

RESOLUTION NO. 2016-_____

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO F. ESPOSITO LOWBOY SERVICE, INC.

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated March 31, 2016, for use of Second Generation Enterprise Zone Assistance Funds for the following project: **Economic Development Loan to F. Esposito Lowboy Service, Inc.**; 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:	
F. Esposito Lowboy Service, Inc.	\$162,000.00

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:** F. Esposito Lowboy Service, Inc.
Loan Amount: \$162,000.

DATE: March 31, 2016

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: February 24, 2016

Borrower Name and Address (s): F. Esposito Lowboy Service Inc.
P.O. Box 2987
Hamilton, NJ 08690

Request: \$162,000 commercial term loan for acquisition of industrial real estate located in Vineland, NJ.

Interest Rate: 5.00%

Term of Loan: 20 Years.

1. BACKGROUND: Neil Esposito has owned (100% ownership) and operated his business, F. Esposito Lowboy Service Inc ("FELS"), a subchapter S corporation formed in the State of New Jersey, for sixteen years. FELS is a trucking company trading as Esposito Lowboy Service, providing trucking and transport services specializing in moving and hauling of oversized loads and military loads. Prior to owning his business Mr. Esposito was a mechanic from the age of 15 years old working for his father repairing trucks. Trucking has been in the family business going back to his grandfather whom owned a trucking company which delivered coal from the Pennsylvania coal mines to residences as well as a farm in Union County, NJ.

FELS has been operating from leased locations (two locations costing him over \$2,000 per month) in Hamilton Township, New Jersey. Mr. Esposito is desirous of owning a location and consolidating into one location. Recently, Mr. Esposito has entered into a contract to purchase industrial zoned property in Vineland, New Jersey. He is interested in storage yard and place to keep trucks, trailers and loads (temporary storage of items he will transport). He has approached the City of Vineland for consideration for funding a UEZ loan to assist with the purchase of property in Vineland. He will relocate his operation to Vineland.

1a. PROJECT: Acquisition of industrial land and building/structure with breakdown below:

<u>Cost</u>		<u>Funding Sources</u>	
Acquisition Price	\$179,000	Borrower	\$ 23,500
Closing Costs (est.)	<u>6,500</u>	UEZ	<u>162,000</u>
Total	\$185,500		\$185,500

2. COLLATERAL:

- a.) First position mortgage lien on 1325 N. Main Road, Vineland, Cumberland County, New Jersey a/k/a Block 1909, Lots 1, 2, 3,
- b.) First position mortgage lien on Vine Road, Vineland, Cumberland County, New Jersey a/k/a Block 1906, Lot 1,
- c.) Assignment of Rents and Leases for property stated in (a.) and (b.),
- d.) Title Insurance on properties stated in (a.) and (b.),
- e.) An all inclusive deed for property mentioned in (a.) and survey required,
- f.) Satisfactory review of environmental documantation demonstrating no further action regarding any enviromental.
- g.) UCC-1 Filing and Security Agreement (State of NJ) on all machinery, equipment and business assets now owned and hereafter acquired of F. Esposito Lowboy Service Inc.
- h.) Assignment of Life Insurance in the amount of \$100,000 on Neil A. Esposito, Jr.

3. GUARANTORS:

- a.) Neil A. Esposito, Jr.

4. LIEN POSITION: First.

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

6. SIZE OF PARCEL(S): 1325 N. Main Road, Vineland is comprised of the following:

Block 1909, Lot 1 = + 3.49 acres of land,
Block 1909, Lot 2 = +1.00 acres of land,
Block 1909, Lot 3 = +1.25 acres of land,

Vine Road, Vineland, NJ is comprised of the following:

Block 1906, Lot 1 = + 354' x 115' parcel.

7. IMPROVEMENTS THEREON:

1325 N. Main Road, Vineland is improved as follows:

Block 1909, Lot 1 = + 3.49 acres of land with some asphalt paving and fencing,
Block 1909, Lot 2 = +1.00 acres of land, improved with a 9,776 sq. ft.
warehouse building (partially collapsed and in need of repair),
Block 1909, Lot 3 = +1.25 acres of land with some asphalt paving.

Vine Road, Vineland, NJ is comprised of the following:

Block 1906, Lot 1 = + 354' x 115' parcel, land only.

8. LOCATION OF PROPERTY: a.) 1325 N. Main Road, Vineland, Cumberland County, New Jersey a/k/a Block 1909, Lots 1, 2, 3.

b.) Vine Road, Vineland, Cumberland County, New Jersey a/k/a Block 1906, Lot 1.

9. APPRAISAL INFORMATION:

1325 N. Main Road, Vineland, NJ are assessed as follows:

Block 1909, Lot 1 = Land Assessed for \$179,600, Improvements for \$13,100 for total of \$192,700.
Block 1909, Lot 2 = Land Assessed for \$125,000, Improvements for \$176,100 for a total of \$301,100.
Block 1909, Lot 3 = Land Assessed for \$90,000, Improvements for \$10,300 for a total of \$100,300.

Vine Road, Vineland, NJ.

Block 1906, Lot 1 = Land Only = \$23,800.

Total combined Land Value	\$394,600
Total combined Improvements Value	<u>199,500</u>
Total Assessed Value	\$594,100

It is highly probable that buyer/borrower will appeal taxes based on purchase price. It is my understanding that a reduction in valuation will occur. Based on an inquire with City of Vineland Tax Assessor's Office, the industrial land value of \$35,000 (the amount which City of Vineland sells property for to prospective industrial users) would translate into a value of the land (+5.74 acres) at +-\$200,000. This gives no value to the improvements which are in need of repair and are not valuable to the buyer. Based on this information, and giving no value to the improvements, UEZ loan-to-value is estimated to be 81% (land only). F. Esposito is also pledging a security interest to the UEZ on all of its owned machinery and equipment. Although the majority of equipment has been depreciated, Mr. Esposito purchases new equipment as necessary and estimates that existing equipment has value of \$500,000. However, this was not taken into account for UEZ LTV calculation even though the UEZ will have a priority security interest in equipment/machinery with priority purchase money interests.

10. FINANCIAL:

11. SUBSTANTIATION: LTV = 81%, DSCR = 1.28x

- Vacant and under-utilized property will become active.
- Assist a business locate to Vineland.
- Utilize local vendors.

12. RECOMMENDATION: