

HUDSON VALLEY *PATTERN* **for** PROGRESS

Promoting regional, balanced and sustainable solutions that enhance the growth and vitality of the Hudson Valley

Jonathan Drapkin
President & CEO

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Ms. Julie Lonstein, Chair
Ulster County Economic Development Alliance
P.O. Box 1800
Kingston, NY 12402-1800

RE: Jump Start Competition

Dear Ms Lonstein, Ms. Holt and Members of the Board:

I have been asked to review the business plan submissions in Round Two of the Jump Start Competition. The applicants are scheduled to present their plans at a UCEDA meeting on August 23, which I will be attending. I think it is important to give an overview of the program to refresh us on the goals of the Competition.

The Ellenville Million is a program initiated by County Executive Mike Hein to jumpstart economic development in the Ellenville/Wawarsing area. The program was launched in 2015 and in 2017 the Ulster County Legislature authorized a reallocation of program funds to expand the program's efforts aimed at supporting local businesses and generating new jobs. The goal of this competition is to support the start up or expansion of promising new ventures that contribute towards sustainable economic development in Ellenville/Wawarsing.

The competition will be conducted in Phases. Phase One will be the Solicitation of Concepts and Phase Two will be a competition among finalists to be judged by the UCEDA board. The program, but not the judging, will be overseen by Hudson Valley Pattern for Progress.

What is at stake?

Up to \$100,000 in funds to support business development and job creation. (this number may have been increased to \$125,000)

Location?

The participants may come from throughout the region but understand that the project must be located in the Ellenville/Wawarsing area and that any funds provided by UCEDA must be used in the same area.

Who is eligible?

The competition will only fund new businesses or expansions that commence AFTER the selection by the UCEDA board.

PHASE ONE - SOLICITATION OF CONCEPTS

In order to generate as many concepts as possible, this first phase will require the submission of simply a written proposal of no more than two type written pages. It should contain the following: a clear statement of the concept; the proposed number of jobs to be created; an early projection of the cost of the project, any partners who will be assisting in this venture and why it is important to the Ellenville/Wawarsing area. Proposals will be submitted via email to oad@co.ulster.ny.us or in hard-copy to UCEDA, 244 Fair Street, PO Box 1800, Kingston, NY 12402-1800.

All proposals will be bound and presented in packets to the UCEDA board of directors for their review. The Board was originally select two to four concepts to be advanced to Phase Two of the competition but decided instead to advance 10.

PHASE TWO - THE COMPETITION

Having selected finalists, the participants will then be expected to complete a three year business plan. Each finalist will be supported by a counselor from the Mid Hudson Small Business Center to assist them in their preparation and presentations of their business plan to the UCEDA board.

The Plan must include the following:

1. A detailed statement that develops the concept provided in Phase One into a more elaborate sense of the plan. Clarity of purpose for the start up or expansion must be included. (10%)
2. Job Creation - The plan must include job projections over a three year period. (30%)
3. Leverage - How the provision of funds by UCEDA will enable the participants to leverage additional funds to support the development of their business plan. This could be either public or private funds. (10%)
4. Marketing Plan - The UCEDA board will be looking for how the marketing will not just impact the Ellenville/Wawarsing area but attempt to draw commerce from outside of the targeted area into the core. (10%)
5. Capacity - The finalists must demonstrate their capacity to perform the suggested proposal. This should include key staff and other resources that can lead to a successful project. (10%)
6. Presentation - In addition to the written business plan, each finalist shall make a presentation to the UCEDA Board of no more than 30 minutes including questions and answers. (30%)

The UCEDA board reserves the right to allocate all funds to one finalist, to divide the funds as they see fit among two or more of the finalists, or not to allocate any funds if no proposal is deemed to satisfy the criteria.

Prior to the award of funds, the UCEDA board will conduct due diligence to ensure that the contractor is not debarred or otherwise precluded from receiving public funds.

TIMELINE: (proposed)

- FEBRUARY: Approval of the proposed plan for the competition. After the board has approved it Pattern will market the competition throughout the Mid-Hudson Region.
- MARCH & APRIL-Solicitation of Phase One Concepts
- APRIL: Phase One concepts are due to the UCEDA board no later than one week before the April meeting. Concepts will be bound and provided to the UCEDA board by Pattern staff no less than three working days before the April meeting of the Board.
At the April meeting of the UCEDA board they will review, discuss and select finalists to make presentations. Finalists will be paired with counselors from the Mid-Hudson.
- MAY: Written presentations are due one week before the May meeting of the UCEDA board. These will be distributed as soon as possible to provide the board the opportunity to review the proposals. The finalists will make their presentations to the UCEDA board at their May meeting.

Winners will be announced as soon as the board has completed their selections and undertaken due diligence.

Recipient(s) should anticipate 60-90 days for contracts to be written. Payment terms will be determined during the development of contracts.

Projects must be initiated within 30 days of the award of contract.

Contracts for UCEDA funds should be completed by December 1, 2018.

