

RESOLUTION NO. 2015-_____

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO NEWCOMB MEDICAL CENTER ALLIANCE, LLC OR ASSIGNEE.

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated November 6, 2015, for use of Second Generation Enterprise Zone Assistance Funds for the following project: **Economic Development Loan to Newcomb Medical Center Alliance, LLC or assignee;** and

WHEREAS, it is considered to be in the best interest of the City of Vineland and the community in particular that Second Generation Enterprise Zone Assistance 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 Second Generation Enterprise Zone Assistance Funds for the following project, in accordance with the proposal submitted by the City of Vineland Revolving Loan Fund Second Generation Loan Committee:

Economic Development Loan to:	
Newcomb Medical Center Alliance, LLC or assignee	\$2,500,000.00

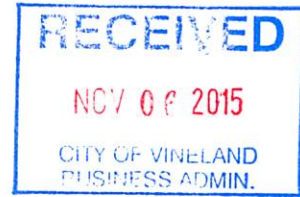
BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute all documents associated with this loan.

Adopted:

President of Council

ATTEST:

City Clerk



MEMORANDUM

TO: City Council President and Members

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

SUBJECT: **Applicant:** Newcomb Medical Center Alliance, LLC or assignee
Loan Amount: \$2,500,000

DATE: November 6, 2015

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 second generation 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 in the Statute made and provided governing Urban Enterprise Zone Loans. The committee further finds that the loan will promote economic development, creation/retention of jobs, and/or tax ratables that will benefit the City of Vineland.

Further, 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,

Sandra Forosisky
Director of Economic Development

SF/fd

cc: Frank DiGiorgio
file

**VINELAND UEZ LOAN COMMITTEE
LOAN PROPOSAL**

Date: October 14, 2015

Borrower Name and Address (s): Newcomb Medical Alliance LLC or assignee

Request: \$2,500,000

Interest Rate: 3%

Term of Loan: 40 years

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- 1. BACKGROUND:** On November 1, 2007, South Jersey Health Alliance entered into a contract to sell the Newcomb Medical Center complex/property located at Chestnut Avenue and State Street, inclusive of 3 tracts and improvements thereon, to Danza Group of Vineland, LLC, a company owned by Tony Danza and Dr. Jay Sextor, Chief Executive Officer of Touro College of Osteopathic Medicine. Subsequently, on August 22, 2008, the Danza Group of Vineland, LLC assigned part of the contract to the subject Borrower, Newcomb Medical Alliance LLC. This company has ownership of 65 S. State Street, the vacant Newcomb Hospital. The Danza Group of Vineland maintains ownership of 1038 E. Chestnut Ave., the medical office building and garage; and 1032 E. Chestnut Ave., a vacant lot on the corner of Chestnut Ave. and State St. Settlement on the property occurred in July 2009. A loan was given in the amount of \$6,000,000; of which \$5,000,000 was acquisition and \$1,000,000 was to develop the medical school. The loan was a five-year balloon with interest only payments at 1% interest, subsequently extended until the project was developed. The collateral was a first position mortgage on the hospital and vacant lot, and a second position mortgage behind \$1.2 million on the medical office building and garage. The UEZ loan committee, City Council and the State UEZ approved this project with such favorable terms due to the fact that a medical school would have a substantial economic impact on the community. In addition, the medical office building and garage became a ratable for the City, whereas it had previously been tax-exempt. Subsequent to the purchase, the ownership of both companies was amended to add new partners, Vincent Archetto and Michael Rossi.

The complex was purchased with the intent of opening an Osteopathic Medical School with executives from Touro College of Osteopathic Medicine. When the doctors approached the Osteopathic Licensing Board, Dean Cavaleiri, Chair of the Board and Dean of UMDNJ School of Osteopathic Medicine, opposed a new Osteopathic Medical School in South Jersey. He believed that Vineland was part of their territory and instead of opening a new Osteopathic Medical School associated with Touro, he proposed that UMDNJ open a branch campus in Vineland at the Newcomb facility. Over the course of the next two years there were several meetings between UMDNJ School of Osteopathic Medicine (SOM), The Danza Group, City of Vineland, Inspira Hospital, and NJ Legislators (Sen. Van Drew and Sen. Sweeney). An MOU was drafted and before it could be executed, the State decided to dismantle UMDNJ, giving the School of Osteopathic Medicine to Rowan University. Due to the fact that Rowan was also given the Allopathic Medical School at Cooper Hospital at the same time, they had no interest in pursuing a branch campus in Vineland.

In light of the situation with UMDNJ, The Danza Group went on to establish an Osteopathic Medical School with Touro College in Middletown, New York. It also continued in its efforts to bring a new Osteopathic Medical School to Vineland. In May of 2013, The Danza Group brought NYIT College of Osteopathic Medicine to Vineland to meet with the Mayor, City Council President, City Solicitor and Economic Development. However, NYIT incurred the same problems that Touro had encountered due to the presence of now the Rowan School of Osteopathic Medicine. At that time it became readily apparent that a School of Osteopathic Medicine could not be developed in Vineland. The entire reason The Danza Group had originally purchased Newcomb Hospital had been obliterated.

