



# SBA 504 LOAN PROGRAM

Fixed Asset Financing For Growing Businesses

## WHAT'S A "SPECIAL-PURPOSE PROPERTY"?

You've probably heard us say that businesses that are buying or building a "special-purpose property" must inject an additional 5% into their 504 project. Here are some guidelines on what this term means, and how we apply it.

### Contact a Self-Help 504 loan officer n

#### Charlotte NC Region:

Dale Harrold or Steve May  
(800) 394-7428  
(704) 409-5914 or Ext. 5915

#### Northeastern NC Region:

Greenville  
(800) 893-9669 (252)752-2203

#### Southeastern NC Region:

Wilmington  
(877) 559-4284 (910) 442-1021

#### Triad NC Region:

Greensboro & Winston-Salem  
(800) 269-7426 (336) 478-2611

#### Triangle NC Region:

Durham  
(800) 476-7428 (919) 956-4493

#### Western NC Region:

Asheville  
(800) 229-7428 (828) 253-2813

The SBA SOP defines a "special-purpose property" as "a property that is appropriate for one use or limited use: a building that cannot be converted to another use without a large capital investment." The example we typically use for a special-purpose building is a car wash.

In contrast, most metal buildings and office condos are pretty much always considered to be multi-purpose in nature – because they can be used for another purpose with little or no specific upfit.

The SOP further specifies a group of properties that it always considers to be special-purpose in nature. Some are obvious – such as golf courses, tennis clubs and marinas.

Several of the properties on the list do pop up frequently in 504 projects. For instance, we see a number of projects that are defined as medical centers, nursing homes and funeral homes – and the SBA considers all such projects to be special-purpose. The agency also considers motels and hotels to be special-purpose in almost all cases.

One item on the list that we see a lot is "gasoline service stations." The SBA has extended this definition to include convenience stores that have gasoline pump operations in almost all cases – so these operations are generally seen to be special-purpose in nature.

Car wash operations do not appear on the list, but are almost always considered to be special-purpose.

If we are looking at a property that is not on this list but that we suspect might be considered special-purpose, we typically ask the appraiser on the project to examine the property and render an opinion as to whether the property should be special-purpose in nature. The SBA's procedure in these cases is to accept the conclusion of the appraiser as to whether the building is special- or multi-purpose. We can then set the downpayment and move forward.

If you are concerned that a project might be special-purpose, review the situation with a Self-Help loan officer near you. We can get some of the key facts on the case, and quickly determine what kind of downpayment we're likely to need.

If you have additional questions on this point, you can contact Charlie Cleary at (919) 956-4629 or email [504loans@self-help.org](mailto:504loans@self-help.org).