I also think it is important to have the modified spreadsheet from Round One in front of the UCEDA Board during the presentations as I am not going to repeat data that was captured there unless it raises a question

The chart below shows the number and size of Ulster County businesses in 2016. It is important to note that 80% of businesses located in Ulster County have nine or fewer employees.

Ulster County Business Sizes (2016)

Employees	# of Establishments	% of Establishments
1 to 4	2,975	62%
5 to 9	848	18%
10 to 19	542	11%
20 to 49	283	6%
50 to 99	104	2%
100 to 249	48	1%
250 to 499	10	0.2%
500 to 999	4	0.1%
1,000 +	0	0%
TOTAL	4814	

Source: County Business Patterns 2016

Based on my review of all of the Jump Start Applications I think there are a few questions that could be posed to all of the applicants.

- 1) If you were to receive less than the requested amount would you still be able to move forward with your project?
- 2) Do you have a facility/building in mind? Have you secured the rights to the building or are intermediary steps necessary?
- 3) Will you be open, "up and running" by the end of the year? If not, what is your expectation for opening?
- 4) Please explain your prior business experience as it relates to your proposal (regardless of what is in a resume, it would be nice to have the applicant articulate their experience and expertise)

On the following pages are possible questions and observations for each of the individual applications. I intentionally did not assess the responsiveness of the proposals for the six requested areas as there have been some alterations to the original percentages and I am not voting.

CARMEN'S SABOR LATINO - ESTABLISHMENT OF PUERTO RICAN FOOD RESTAURANT

Amount requested: Up to \$99, 586.

Location: Within walking distance of Walmart

Strengths:

- Business plan is very detailed even including written estimates for equipment. Very strong.
- Promoting the establishment as a lower cost food option in the Ellenville Wawarsing area.
- Ellenville has a growing Latino /Hispanic population (as of 2016 - 29% of the population of Ellenville is Hispanic/Latino) that could help the success of the restaurant.
- Resumes for key personnel are attached.
- Plan calls for opening the restaurant before the end of the year.
- Calls for the creation of 4-5 jobs.

Observations:

- My assumption is that they are going to use the grant from the Jump Start competition as leverage to obtain a bank loan. I would pursue this further to see if they have had any preliminary conversations.
- Are they in business already? There is an invoice for the purchase of the land across from Walmart. It seems this may be going ahead regardless of funding from UCEDA. This may explain all the letters in support. Or...they may simply have purchased the land.
- While there are numerous letters in support, do they need any permits for the establishment of the restaurant? Does this mean any UCEDA funding is contingent upon obtaining the funding? Also the plan calls for outdoor seating, does that require an additional permit? Finally the mix of indoor versus outdoor seating requires a bit more of an explanation as it is related to their business plan. Do they have a liquor license?
- While it appears they have acquired a site, why didn't they locate within the village as part of the cluster of restaurants? From the village's point of view it would have added to the impact of a "restaurant row" destination.

GALILEO TECHNOLOGY GROUP - BUSINESS INCUBATOR

Amount Requested: \$190,000

Location: Unspecified site near hospital

Strengths:

- Prior experience in the formation of a business incubator
- Location - They believe they have identified a space that is adjacent to the hospital which would be suitable for the incubator.
- The proposal calls on a theme for the incubator that is based upon an area analysis done by their team that revealed that "Outdoor Activities/Healthy Lifestyle" could work as a "cluster" in the Ellenville Wawarsing area
- Resumes for key personnel are attached

Observations:

- Requested amount is above the total available for distribution. Original spreadsheet seemed to indicate that they were requesting \$60,000.....the full application indicates they are seeking \$190,000....need to clarify.
- Business plan calls for 10 tenants - is there a market to fill those 10 spaces?
- Business incubator is a step removed from job creation. The intention is to create a structure from which jobs could be created. This is potentially very good or may not be what the UCEDA board intended.
- Unclear on the number of jobs created

KINALOHA ARTS-AN ART STUDIO AND RETREAT CENTER

Amount requested: \$43,000

Location: Cragsmoor

Strengths:

- A very well thought out business plan.
- The backgrounds of the principals are very strong.
- As it grows, there will be additional part time employees.
- They did a very good market study to understand what exists in Ulster County.

Observations:

- While requesting \$43,000, there appears to be owner equity of only \$7,000
- The location of the facility is in a barn in Cragsmoor. Would have liked to see the display of artwork within the village or some classes conducted within the village. (opinion)
- There is mention of a lease pending. What does this mean as the location is owned by one of the partners?
- Must re-examine their special use permit to see if it can accommodate their expanded needs.

EXPLOREVILLE-WEBSITE FOR UNIQUE EXPERIENCES

Amount Requested: \$32,000

Location: Not clear, the proposal is for the creation of a website.

Strengths:

- It is a unique promotional tool for the Ellenville Wawarsing area. Combined with other Ellenville Million promotional efforts this could be a very good add on.
- Resumes are included which suggest the ability to create the website.

