

H.R. 6921: SMALL BUSINESS ENERGY LOAN ENHANCEMENT ACT

A Proposed Expansion to the Small Business Administration's Section 504/CDC Loan Program for Energy Efficient Building Upgrades, Renovations, and Retrofits

Key Takeaways:

In 2021, the average age of a commercial building in the United States was 53 years old.

To meet tenants' needs and expectations, the commercial real estate industry faces a growing demand for modern and more energy efficient buildings.

Costs associated with necessary renovation and retrofitting projects exceed the current available loan amount of \$5.5 million.

H.R. 6921: Small Business Energy Loan Enhancement Act will expand the cap for 504/CDC loans from \$5.5 million to \$10 million.

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Background:

The Small Business Administration (SBA) oversees the 504 Certified Development Company (504/CDC) loan program which provides loans to small businesses "that might not otherwise obtain financing on reasonable terms and conditions." This program is administered through nonprofit certification development companies and provides long term, fixed rate loans where other avenues of financing may not exist.

The SBA caps most 504/CDC loans at \$5 million; however, projects that meet certain energy reduction goals may qualify for an expansion of up to \$500,000 for a possible total loan amount of \$5.5 million. To qualify for an expanded loan, borrowers must meet one of the three following energy reduction goals:

1. Reduce existing energy consumption by at least ten percent,
2. Increase the use of sustainable designs, including designs that reduce the use of greenhouse gas-emitting fossil fuels or low-impact designs to produce buildings that reduce the use of non-renewable resources and minimize environmental impact, or
3. Upgrade plant, equipment, and processes involving renewable energy sources such as the small-scale production of energy for individual buildings or community consumption, or renewable fuel producers including bio-diesel and ethanol producers.

The Issue:

In 2021, the average U.S. commercial building was 53 years old, with Class B and Class C buildings accounting for a significant majority of current building stock. To meet the rapidly evolving needs and expectations of today's tenants, the CRE industry faces a growing demand to deliver modern, smarter, and more energy-efficient buildings.

Many small businesses in the commercial real estate industry do not have the necessary cash-on-hand or for extensive renovations or retrofits, and the costs associated with these projects exceed the 504/CDC loan cap of \$5.5 million.

The Proposal:

H.R. 6921: Small Business Energy Loan Enhancement Act, introduced by Congressmen Jason Crow (D-CO-6) and Don Bacon (R-NE-2), increases the 504/CDC qualifying loan cap from \$5.5 million to \$10 million. The loans provided can be used to finance renovations, retrofits, and the purchase of major fixed assets such as land, buildings, equipment, and machinery.

BOMA International's Position and Ask:

BOMA International strongly endorses H.R. 6921: Small Business Energy Loan Enhancement Act and applauds Congressmen Crow and Bacon for their leadership. This legislation would provide an invaluable financial lifeline to small businesses within the commercial real estate industry.

BOMA International Asks that Members of Congress co-sponsor H.R. 6921: Small Business Energy Loan Enhancement Act.

