

Needing help with A DREAM

■ Brothers expand eatery after hard search for \$1.5M

■ Banks tight, but SBA lending is increasing on LI

BY JAMIE HERZLICH
Special to Newsday

Brothers Mose and Gaetano Costigliola thought that after operating their Mastic restaurant for almost a decade they'd found the right recipe for success and wanted to expand.

They decided to take a leap of faith and in 2008 purchased an acre of land a half-mile away to build a new, larger restaurant.

Little did the brothers realize it would take more than two years — with dozens of rejections — to secure financing to make that dream a reality. Like many other businesses at the time, they'd been caught in the deep trough of the economic downturn.

"We thought we were going to get the money right away," said Mose Costigliola, 36, co-owner of Mama Lisa Restaurant and Pizzeria. "But we chose the wrong time."

When they started looking in 2008, banks were cautious because of the financial crisis and leery about taking a chance on the restaurant industry, which has suffered declines since the recession. Banks also had cash-flow concerns considering the large amount, \$1.5 million, the brothers wanted to borrow, Mose said.

"It was at the height of the recession that they were looking for money, and lending just clammed up," said Richard Cassiano, president of North American Resource Capital Inc. in Smithtown, the lending specialist who helped the Costigliolas eventually secure the capital they needed to build the larger restaurant.

Many banks approached

The Costigliolas had tried about a dozen banks on their own without luck before enlisting Cassiano's help in 2009. Cassiano also approached more than a dozen lenders on his own before securing the brothers a \$1.5-million Small Business Administration loan, which closed in late 2010, from a New Jersey lender.



Gaetano, left, and Mose Costigliola bought land in the recession to build their own restaurant in Mastic. Dozens of banks rejected them, but they got a federally backed loan and opened in June.

The brothers couldn't have built their restaurant, which opened in June, without it.

"It was a very relieving feeling after all the stress," said Gaetano Costigliola, 34, who, along with his brother, grew up in the restaurant business working at their father's business, Umberto's, in Patchogue. "The SBA loan helped us."

SBA-backed loans often can be a beacon of hope for businesses that can't secure traditional loans. That's because they have up to an 85 percent guarantee, depending on the loan amount, backed by the federal government in case the borrower defaults, said Walter Oden, head of the SBA office on Long Island.

Last year, the SBA reports, its lending on Long Island grew to \$172.8 million, up from \$131.4 million in 2010.

"The guarantee allows these banks to take more risk when it comes to some of these loans," said Pravina Raghavan, the SBA's New York district director. But banks will not just lend to anyone, even with the guarantee.

"These banks are not going to make bad loans," Oden said. "The business has to be bankable."

You need to have your financial records in order, as lenders will typically like to see at least two years' worth of prior financials and tax returns, Raghavan said.

It helped that the Costigliolas had good credit and a good payment history, Cassiano said.

"They also had consistent revenues and profits," he said.

Much more space

The new restaurant, with close to 5,000 square feet and 120 seats, almost triples the original eatery's size. It has a larger dining room that includes a new bar and dedicated area for parties.

And the brothers are now owners, not renters.

"It's an investment for us," Mose Costigliola said, noting the restaurant has been well received.

Anna Maria Cortese, 70, of Shirley, a longtime customer, said she likes the larger accommodations.

AT A GLANCE

Name
Mama Lisa Restaurant and Pizzeria, Mastic

Owners
Brothers Mose and Gaetano Costigliola

Established
2000

Employees
More than 40

Revenue
\$2 million-plus

"It's bigger, and you've got more space," said Cortese, who was picking up a pizza recently. "It's beautiful."

The Costigliolas hope demand will continue and are pleased with how far they've come.

"Right now we're doing great," Gaetano Costigliola said.