Observations:

- This is a project that might lead to more business. They are seeking to create a website with a unique opportunity for users.
- The plan calls for the creation of three jobs but the business plan is not clear how these will be funded.
 - It appears that as the need grows they will add more “experiences” that are led by other individuals-how will they be vetted?
- (Dont' like typos in a proposal for a website - but that is just me)
- It would be nice to know if they had relations with other area attractions that might pay them for each hit they get on the website so that this can grow as a business. (suggestion)

HUDSON VALLEY ORGANICS - PORT BEN FARM CAFE (LOCATED ON THE O AND W RAIL TRAIL)

Amount Requested: Appears to be \$20,000 and if that is approved then they want an additional \$7,500 for a total of \$27,500.

Location: Tow Path Road on the rail trail

Strengths:

- This is an expansion of an existing small farm business that also caters to NYC Greenmarket customers
- As their business plan suggests this will be a unique way to provide a food service along a rail trail. It is seasonal, which for the concept makes sense.
- There is an existing business at the farm. The funds will be used to convert it to a food kitchen and then create a farm stand 50 feet away on the rail trail.
- There is a good business plan
- Clearly appears doable within the proposed time frame

Observations:

- Do they really believe they have enough traffic to sustain their plan?
- Does this create any new jobs?
- Do food service establishments need other permits that might impact the opening or the timeline? If recommended by UCEDA, do you make it contingent on obtaining all necessary permits?
- Are any special permits required to do this on the rail trail?

CARBIE'S HOT JELLY PEPPER-MANUFACTURING AND DISTRIBUTION OF HOT PEPPER JELLY

Amount requested: \$100,000

Location: Exploring 3 identified locations in Ellenville - they have provided preliminary information.

Strengths:

- Applicant has experience opening new stores - but not this specific type.
- Concept of letting people watch the preparation is intriguing.
- There is a business pro-forma.

Observations:

- This is an effort to bring a product to market.
- Goal is to create a manufacturing and retail establishment for equipment.
- While they list the equipment needs, other applicants have provided specific pricing.
- There is a discussion of a potential market - but untested.
- Very little equity. Not clear specifically what the money is for....I would assume everything.

HUMBLE GYM INC.-OPENING OF A FITNESS CENTER

Amount Requested: \$70,000

Location : 44 North Main Street, Ellenville

Strengths:

- The owner is investing \$40,000 for the down payment of the building.
- Will be improving a derelict structure.
- He has two other facilities in Woodstock and Stone Ridge
- Market analysis suggests there is not another similar facility nearby.
- Would create several jobs plus additional part time
- Based upon other facilities seems to know what it would take financially to make it work.
- His fee structure in the other gyms is higher than what he is proposing in Ellenville.

Observations:

- From his total cost and his ask from UCEDA, there is a \$60,000 note being held by the owner of the building.
- Not as detailed a business plan as others but he has done this twice before.
- Due diligence at the other two facilities could be conducted.

ARKADIYA DISTILLERY PROPOSAL

Amount Requested: \$300,000

Location: According to the application there is a 90 acre lot within the town of Wawarsing that they already own.
The proposed retail establishment will be somewhere in Wawarsing.

Strengths:

- They say they have an existing craft distillery in Ulster. It says they have four lines of production.

Observations:

- ***The most concerning part of the application is an "exit plan"
- The marketing plan seems a bit of a stretch as it includes the NYC metro area.
- Their reference to colleges are, I am assuming, New Paltz, which is not in the town.
- They propose the creation of 8 positions (no salaries)
- They are asking for funds beyond the capacity of the competition.

WAWARSING CUSTOM FURNITURE AND FINE WOODWORKING

Amount Requested: \$100,000

Location: As yet to be determined location is Wawarsing

Strengths:

- This is a strong concept with the capacity to grow. It is based upon an internet concept for the custom design of furniture. It recognizes the decline of retail.
- He has provided, a not overly ambitious floor plan, to open with.
- He explains carefully his inspiration for his concept is based upon two other locations of similar efforts in Connecticut and Long Island.
- The applicant is from Wallkill and recognizes that he must open his facility in the Town of Wawarsing.

Observations:

- The company has not been formally launched.
- While there is a list of start up costs, there is not a traditional business plan.
- Not clear how many jobs or if this is based upon he being the only employee.
- The principal has years of business experience (he is also an engineer) but not in woodworking. Need to question him about this.
- If UCEDA is interested in this proposal, could he accept half the requested money and then use it to obtain the other half in a bank loan.

MTB EMPIRE TRAILS - BUSINESS PLAN

Amount Requested: \$25,300

Location: Somewhere in Ellenville/Wawarsing

Strengths:

- The target is mountain biking which should fit within the goals of Ellenville/Wawarsing

Observations:

- The goal seems to be, but there is not much of a business plan, to promote mountain biking in Ellenville/Wawarsing
- They are really asking for support of an annual event to promote mountain biking in Ellenville/Wawarsing