Over the next year a new concept was developed for Newcomb Hospital that included Assisted Living Facilities, Educational Facilities and moving the Vineland EMS to a portion of the old emergency room. A feasibility for an Assisted Living was performed as a requirement for financing from Oppenheimer and it can back favorably. After the long period of time that the hospital stood vacant, and due to vandalism, it was determined that the best course of action was to tear down the original hospital and the south tower and renovate the Cunningham Wing. The Danza Group and The City Council as the Redevelopment Entity entered into a Redeveloper's Agreement that allowed for a plan that called for a 5-lot subdivision in order to construct three new assisted living facilities, the EMS facility and the Cunningham Wing for future development. As part of the redeveloper's agreement, the UEZ would contribute up to \$1.5 million for the demolition of the south tower and original hospital, and to pay-off the existing first mortgage balance that is approximately \$200,000. This would give the UEZ a first position mortgage on the medical office building at an interest rate of 2%, interest only for 5 years contingent upon UEZ Committee approval. The Redevelopment Entity agreed that the best course of action was demolition due to the blight and that since there was no cash-flow to the developer for demolition costs it would assist by providing a loan. Subsequent to the execution of the redevelopment agreement, the demolition work went out to bid. Due to the substantial environmental abatement that must take place in order to demolish the building, the cost of demolition escalated to \$2.3 million. In trying to move this project forward, the proposed compromise is for the UEZ to give a \$2.5 million loan for the demolition with a first position mortgage on the medical office building with a 3% interest rather than 2%, with a 40-year amortization that starts immediately.

The Redeveloper's Agreement was executed on August 3, 2015 after many months of negotiations. This project is very important to the neighborhood, which has suffered from the blight of this building. The City, Redeveloper and Redevelopment Entity worked to develop a project that would work for the developer, who spent much more on the property than it is now worth as vacant land, and the community. The concept is to develop an assisted living facility with an enclosed courtyard that will allow living in place for seniors that have a spouse who suffers from Alzheimer's disease. The original loan of \$6.0 million will eventually be spread out in increments of \$1.5 million over the three new buildings and Cunningham Wing, which will then start to amortize, contingent upon UEZ underwriting approval. This project has been a difficult one for all involved when the original plans were suddenly derailed due to the State dismantling UMDNJ.

1d. PROJECT: This project involves the demolition of the South Tower of Newcomb Hospital and the original hospital and selective demolition of the Cunningham wing and emergency room. The work includes environmental abatement of the buildings and backfill and compaction to existing grade.

2. COLLATERAL:

- a.) 1st position mortgage Block 4216 Lot 2, 1038 E. Chestnut Ave.
- b.) 2nd position mortgage on Block 4216 Lot 1 and Lot 3.

3. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS: \$6.0 Million prior lien on Block 4216 Lot 1 and 3. The prior lien on Block 4216 Lot 2 in the amount of \$1.2 million with M & T Bank will be paid off and the new loan will now be a 1st mortgage on the property.

6. SIZE OF PARCEL:

- (a.) 65 S. State Street ,Block 4216, Lot 1, consists of 6.43 acre,

- (b.) 1038 E. Chestnut Avenue, Block 4216, Lot 2, consists of 2.43 acres,
- (c.) 1032 E. Chestnut Avenue, 4216, Lot 3, consists of a 28,000 sq. ft. parcel of land.

7. IMPROVEMENTS THEREON:

- (a.) 65 S. State Street ,Block 4216, Lot 1, consists of a vacant hospital facility (300,000+- sq. ft.), This property will be partly demolished. The property will have 5 approved lots.
- (b.) 1038 E. Chestnut Avenue, Block 4216, Lot 2, consists of a parking garage and office/outpatient center, 34,000 sq. ft.
- (c.) 1032 E. Chestnut Avenue, 4216, Lot 3, consists of vacant land

8. LOCATION OF PROPERTY:

- (a.) 65 S. State Street, Vineland, Cumberland County, New Jersey a/k/a Block 4216, Lot 1,
- (b.) 1038 E. Chestnut Avenue, Vineland, Cumberland County, New Jersey a/k/a Block 4216, Lot 2
- (c.) 1032 E. Chestnut Avenue, Vineland, Cumberland County, New Jersey a/k/a Block 4216, Lot 3 (with

9. **APPRAISAL INFORMATION:** The assessed value of the medical office building with parking garage is \$5,895,100. The hospital is assessed for \$3,767,200; however, the new value after partial demolition will be three new lots approved for assisted living facilities and the value of the Cunningham wing and the emergency room.

10. **SUBSTANTIATION:** This is an important redevelopment project for the City of Vineland and the neighborhood. The building has become a blight and must be redeveloped. The medical office building will support the new loan and in the financial analysis for the assisted living it showed that each facility could support \$1.5 million, which will be submitted to the UEZ once the Oppenheimer commitment is received. The police and neighbors want the building demolished as soon as possible.

11. RECOMMENDATION: