



New Equity in Action Series: SBA loan sparks a fairytale ending for disaster restoration firm

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When Warner Cruz set out to grow his family's disaster restoration business, he never imagined he would end up as the star of what at times felt like a fairy tale, one in which his expansion plan turned out to be a perfect fit – and one of the crowning achievements – of a popular government small business loan program.

Cruz's journey began with a storybook location just off the expressway in [Rolling Meadows](#), and his strong desire to hold on to the firm's talent.

I realized either the company had to grow, or I was going to lose some really key people," said Cruz, owner of [JC Restoration](#), a disaster restoration company that specializes in restoring property damaged by fire, flood, smoke, storms and other major traumas. "I always wanted a building on the expressway. Advertising is so expensive in Chicago; I figured the best way to be seen was off a major highway."

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Cruz lucked upon an 82,000-square-foot office/warehouse building that had been empty for years. Around that time, his banker told him about the [Small Business Administration's 504 loan](#). The federally-funded 504 program was intended as a job creation engine, with preference given to rural and economically disadvantaged areas, and minority and female applicants. The loan must be used to finance long-term assets such as real estate and fixtures, which makes it ideal for construction and expansion of manufacturing facilities and other labor-intensive projects. Cruz had a good financial track record and a long, proven business history. He bought JC Restoration in 2002 from his Guatemalan-born parents, who founded the business in 1982. JC Restoration is also a certified minority business enterprise ([MBE](#)).

The SBA funded \$2 million of the nearly \$4 million it cost to purchase and renovate the space, with an interest rate just below 5 percent over 25 years.

"It was amazing. I just give God so much glory," said Cruz. "The questionnaire asked, 'Are you minority owned? Are you buying a property that has been empty for a while? Is it in a good area with a nearby highway? Will you be creating jobs? Do you have over 20 employees? It was just like Check.' 'Check.' 'Check.' My banker said, 'Holy cow! You fulfill all the requirements of the loan. There is no gray area. This is a slam dunk.'"

The SBA funded \$2 million of the nearly \$4 million cost to purchase and renovate the space, with an interest rate just below 5 percent over 25 years. The rest was financed through a conventional bank loan.

[SBA Illinois](#) District Director [Judith Roussel](#) said 504 interest rates have gone down with each pricing since July 2009. Interest rates are currently at record lows, she said.

"When I came into this business, my parents never owed anybody any money. They were very financially sound," Cruz said. "So, luckily, we did not have any problems with banks. We'd had a relationship with [West Suburban Bank](#) since 1982, so they were very comfortable with our loan request."

The build out on the new space was completed last November. Cruz expanded 16,000 square feet of office space to 40,000 square feet; the remainder is taken up by the warehouse. The building also comes with sustainability features, such as a [green roof](#), and a variety of amenities, including a game room, a 108-person auditorium, a hair salon and a locker room facility.

Cruz's banker did a walkthrough of the renovated building. Then came the icing on the cake: "They were so impressed with the look of the facility they asked me if they could nominate me for an [SBA](#) award. They wrote this amazing nomination package. It brought tears to my eyes. It's the first time I'd really read the story of my parents coming from Guatemala."

Jose and Martha Cruz came to the U.S. in the 1970s. But Jose Cruz's poor English made it difficult for him to find work. He learned how to clean buildings damaged by flood and fire, and in 1982 founded [JC Restoration](#).



The elder Cruz, however, did not necessarily intend for his two children, Warner and Karen, to work the family business, said Warner Cruz, who has a degree in international business finance with a minor in Japanese. After spending three years working in Japan, Cruz said the draw of family pulled him back to the Chicagoland area.

"Our family is very close. My thought was to come back and . . . find something less stressful for them to do. I found there wasn't much value in selling the business. After I joined a networking group, I was able to create value and found that the service industry was a great industry to be in," he said.

Cruz learned the business from the ground up, cleaning carpets and managing the front office. Since taking over, volume has increased from \$9.5 million to nearly \$15 million. Today, [JC Restoration](#) is a full-service disaster restoration company with 70 employees. His sister, Karen, is a division manager.

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“In our last place in Bensenville, we had 42 employees. So we’ve added nearly 30 jobs and we have created more subcontractor relationships, too,” Cruz said.

This past spring, Warner Cruz was the second-runner up in the [SBA’s National Small Business Person of the Year competition](#). He and his family, including his parents, traveled to Washington, D.C., in May to accept the award in the White House Rose Garden. After he returned, Cruz said he received a letter from SBA Administrator Karen Mills saying he had won the award for Illinois and was recognized in a June 29 ceremony at Navy Pier.

For [JC Restoration](#), again, “check, check, check” went the sound of the SBA marking off each of seven criteria it considers to select its annual honorees, according to Roussel.

Staying power. Winners have to have a substantiated business history. The SBA considers number of years in business, sustained expansion and steady growth in net worth over three years.

Growth in number of employees. The benchmark by which the SBA judges the impact of the business on the job market.



Increase in sales and/or unit volume. The business must show consistent growth in net income on profit-and-loss statements over a minimum of three years.

Current and past financial performance. Financial reports must show the improved financial position of the business.

Innovation in product or service. To win, the business owner must demonstrate creativity and imagination.

Response to adversity. The SBA looks at examples of how business owners have resolved business and industry related issues.

Contributions to community-oriented projects. The business owner shows evidence of the use of his/her personal time, money and resources for charitable causes, as well as membership in councils, boards and clubs providing support and services to the community.

For certain, Cruz’s experience has left a lasting impression.

“When we were at the rose garden, President Obama was addressing us and he told us that small business owners represent three out of every four jobs created. I felt so patriotic when I left D.C.,” said Cruz, adding that he next plans to pursue government contracts. “I’m fired up.”

<http://newequitydaily.com/2010/07/18/new-equity-in-action-series-sba-loan-sparks-a-fairytale-ending-for-disaster-restoration-firm/>