

Ulster County Economic Development Alliance Ulster County Revolving Loan Fund Loan Committee Report

Applicant:
Yoga Vida LLC

Date of Application:
2/20/2018

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1.0 APPLICATION SUMMARY

BORROWER Yoga Vida LLC
 Michael Patton
 44 St Marks Place, Apt 2
 New York, NY 10003
 717-418-1991

LOAN AMOUNT \$100,000

RATE 4.0% **TERM** 7 years

LOAN PURPOSE Purchase and renovation of commercial property, plus related costs

<u>USES/SOURCES</u>	UCRLF	Newtek (SBA Guaranteed Loan)	Equity	Total
Buildings (acquisition)	\$100,000	\$2,000,000	\$900,000	\$3,000,000
Buildings (renovation)	\$-	\$-	\$411,500	\$411,500
Furniture & Fixtures	\$-	\$-	\$250,000	\$250,000
Professional Fees	\$-	\$-	\$30,000	\$30,000
Working Capital	\$-	\$-	\$25,000	\$25,000
Soft Costs	\$-	\$-	\$75,000	\$75,000
TOTAL	\$100,000	\$2,000,000	\$1,691,500	\$3,791,500
Participation	3%	53%	45%	100%

SECURITY

- A) Second mortgage on commercial property located at 895 Lundy Rd
- B) Second priority security interest pursuant to Security Agreement and UCC-1 filings on all furniture and fixtures
- C) Personal guarantee by Michael Patton

JOBS

Current FTEs	Retained FTEs	New FTEs (by Year 3)
30	30	8

<u>CASH FLOW SUMMARY</u>	2015	2016	2017	2018	2019	2020
Net Income	\$372,334	\$(65,251)	\$114,612	\$113,212	\$152,694	
Adjustments to Net Income	\$(220,931)	\$(105,119)	\$132,202	\$(414,733)	\$364,370	
Cash Increase/(Decrease)	\$151,403	\$(170,370)	\$246,813	\$(301,521)	\$517,064	
New Debt Service	\$(161,403)	\$(161,403)	\$(161,403)	\$(161,403)	\$(161,403)	
Cash Flow Margin	\$(10,000)	\$(331,773)	\$246,813	\$(462,924)	\$355,661	
Cash Flow Coverage Ratio	0.94	-1.06	1.53	-1.87	3.20	

Rating I

<u>COLLATERAL SUMMARY</u>	Asset Value	Prior Liens	Available Value	Adjusted Value	Coverage Ratio	Rating
	\$3,250,000	\$2,000,000	\$1,250,000	\$850,000	8.50	A

<u>NET WORTH SUMMARY</u>	Assets – Stated Value	Assets – Adjusted Value	Liabilities	Adjusted Net Worth	Loan Amount	Rating
	\$3,306,000	\$714,000	\$0	\$714,000	\$100,000	+

2.0 PROJECT OVERVIEW

Yoga Vida LLC is an established NYC yoga and wellness company with over 25,000 active members. The Company has been in business for over 8 years. Their vision is to build and serve their community by creating a one-of-a-kind wellness center at the Lundy property, complete with 3,000 sq ft greenhouse and 4 acre garden to provide guests a true farm-to-table experience.

The Company has placed a \$600,000 deposit on the property and completed all due diligence: environmental inspection, property inspection, town approvals, etc... They have secured a loan commitment from Newtek Business Services, a national lender based in New York City, under the SBA 7(a) Loan Guarantee Program, and are awaiting confirmation of SBA approval. Meanwhile, they are in discussions with local banks and hope to secure a traditional construction loan on more favorable terms. They have a final close date on the property of March 15th at the very latest.

The Company is pursuing all possible sources of capital and the \$100k low-interest loan requested from the UCRLF would provide them with the final source required to close on this property by March 15th. Should this loan not become available, it's very possible the Company would lose their deposit, which is likely to result in the termination of the project.

The project has the ability to provide tremendous value to the local community in a myriad of ways. According to Michael Patton, the primary shareholder:

- We're plugged into a robust community of wellness and outdoor enthusiasts in NYC and will introduce ~1,000 new people to the area every year, which drives revenue and attention to local businesses.
- Our B&B may serve as a housing option for local guests seeking accommodations for weekend events not associated with our facility (ie: weddings, etc...).
- In 2018, we will source local organic produce from nearby farms to feed our guests. We'll likely supplement our farm's produce in 2019 with local farm produce and propagation as well.
- We work with local professionals: Scott Dutton, Mike Moriello, Paul Kellar, Patti Brooks, Paul Andreasson (Inspection), Chazen Environmental, Rian Bradley. And we've only just begun. We intend to make continued improvements to the property and improve/expand the housing accommodations over the next 5-10 years.
- We'll hire local labor for:
 - Grounds maintenance
 - Facility maintenance
 - Hourly labor for cleaning, food prep and hospitality
 - Hourly labor for agriculture
- We'll partner with local transportation companies to help our guests reach the property from public transit stops (Poughkeepsie train station, New Paltz bus station).
- Local stores and services will get a lot of business from us and our guests: gas stations, fuel oil, propane, grocery stores/wal mart, etc...

The project budget of \$3,791,500 includes the purchase price of the property and existing buildings (\$3,000,000), plus estimated renovation costs of \$411,500, which includes the following improvements:

- convert MB closet to full bath
- convert Bedroom to bathroom
- convert top of stairs to bedroom
- add 3 bay sink
- add bathroom next to existing bathroom
- install boiler propane gas line
- glass wall between kitchen
- install commercial dishwasher
- install combi oven with steam
- install 3 bay sink
- sand floors, replace siding
- sand floors, repair floors
- repair and replace siding
- solar panels
- conduit
- drainage, floor paint, wall paint
- 2 walk in coolers

In addition, the project includes a budget of \$250,000 for new furniture and fixtures; \$30,000 for professional fees such as attorneys, engineers, and architects; \$25,000 for working capital and contingencies; and \$75,000 for closing costs.

According to the Company's projections, new operations at the Lundy Road location will generate net income of \$176,767 in the first year of operations, and \$364,370 in the second year. The Company stresses that these are conservative estimates, and given the range of programs and price points it plans to offer, as well as the built-in customer base represented by its 25,000 active members in NYC, it appears likely that income will exceed projections.

At its February meeting, the UCEDA Board of Directors authorized an award of \$21,040 to Yoga Vida LLC under the Ellenville Million Economic Development Fund program. A contract is being developed, which will indicate that the award is contingent upon the completion of the property purchase and is subject to recapture if the Company does not meet its stated employment goals.

2.1 Description of the Company and the Principals

BORROWER NAME: Yoga Vida LLC

ADDRESS: 44 Saint Marks Place, Apt 2, New York, NY 10003

PHONE #: 717-418-1991

FAX #:

TAX ID#: [REDACTED]

Organizational Structure: Limited Liability Corp

Borrower Size: [REDACTED]

Including [REDACTED]

Affiliates

2.2 Owners and Key Management

Name:	Michael Patton	Chris Woods	Robert Lindsey
Address:	44 St Marks Place Apt 2 New York, NY 10003	47 Millard St Fairfield, CT 06824	224 E. 11 th St Apt 14 New York, NY 10003
Phone #:	717-418-1991	203-505-1256	
SS#:	[REDACTED]		
% Owned:	[REDACTED]	[REDACTED]	[REDACTED]
Title/Role in Business:	Managing Member	Director of Operations	Director of Philosophy

2.3 Company Operations

See the Company’s UCRLF Application, Exhibit E – Context for a full description of the Company’s history and Exhibit F for more information about key management personnel.

3.0 PROPOSED USES OF FUNDS

The Company proposes to use funds from the UCRLF to contribute toward the purchase price of the property. Additional funds for the purchase will be drawn from the Company’s Newtek SBA loan, cash on hand, prior deposits, and additional paid in equity.

Uses of Funds	
Uses	Amount
Site improvements	\$0
Buildings (acquisition)	\$3,000,000
Buildings (renovation)	\$411,500
Furniture and Fixtures	\$250,000
Professional Fees	\$30,000
Working Capital	\$25,000
Soft costs	\$75,000
Total Uses	\$3,791,500

FinancialAnalysis_YogaVida_FINAL.xls

4.0 PROPOSED SOURCES OF FUNDS

The Company is seeking funding from two sources, including the UCRLF and a commercial lender. A commitment letter from Newtek, under the SBA 7(a) Loan Guarantee program, is included in the application packet. This commitment is contingent on approval of the Company’s SBA application, which is pending. The Company is hoping to secure a loan from a local lender instead of Newtek, if possible. In addition to these, the Company will contribute \$1,691,500 in cash toward the project cost, including \$600,000 in funds already on deposit with the current property owner.

