



BNEL

2026

BALTIMORE
NEIGHBORHOOD
ECONOMICS LAB

THE DEBT TRAP

Scenario #3: The Building That Was Supposed to Create Stability

INTERACTIVE EXERCISE

1 WHO THEY ARE

HERITAGE THREADS MANUFACTURING

"I thought owning the building would finally make the business stable."

You are the founder of Heritage Threads Manufacturing, a Baltimore-based apparel production company specializing in:



CUSTOM UNIFORMS



LOCAL FASHION PRODUCTION



SMALL-BATCH MANUFACTURING



EMBROIDERY & SCREEN PRINTING

The company has operated for nearly 10 years and built a strong reputation for:



QUALITY WORK



RELIABILITY



HIRING LOCALLY



TRAINING NEIGHBORHOOD RESIDENTS IN SEWING AND PRODUCTION SKILLS

The business has survived through hustle, relationships, and consistency—but margins have always been tight.

The business serves:



SCHOOLS



NONPROFITS



LOCAL BRANDS



CHURCHES



UNIVERSITIES



COMMUNITY ORGANIZATIONS

2 THE SEARCH FOR STABILITY

For years, the business operated out of:



SMALL RENTED INDUSTRIAL SPACES



SHARED MAKER FACILITIES



SHORT-TERM WAREHOUSE LEASES

The instability created constant challenges:

- ✗ Landlords increasing rent unexpectedly
- ✗ Losing space with little notice
- ✗ Limited room for inventory and equipment
- ✗ Inability to make long-term improvements

“After years of instability, the founder decided: **“THE ONLY WAY THIS BUSINESS SURVIVES LONG TERM IS IF WE OWN OUR OWN BUILDING.”**”

3 THE PROPERTY



6,000 SQ FT INDUSTRIAL BUILDING

PURCHASE PRICE:
\$300,000

The building needed work, but offered:



WORKFORCE EXPANSION



INVENTORY STORAGE



MANUFACTURING HUB



GENERATIONAL WEALTH



NEIGHBORHOOD STABILITY

4 THE FINANCING PROBLEM

Despite operating for years, the business struggled to qualify for traditional commercial financing because:



MARGINS WERE THIN



INCONSISTENT PROFITABILITY



MANUFACTURING VIEWED AS RISKY



LIMITED CASH RESERVES



FOUNDER AGE CONCERNS

DETERMINED NOT TO LOSE THE OPPORTUNITY, THE FOUNDER INVESTED **\$150,000** OF PERSONAL LIFE SAVINGS.

AND WORKED WITH A HARD MONEY LENDER TO FINANCE THE REMAINING: **\$150,000**



THE LOAN STRUCTURE

Interest-only payments for the first two years.

At the time:

- ✓ Payments felt manageable
- ✓ Monthly obligations resembled prior rent expenses
- ✓ Founder believed revenue growth would eventually stabilize cash flow



The property itself served as collateral.

5 THE CURRENT CRISIS

LOAN IN DEFAULT

The business has now:

- Fallen behind on loan payments
- Accumulated penalties and legal fees
- Exhausted most remaining reserves



The lender has:

formally declared the loan in default and has begun taking steps to take possession of the property.

The founder now faces the possibility of:



LOSING THE BUILDING



LOSING PERSONAL LIFE SAVINGS



SHUTTING DOWN THE BUSINESS



LAYING OFF WORKERS



RETURNING TO UNSTABLE RENTED SPACES, IF THE BUSINESS SURVIVES AT ALL

FINANCIAL SNAPSHOT

ANNUAL REVENUE
\$1.1M

MONTHLY REVENUE
~\$92,000

MONTHLY OPERATING EXPENSES
~\$88,500

CASH ON HAND
\$9,700

EXISTING DEBT

- Hard Money Loan: ~\$145,000 remaining
- Equipment Financing: \$38,000
- Business Credit Cards: \$21,000

EMPLOYEES: 8 FULL-TIME STAFF

4 CONTRACT PRODUCTION WORKERS



THE BUILDING BECAME BOTH THE COMPANY'S GREATEST ASSET AND GREATEST THREAT.



What would you do?

