

RESOLUTION NO. 2016-\_\_\_\_\_

**A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO PH VINELAND UEZ, LLC.**

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 PH Vineland UEZ, LLC**; 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:

<b>Economic Development Loan to:</b>	
<b>PH Vineland UEZ, LLC</b>	<b>\$1,815,227.00</b>

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:** PH Vineland UEZ, LLC  
**Loan Amount:** \$1,815,227.

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 26, 2016

**Borrower Name and Address (s):** PH Vineland UEZ LLC  
1 Winding Drive, Suite 200  
Philadelphia, Pa. 19131

**Request:** \$1,815,227 commercial term loan – permanent financing for acquisition of building improvements to a retail - strip shopping center.

**Interest Rate – Interest Only Period:** 5.00% **Term of Interest Only Period:** 1 Year.

**Interest Rate - Permanent:** 5.00%. **Term of Loan - Permanent:** 20 Years.

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- 1. BACKGROUND:** Founded in 2007 by Matthew and Michael Pestronk, Post Brothers Apartments is a developer and operator of Class A, best-in-class apartment buildings and complexes throughout Philadelphia. Through vertical integration, Post Brothers handles all business in-house, with expertise in leasing, construction and property management, development, general contracting, transactions, and financing. Over the past four years, Post Brothers has been among the top 5 most active multifamily apartment developers in Philadelphia, Pa. and has acquired seven properties to date, totaling over 1,000 rental units.

As CEO, Michael Pestronk heads all property development and operational activities of the company. Post Brothers Apartments was founded in early 2007 and since that time Mr. Pestronk has focused exclusively on creating a best-in-class enterprise with a current portfolio of in excess of 1,100 class-A apartments throughout Philadelphia, with a total capitalization of approximately \$165,000,000. Michael has 12 years of experience in the multi-family real estate industry, having previously worked for NWJ Companies and Historic Landmarks for Living, as well as being a principal of Iron Stone Real Estate Group, where he was collectively responsible for the repositioning, operations and capitalization of over \$300,000,000 of real estate. During this time his responsibilities encompassed all aspects of apartment ownership including acquisitions, financing, development, construction, management, and leasing. During 2004-5 he was fully engaged in the property and asset management leadership of Historic Landmarks and was instrumental in the operational turnaround of a large portfolio of urban Class A apartments, where he increased NOI without capital spending, and facilitating a \$200 million recapitalization of the portfolio. Michael takes great pride in his focus on identifying the right product to build, building simultaneously with high quality and cost effectiveness, and rapidly renting all of our units at top of the market rents.

As President, Matthew Pestronk is a real estate investment and development professional whose deal-making, financing and strategic acumen are an invaluable element of the partnership that drives the success of Post Brothers. Matthew has 14 years of real estate experience. Matthew is a principal of Post Brothers Apartments, where he has sponsored seven Class-A multi-family renovation and development projects of over 1,100 units, with a total capitalization in excess of \$165,000,000, with total equity raised for these projects in excess of \$60,000,000 since 2007. Matt is responsible for identifying, structuring and executing acquisition opportunities, developing target markets, strategic development initiatives for project and for Post Brothers growth, and all equity and debt financing. Matt is also the youngest Managing Director in the 86 history of The Ackman-Ziff Real Estate Group, where he has arranged over 50 equity and debt financings totaling substantially in excess of \$1,000,000,000 of placed capital on behalf of an entrepreneurial and high-net worth client base across all major asset classes.

**1. BACKGROUND (CONTINUED):**

In addition to developing, leasing, and selling apartments, the Pestronk’s develop retail shopping centers via the PH Retail Partners, LP division. PH Retail Partners, LP and affiliates have completed several redevelopments of community retail shopping centers.

Randolph “Randy” Hope is the development and leasing professional for PH Retail Partners, LP. He has a diverse background in both multifamily and retail real estate. Randy is responsible for leading Post Brothers retail development in addition to asset management of its growing portfolio. Prior to joining Post Brothers in 2014, Randolph was a Director at Panther Properties in which he was integral in growing the company from its first acquisition in 2010 through its completion of its first fund in 2014. Randolph oversaw the acquisition and development of more than 3,600 apartment units across 13 communities throughout the Southeastern United States. The portfolio created has a value in excess of \$450 million and more than \$100 million of equity capital was invested. Prior to forming Panther Properties, Randy was Vice President at Metro Commercial Real Estate, a leading retail real estate brokerage firm in the Mid-Atlantic region. While at Metro Commercial he completed in excess of 350 lease and sale transactions with consideration in excess of \$300 million.