Sources of Funds						
Source	Amount	Partic. %	Interest Rate	Term (years)	Est. Monthly P+I Payment*	Est. Annual P+I Payment*
UCRLF (term loan)	\$100,000	3%	4.00%	7	(\$1,366.88)	(\$16,402.57)
SBA (construction loan)	\$2,000,000	53%	7.25%	300	(\$12,083.33)	(\$145,000.00)
Owner Equity	\$1,691,500	45%	-			
Total Sources	\$3,791,500				(\$13,450.21)	(\$161,402.57)

FinancialAnalysis_YogaVida_FINAL.xls

* For LoC, assumes interest-only payments, ** Assumes full amount is drawn each year

*** Note: Terms for all sources subject to change until final commitments are issued by lenders.**

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5.0 UNDERWRITING REPORT

Based on analysis of the Company's financials and other information provided in the loan application, this borrower's request was evaluated to determine its classification under UCEDA's "Underwriting Criteria for Ulster County Loan Funds."

Our analysis indicates that **the project is classified as IA+**. This classification indicates that the loan exceeds the underwriting criteria, and that there is a high degree of confidence that the loan will be repaid.

Adjusted Cash Flow		Discounted Collateral		Adjusted PNW	
CLASS	QUALITY	CLASS	QUALITY	CLASS	QUALITY
I	Existing CF is $\geq 1.0 : 1$	A	1.0+ : 1	+	\geq loan amt.
II	Projected CF is $\geq 1.0 : 1$	B	.85 to 1.0 : 1	-	< loan amt.
III	Secondary (non-SBC) Source of Repayment	C	$\leq .84 : 1$		

5.1 Adjusted Cash Flow Analysis & Coverage

Over the period from 2015 through 2017, the Company's total income has grown from \$2,425,000 to nearly \$3,625,000. The Company saw a dip in net income in 2016, due to increased wages/salaries and rent associated with its expansion in NYC, which also involved significant investments in leasehold improvements to its facilities. However, in 2017, the Company bounced back to profitability, recording \$114,612 in net income and bringing its available cash balance to over \$500,000 in anticipation of the purchase of the Lundy property.

After adjusting for various operating, investing and financing activities, including leasehold improvements, depreciation, and equity contributions and distributions, the available cash to finance new debt was \$524,565 at the end of 2017.

Looking forward to the next two years, the Company projects stable revenues, expenses and net income for its NYC operations, coupled with rapid growth in net income from its new operations at Yoga Vida Farm. Projected net income in 2018 is \$113,212 for NYC operations plus an additional \$176,767 from operations at the Lundy property. In 2019, projected net income is \$152,694 for NYC operations plus \$364,370 from Lundy operations.

The Company has received a commitment letter from Newtek under its SBA 7(a) Loan Guarantee program. The Company is still awaiting approval of its SBA application, which it expects to receive in the next week. At the same time, the Company is discussing traditional construction loans with local banks in hopes of finding a willing local lender, which would replace the Newtek loan.

Based on the "Underwriting Criteria for Ulster County Loan Funds," Adjusted Existing Cash Flow is calculated as follows:

$$\text{Earnings Before Taxes} + \text{Depreciation} + \text{Interest Payments} = \text{Adjusted Existing Cash Flow}$$

In order to be classified as a “Class I” deal, the guidelines state that the Cash Flow Coverage Ratio must be $\geq 1:1$, or, stated another way, that the Adjusted Existing Cash Flow must be greater than or equal to the total debt service payments.

$$\text{Cash Flow Coverage} = \text{Adjusted Existing Cash Flow} \div \text{All Proposed Debt Service (P+I)}$$

In this case, as the table below shows, Cash Flow Coverage exceeds the 1:1 threshold for all three recent years.

Statement of Cash Flows	ACTUAL		
	2015	2016	2017
OPERATING ACTIVITIES			
Net Income	\$ 372,334	\$ (65,251)	\$ 114,612
Projected net revenue from VF operations			
Total Adjustments to reconcile Net Income to Net Cash provided by operations:			
Net cash provided by operating activities			
INVESTING ACTIVITIES			
Net cash provided by investing activities			
FINANCING ACTIVITIES			
Net cash provided by financing activities			
NET CASH INCREASE/(DECREASE) FOR PERIOD	\$ 151,403	\$ (170,370)	\$ 246,813
Cash at beginning of period	\$ 296,719	\$ 448,122	\$ 277,752
Cash at end of period	\$ 448,122	\$ 277,752	\$ 524,565
Debt Service			
UCRLF	\$ (16,403)	\$ (16,403)	\$ (16,403)
SBA/NYBDC	\$ (145,000)	\$ (145,000)	\$ (145,000)
Total Cash for Debt Service	\$ (161,403)	\$ (161,403)	\$ (161,403)
Cash flow margin	\$ (10,000)	\$ (331,773)	\$ 85,411
Cash flow coverage	0.94 :1	-1.06 :1	1.53 :1

FinancialAnalysis_YogaVida_FINAL.xls

As a result, the underwriting criteria indicate that this project is classified as a “**Class I**” deal.

Though the underwriting criteria do not require a review of projected cash flows, the table below shows that in 2018 and 2019, the business is also anticipated to generate sufficient cash to cover debt service obligations.

5.2 Value of Proposed Collateral

This loan is secured by the following collateral:

1. Second mortgage on commercial property located at 895 Lundy Rd;
2. Second priority security interest pursuant to Security Agreement and UCC-1 filings on all furniture and fixtures; and
3. Personal guarantee by Michael Patton.

Statement of Cash Flows	PROJECTED	
	2018	2019
OPERATING ACTIVITIES		
Net Income	\$ 113,212	\$ 152,694
Projected net revenue from VF operations		
Total Adjustments to reconcile Net Income to Net Cash provided by operations:		
Net cash provided by operating activities		
INVESTING ACTIVITIES		
Net cash provided by investing activities		
FINANCING ACTIVITIES		
Net cash provided by financing activities		
NET CASH INCREASE/(DECREASE) FOR PERIOD	\$ (301,521)	\$ 517,064
Cash at beginning of period	\$ 524,565	\$ 223,044
Cash at end of period	\$ 223,044	\$ 740,108
Debt Service		
UCRLF	\$ (16,403)	\$ (16,403)
SBA/NYBDC	\$ (145,000)	\$ (145,000)
Total Cash for Debt Service	\$ (161,403)	\$ (161,403)
Cash flow margin	\$ (462,924)	\$ 355,661
Cash flow coverage	-1.87 :1	3.20 :1
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Based on the “Underwriting Criteria for Ulster County Loan Funds,” the adjusted value of the proposed collateral is \$850,000, which exceeds the value of the loan by \$750,000.

Since the value of the collateral is in excess of the value of the loan amount, this project’s collateral value is **classified as “A.”**

5.3 Net Worth of Guarantors

Name	Stated Net Worth	Adjusted Net Worth	Credit Score
Michael Patton	██████████	\$714,000	

Since the adjusted net worth of the guarantor(s) is greater than the value of the loan value, the adjusted personal net worth is **classified as “+.”**

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6.0 CONCLUSION

The Company's application exceeds the underwriting criteria set forth by the Ulster County Revolving Loan Fund. With a classification of IA+, this project represents an opportunity for the UCRLF to contribute to the attraction to the Ellenville/Wawarsing area of a new tourism-related business with strong ties to the NYC market.

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7.0 APPLICATION TRACKING SUMMARY

Applicant Name:	Michael Patton				
Business Name:	Yoga Vida LLC				
Initial Inquiry Date:	1/26/2018	Loan Amount:	\$100,000		
Initial Application Date:	1/26/2018	Loan Fund(s):	UCRLF		
Loan Purpose:	\$100,000 toward budget to purchase and renovate the Lundy Estate property into a yoga retreat and farm.				
Office of Economic Development Tasks			Underwriting Tasks		
<i>Task</i>	<i>Date</i>	<i>Initials</i>	<i>Task</i>	<i>Date</i>	<i>Initials</i>
App received	1/26/2018				
App forwarded to UW	2/16/2018		App received by UW	2/16/2018	
			Questions due	2/16/2018	
Questions received by OED	2/16/2018		Questions sent to OED	2/16/2018	
Questions sent to Applicant	2/16/2018				
Response rec'd	2/20/2018				
Application finalized	2/20/2018				
Begin UW review	2/20/2018		End UW review	2/23/2018	
			Determination due	2/23/2018	
			UW Determination	Approved	
Applicant notified	2/23/2018				
Determination due	3/6/2018				
RLF Meeting Date	2/26/2018				
EDA Meeting Date	3/6/2018				
RLF Recommendation	Approve / Deny				
EDA Determination	Approve / Deny				
USDA Determination Due	N/A				
USDA Determination	Approve / Deny				