

CASE STUDY: Commercial Real Estate Loan

Supporting a Small Business Owner in a Complex Commercial Real Estate Purchase

“Tech CU really went above and beyond in helping me get this loan. They were attentive and paid close attention to the needs of my business. For example, the team took a very hands-on approach in facilitating the transfer of the franchise for the hotel. They also took the time to explain a lot of the SBA terminology and let me know what was going to happen at each step. This meant a lot in terms of making me feel comfortable, as I had no prior experience in this area.”

– Manishh Gajiwala, Small Business Owner, Days Inn



Manishh Gajiwala is a small business owner who has been working in the hospitality industry for decades — including being a hotel manager and operator for such franchise properties as America’s Best Value Inn and Days Inn. He also holds a minority ownership interest in three hospitality/retail properties in San Francisco.



A \$4.9 million SBA Loan for the purchase of a hotel property in Milpitas.

To learn more, call a Commercial Banker at: (800) 448-1467



COMMERCIAL
BANKING GROUP

THE NEED: SECURING FINANCING FOR A SMALL BUSINESS OWNER UNDER CHALLENGING CONDITIONS

Mr. Gajiwala had been managing a Days Inn franchise in the Bay Area for several years, when he was offered the chance to purchase the property from a close relative. Obtaining financing, however, became a challenge due to the involvement of the relative, as well as other factors.

THE CHALLENGES

- **A commercial real estate sale between related parties.** Because the real estate transaction was between two related parties (a non-arm's length transaction), it can be viewed as higher risk to lenders because the relationship can potentially influence price and the terms of purchase.
- **A hotel on leased land.** Purchasing the hotel involved a ground lease, which needed careful assessment to ensure it met the requirements for approval on the loan.
- **A third-party deposit to escrow.** To meet the required cash down payment for the purchase, Mr. Gajiwala received an equity injection (deposited directly into escrow) from a third party that was repaying a loan to Mr. Gajiwala.

WHY TECH CU?

- **Working in the borrower's best interest.** To ensure the protection of Mr. Gajiwala and to satisfy the requirements for approval on the loan, Tech CU brought in counsel to assess the terms of the ground lease and identify any ambiguities.

- **Willingness and ability to work with the borrower.** A local lender in the Bay Area, Tech CU worked closely with Mr. Gajiwala to assess and overcome the challenges he faced in securing his loan, particularly with a relative involved in the transaction. This included working with an experienced real estate appraiser to ensure the property's value was assessed properly.
- **An SBA Preferred lender.** Ranked as the top producing credit union in 2014, based on dollar amount of SBA 7(a) and 504 loans funded in California, Tech CU's Preferred Lender status with the SBA meant it could expedite the approval of Mr. Gajiwala's loan. It also provided Tech CU more flexibility in working with Mr. Gajiwala to secure his approval.

BENEFITS TO THE BORROWER

- **With the help of Tech CU and support from its network of professional service providers** (i.e. attorneys, commercial real estate agents and appraisers), Mr. Gajiwala was able to ensure the ground lease met the requirements for loan approval and purchase the property with an SBA loan.
- **Tech CU worked with Mr. Gajiwala and the franchisor** to assist in the process of transferring the facility's franchise licensing.
- **Tech CU guided Mr. Gajiwala through the SBA loan process** — ensuring he met all requirements and provided the necessary paperwork upfront to expedite the loan approval.

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