

SBA loan a game-changer for Lake Mary fitness studio

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Jenny Clifton had to move her growing business, [Focus Performing Arts Studio](#), to three Lake Mary locations over more than a decade.

By 2016, business was booming, but Clifton knew she'd have to move yet again – this time from her 3,000-square-foot space to accommodate more students. And that got her thinking about the big picture.

"I'd been teaching since I was 18, worked at other studios and then broke out on my own, but I'd never really thought about the longevity of the business." Once she hit 40, Clifton says, she realized that – with no retirement plan and two kids – she needed to be proactive. After paying an average of \$5,000 a month for rent for 13 years, she wanted to invest that money in her own facility.

Clifton tried to get a loan from her bank, but couldn't get it approved, so she went in search of a partner. That's when she met Mike Friedman, whose [Champion Karate](#) studio was just two blocks away. "He'd been in the same boat – no room to grow – and had been unable to get loans on his own," she recalled.

Together, they interviewed lenders and contractors, and one contractor led them to [Fountainhead Commercial Capital](#) in Maitland. Fountainhead is a direct lender that specializes in U.S. Small Business Administration 504 loans, recently renamed the SBA Grow Loan Program. Fountainhead founder Chris Hurn is one of the loan program's biggest promoters and best-known experts.

'Why keep paying a landlord?'

"At some point, everyone has the same aha moment," Hurn said. "Why keep paying a landlord?" Grow Loans offer small and midsize business owners like Clifton and Friedman an opportunity to build equity in an appreciable asset while growing their companies, says Hurn. "They have three main advantages over conventional commercial loans, and all of them offer advantages to growing small businesses."

Most SBA Grow Loans require just half to one-third of the down payment required in a conventional commercial loan. "That's more capital for the business to invest in growth, people, and equipment," he said.

The second advantage is longer terms. While a conventional loan typically extends 15 to 20 years, Grow Loans offer 20- and 25-year terms. "That's another way to both lower monthly payments while increasing cash flows," Hurn said. Lastly, Grow Loan interest rates are "the best-kept secret in commercial financing," offering below-market interest rates over the long term.

According to the SBA, nearly half of all U.S. economic growth comes from small businesses, [which collectively employ 55 percent](#) of the nation's workforce. At the same time, the number of new commercial loans hasn't returned to pre-recession levels. Only half of small businesses with \$100,000 to \$1 million in annual revenue received financing from large banks in late 2015, at least in part because banks have retreated from the segment, according to BI Intelligence.

The SBA guarantees business loans through SBA-preferred financial institutions such as banks, microlenders and online lenders. Those lenders can offer lower interest rates because the government promises to pay back 85 percent of the loan in the event of default.

In addition to helping businesses purchase, construct or expand owner-occupied commercial real estate, Grow Loans also can be used to purchase long-term machinery and equipment for businesses that need a longer term fixed rate, says Julie Kleffel, executive vice president and community banking executive at Seacoast Bank. "This product is an excellent choice for clients that are seeking to preserve their working capital by seeking a lower down payment."

Finding the perfect location

By the time Clifton and Friedman sat down with Fountainhead Executive Vice President Steven Ellsworth to discuss financing their project, the partners had found the perfect location, on Williston Park Point off Rinehart Road. Fountainhead asked them to create a detailed, itemized list of soft costs, to ensure that specific features like foam-lifted "spring" floors met state-of-the-art requirements.

"Steve was so kind and patient with us," Clifton said. Ellsworth and Hurn walked them through each hurdle along the way – an invaluable benefit, given their condensed timeline. The new location needed to be ready after the holiday break. They'd taken a major leap of faith, and any serious delays would mean a loss of business due to canceled classes. "We had families that were counting on us. I took a second mortgage on my home. My credit cards were maxed out."

The \$1.3 million Lake Mary Arts and Fitness Center opened in January and features 10,482 square feet of dance, performance, martial arts, fitness, office and dressing room space. As expected, both partners are seeing strong crossover appeal. "We've even got some students that take both karate and dance," Clifton said, "and some adults are taking kickboxing while their kids are in dance."

Clifton admits to one unexpected surprise: "I didn't realize the [importance] of exposure in this location, didn't grasp the concept of being on a piece of property with traffic." She could never afford to rent a space with frontage and didn't think that was a priority. "Fountainhead helped facilitate that," she said. "I assured them that no one needs to see us, but they knew better."

Thanks to the new, higher profile, Focus added 30 new students in the first six weeks.

Having the space to accommodate those new students is crucial to Clifton's and Friedman's future success, says Fountainhead's Hurn. "She had a huge wait list and now she can grow her classes. It's the same situation with the karate studio. And the higher profile location means they're now also a destination."

The new facility also creates wealth beyond their business success, he explains. "It's an easy strategy, really, and [in most cases] it's cheaper to own than to continue renting." The impact is almost immediate, thanks to the combination of improved cash flow and having a stake in a growing asset – both of which allow owners like Clifton to focus on the businesses they love.

Source (<http://orlando.crains.com/article/news/sba-loan-game-changer-lake-mary-fitness-studio>)