PH Retail Partners, LP formed PH Vineland UEZ, LLC (“PHVUEZ”) on 01/22/2016 in the State of New Jersey to acquire and redevelop the property located at 22-48 W. Landis Avenue, Vineland, NJ. PHVUEZ plans on acquiring the retail center in April 2016. Thereafter, the plan is to make capital improvements into the center which will allow the company to attract regional and national businesses which will make long-term lease commitments (or purchase units). New jobs will be created for the businesses that will lease space (estimated to be 50 jobs in total), in addition to the high paying construction jobs (estimated to be 25 jobs) during the renovation period which is anticipated to last 12 -18 months. The immediate improvements will be to replace roofs throughout the structure, then relocate the existing 6,500 sq. ft. Family Dollar retail store (which has signed a lease renewal for 15 years) to a renovated space within the center (end cap). A new national tenant will move into 36,000 sq. ft. of newly fit-out space. Mechanical and electrical system upgrades will be made to modernize the center’s infrastructure to greatly enhance efficiency.

**1b. PROJECT:** PH Vineland UEZ, LLC plans to acquire and revitalize the under-performing retail center located at 22-48 W. Landis Avenue, Vineland, NJ. Significant capital investment will substantially improve the center to attract a broad range of possible national and regional tenants which in turn will lead to construction jobs and permanent jobs over the next 12-18 months. The project costs and funding are listed below:

<u>Costs</u>		<u>Funding Sources</u>		
Real Estate Acquisition	\$3,750,000	Borrower	\$ 736,273	12.26%
Closing, Soft Costs, Other	598,155	Peoples Security Bank	3,450,000	57.49
Renovations & Improvements	<u>1,653,345</u>	UEZ	<u>1,815,227</u>	<u>30.25</u>
Total Costs	\$6,001,500	Total Funding	\$6,001,500	100.00%

**Primary Lender Loan will have a 30 month interest only phase for ramp up. The UEZ Loan will have a 12 month interest only phase for ramp up. The UEZ loan will be advanced for acquisition only. The primary lender loan will be utilized for a portion of acquisition price with remaining for renovations/improvements.**

**2. COLLATERAL:**

- a.) Second position mortgage lien on the real estate and improvements located at 22 - 48 W. Landis Avenue, Vineland, Cumberland County, New Jersey, a/k/a Block 2802, Lot, 19 and Block 2802, Lot 18,
- b.) Assignment of Rents and Leases for both properties mentioned in a.) – subordinate to primary bank.
- c.) Submission of and satisfactory review of environmental report (Phase 1) and additional reports as necessary.
- d.) UCC-1 filing and Security Agreement (Cumberland County filing).
- e.) Receipt of executed leases for existing tenants and new tenants when available (including an un-named tenant to occupy +-6,300 sq. ft. and un-named tenant to occupy 36,000 sq. ft.).
- f.) Require financial covenant of 1.35x. DSCR (mirror primary lender).

**3. GUARANTORS:**

- a.) PH Retail Partners, L.P.

**4. LIEN POSITION:** 2<sup>nd</sup>.

**5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS:** Peoples Security Bank and Trust \$3,450,000.

**6. SIZE OF PARCEL:** 22 - 48 W. Landis Avenue, Vineland, Cumberland County, New Jersey, a/k/a Block 2802, Lot, 19 and Block 2802, Lot 18:

Block 2802, Lot 19 = +-5.15 acres (irregular shape)

Block 2802, Lot 18 = +-3.16 acres (irregular shape)

**7. IMPROVEMENTS THEREON:**

22 W. Landis Avenue, Vineland, Cumberland County, New Jersey, a/k/a Block 2802, Lot, 19:

+65,492 sq. ft. retail strip shopping center.

+ 2,720 sq. ft. detached building (1<sup>st</sup> floor +-1,520 retail/fast food, 2<sup>nd</sup> floor +- 1,200 sq. ft. office). This building may be demolished to accommodate request of major tenant.

48 W. Landis Avenue, Vineland, Cumberland County, New Jersey, a/k/a Block 2802, Lot 18:

+ +-25,438 sq. ft. retail/grocery store (Save-A-Lot).

**8. LOCATION OF PROPERTY:** 22 - 48 W. Landis Avenue, Vineland, Cumberland County, New Jersey, a/k/a Block 2802, Lot, 19 and Block 2802, Lot 18.

**9. APPRAISAL INFORMATION:** An appraisal will be ordered. A value of \$5,850,250 will be required to achieve 90% LTV (“as built or as complete”).

**22 W. Landis Avenue, Vineland, Cumberland County, New Jersey, a/k/a Block 2802, Lot, 19:**

The City of Vineland has the assessed value at:

Land	\$1,030,800
Building	<u>2,875,200</u>
Total	\$3,906,000

**48 W. Landis Avenue, Vineland, Cumberland County, New Jersey, a/k/a Block 2802, Lot 18:**

The City of Vineland has the assessed value at:

Land	\$ 631,800
Building	<u>972,500</u>
Total	\$1,604,300

Total Assessed Value Both Properties (current condition) \$5,510,300.

**10. FINANCIAL:**

**11. SUBSTANTIATION:** DSCR = 1.06x, Projected DSCR = 1.70x, LTV = 90%

- Assist in revitalization of a retail shopping center (currently the majority of the space is vacant).
- West Gateway into Downtown Vineland.
- Job creation resulting from new commercial tenants.
- Could lead to additional redevelopment of adjacent properties.

**12. RECOMMENDATION:**