

RESOLUTION NO. 2014- 504

**A RESOLUTION APPROVING A CITY OF VINELAND
UDAG/SMALL BUSINESS LOAN TO CINNAMON BAY
TANNING SALON, LLC.**

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated November 25, 2014, for a **City of Vineland UDAG/Small Business Loan to Cinnamon Bay Tanning Salon, LLC**; and

WHEREAS, it is considered to be in the best interest of the City of Vineland and the community in particular that UDAG/CDBG – City of Vineland Small Business Loan Funds be utilized for the above-mentioned project; now, therefore,

BE IT RESOLVED by the City Council of the City of Vineland that said Council does hereby approve the use of Funds for the following project, in accordance with the proposal submitted by the City of Vineland Revolving Loan Fund Second Generation Loan Committee:

City of Vineland UDAG/Small Business Loan to:	
Cinnamon Bay Tanning Salon, LLC	\$20,000.00

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute all documents associated with this loan.

Adopted:

President of Council

ATTEST:

City Clerk



Sandra Forosisky, Director
Economic Development Dept.
www.vinelandcity.org
email: sforosisky@vineland.org

640 E. Wood Street
PO Box 1508
Vineland, NJ 08362-1508
Phone: (856) 794-4000 ext. 462
Fax: (856) 405-4607



MEMORANDUM

TO: City Council President and Members

FROM: City of Vineland Revolving Loan Fund
Second Generation Loan Committee

SUBJECT: **Applicant:** Cinnamon Bay Tanning Salon, LLC
Loan Amount: \$20,000.00 via the City of Vineland UDAG/Small Business Loan Program

DATE: November 25, 2014

Dear Council President Fanucci, Councilmen Procopio, Spinelli, and Councilwomen Calakos and Gonzales:

On behalf of the City of Vineland Revolving Loan Fund Second Generation Loan Committee, please accept this letter recommending a commitment be given to the above applicant for a City of Vineland UDAG/Small Business Loan in the amount as stated herein above.

Please note that the committee finds that the purpose of the loan meets the criteria set forth for the City of Vineland UDAG/Small Business Loan Program. The committee further finds that the loan will promote economic development, create or maintain jobs, and/or create tax ratables that will benefit the City of Vineland.

Please note that based on the information provided, the applicant has the present ability to repay said loan and the loan would be properly protected in that the pledged collateral has a net value which equals or exceeds the amount of the requested funding.

Respectfully submitted,

A handwritten signature in blue ink that reads "Sandra Forosisky".

Sandra Forosisky
Director of Economic Development

SF/fd

cc: Frank DiGiorgio
file



**VINELAND UEZ LOAN COMMITTEE
LOAN PROPOSAL**

Date: October 16, 2014

Borrower Name and Address (s): Cinnamon Bay Tanning Salon or LLC to be formed.
3772 E. Landis Avenue
Vineland, New Jersey 08361

Request: \$20,000.00 commercial term loan via the City of Vineland UDAG/CDBG small business loan program for the purchase of equipment associated with a business acquisition and new owner.

Interest Rate: 5.50% **Term of Loan:** 5 Years

1. BACKGROUND: Brenda J. Williams and her son, Everett D. Williams have signed a letter of intent to purchase the business and assets of Cinnamon Bay Tanning Salon (“Cinnamon Bay”) located at 3722 E. Landis Avenue, Vineland, New Jersey. Cinnamon Bay is a tanning salon, offering indoor tanning products and service. Cinnamon Bay’s current owner, Josephine Capriotti, has operated the tanning salon for the past eight years. Mrs. Capriotti has operated the tanning salon, more recently on a limited basis due to the loss of her business partner whom passed away. In addition, Mrs. Capriotti is a grandmother and wishes to spend more time in that role which has also impacted her decision to sell this business and business assets. Brenda Williams and Everett Williams, a mother and son team, have both served in management roles in the retail industry. Brenda Williams is an office manager for a local fast food enterprise for over seventeen years where she handles bookkeeping and other functions. Her son, Everett Williams, was a manager of a fast food restaurant for the past two years. Everett Williams will be active and devote his time to managing the day-to-day operations of the tanning salon when his mother is not available. They are in the process of forming a limited liability company to purchase and operate the business. Brenda Williams will be handling all bookkeeping as well as working at the salon on a nightly basis. They plan on employing two part time employees initially with the possibility of hiring additional staff as the business grows. Together, they plan on improving the business operation to provide the highest indoor tanning experience by purchasing an additional piece of equipment (spray tan booth which does not allow for UV exposure) as well as providing and marketing a full selection of tanning accelerators and skin conditioners. They plan on setting their business operation apart from others in the area making customer service their priority as well as increasing operating hours (including new daily hours and six hours on Sunday) which is currently not the case at the current location.

1b. PROJECT: The project breakdown uses and funding sources are as follow:

<u>Uses</u>		<u>Sources</u>	
Purchase of existing equipment	\$25,000	City of Vineland CDBG/UDAG	\$20,000
Purchase of business/intangibles/invent.	20,000	Seller (subordinate / holding paper)	25,000
Purchase of new equipment	8,000*	Borrower	12,000
Working Capital	10,000	Borrower (deferred)	<u>8,000</u>
Closing Costs	<u>2,000</u>	Total Sources of Funds	\$65,000
Total Project Uses of Funds	\$65,000		

*** Acquisition of new equipment may not be made immediately, however, will be made by month ended March 31, 2015.**

2. COLLATERAL:

- a.) Priority UCC-1 filing and security agreement (general filing) on all equipment (list on file for existing equipment), machinery, inventory, business assets now owned and hereafter acquired.

3. GUARANTORS:

- a.) Brenda J. Williams,
b.) Everett D. Williams, IV.

4. LIEN POSITION: First position UCC filing(s).

5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS: N/A.

6. SIZE OF PARCEL: N/A.

7. IMPROVEMENTS THEREON: N/A.

8. LOCATION OF PROPERTY: Cinnamon Bay Tanning Salon is located at 3722 E. Landis Avenue, Vineland, NJ, (Block 3303, Lot 2) in the Lincoln Plaza Shopping Center (strip mall with adjacent businesses catering to health care – urgent care center, yogi and palates studio, restaurants, hair salon, nail salon, martial arts studio etc.). Cinnamon Bay occupies Unit ____.

9. APPRAISAL INFORMATION: N/A. A review of the values of the existing equipment to be purchase (price comparison on the internet) demonstrates value of approximately \$22,000. Including the purchase price of the new unit of \$8,000 - discounted 25% to \$6,000, would yield value of +-\$28,000. Based on this, LTV would be +-95%. Please note that values on this type of equipment are difficult from a lending perspective (used tanning bed values are all over the place). For purposes of this calculation, we assumed that the LTV is 100%.

10. FINANCIAL:

11. SUBSTANTIATION: DSCR 2.29x, LTV 100%.

- Assist entrepreneur / mother and son with purchase of a business.
- Maintain a business operation in strip shopping center.

Risks – FDA ban; rising melanoma rates with electric tanning booth.
Mitigants – Tanning is a controlled approach vs. exposure to the Sun.
– Spray Tanning booth is rising in popularity.

12. RECOMMENDATION: