and the cooperation and collaboration between the MCDC and Citizens Bank made the program a solid solution to their expansion needs. “It proved to be both quick and efficient with regard to the time and executive effort required to identify the available capital and reach final terms,” he said. “The thing that stood out was the well-defined process, customer focus and teamwork employed by the MCDC and Citizens Bank staff.”

According to Mott the big challenges that had to be overcome in securing the 504 loan were primarily due to the credit constraints associated with the economic downturn; at a time when his firm was experiencing a significant, long-term growth opportunity that required immediate capital investment. He noted that the investment resulted in the creation of substantial employment growth in the Great Lakes Bay Region.

“Both of these projects are significant in that they would be challenging to accomplish in a good environment, and perceived to be almost impossible in the recent economy, but both got accomplished with the SBA 504 as support,” Sherzer emphasized.

From left to right: Darnell Early, Saginaw City Manager; Joann Crary, President, Saginaw Future; Paul Furlo, President, Morley Companies, Inc.; Vice President Joe Biden; Tom Zernick, Head of SBA Lending; Dave Green, Community Bank President and Senior Banker

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