

RESOLUTION NO. 2016- 322

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO GS3 ENTERPRISE, LLC

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated September 27, 2016, for use of Second Generation Enterprise Zone Assistance Funds for the following project: **Economic Development Loan to GS3 Enterprise, 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:

Economic Development Loan to:

GS3 Enterprise, LLC \$300,000.00

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

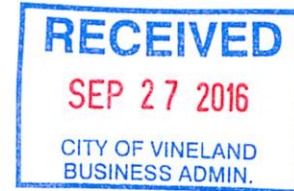
Adopted:

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:** GS3 Enterprise, LLC
Loan Amount: \$300,000.00
DATE: September 27, 2016

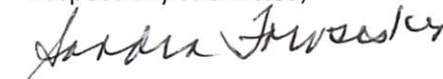
Dear Council President Fanucci, Councilmen Procopio, Spinelli, and Councilwomen Calakos and Gonzalez:

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: 09/19/2016

Borrower Name and Address (s): GS3 Enterprise, LLC
1755 N. Delsea Drive
Vineland, NJ 08360

Request: \$300,000 commercial term loan for the acquisition of real estate.

Interest Rate: 5.00% **Term of Loan:** 20 Years

1. BACKGROUND: GS3 Enterprise, LLC is a real estate holding company formed by Gaeten Simiriglio and his two sons, Gaeten Simiriglio, Jr. and Gregory Simiriglio, in New Jersey on September 2016, for the purpose of purchasing and owning the real estate located at 1755 N. Delsea Drive, Vineland, NJ. The Simiriglio's intend to lease the facility to Simco NJ, Inc. ("Simco"), an New Jersey Subchapter S. Corp. and affiliated company owned by Gaeten Simiriglio, Sr. 100% and incorporated in NJ back in 1995. Prior to 1995 incorporation in NJ, Simco was located in Philadelphia, Pa. and incorporated in Pennsylvania since 1984.

Gaetan Simiriglio, Sr. founded Simco. Prior to Simco, Mr. Simiriglio was in the electronics distribution industry and worked for his father. Customers asked him to build certain products and this provided the impetus for Simco's creation. Simco is a company involved in electronic manufacturing and specializing in wire harnessing cable assemblies & electro-mechanical assemblies. Simco is ISO 9001:2008 Certified. With over 30 years of experience in the electronic industry, Simco claims it is the area's most complete, technically advanced cable assembly and wire harness shop. Simco is currently located in Blackwood, New Jersey. According to the Simiriglio's, Simco has incomparable capabilities when it comes to cutting, stripping, twisting, terminating and assembling of wire and cable harnesses. They take the cables they build and incorporate them into box builds, for a drop-in assembly for any customer. From the most basic to the extremely complex, Simco has the expertise to handle every wire, cable, and harness assembly in an effective, efficient manner. They service the Aerospace/Defense, Automotive, Industrial Machinery, Instrumentation, Medical, Telecom/Networking, Transportation, Utilities industries, Rail, Alarm Companies.

Recently, Mr. Simiriglio and his two sons began their search to find a new business headquarters/location for Simco. Their search led them to Vineland and they are under contract to purchase 1755 N. Delsea Drive, Vineland, NJ. They intend to move their business operation from Blackwood, NJ to Vineland. As a result of the move, it is anticipated that a significant amount of new employment opportunities will be created (20 jobs). In addition, the Simiriglio's believe that they will need to expand the square footage of the facility in the near future to accommodate growth.

1a. COMPETITION: No competition in the immediate area. Several distributors perform some small cable assemblies as a value added product or in addition to the service provided. Several business in similar business but are in specific industries. Everyone has their customers. Competition does exist from Mexico. However, Mr. Simiriglio is booking new business coming back from foreign countries because the quality is "awful".

1b. BUSINESS CYCLE: Simco does not market its own products, therefore it does not control any of the products as they are produced for customers/companies. Customers have the ability to change products or prototype new products etc. No normal cycle and usually has no cycles to worry about. Steady volume and company never had a layoff. They do have to wait on customer orders and they are usually have contracts with a company like Philips Electronics. Sixty percent of customers are on blanket order (whole year worth of business at a time).

1c. INDUSTRY AND MARKET ANALYSIS / INDUSTRY OUTLOOK: Simco does not operate in a single industry segment. They deal with different industries and do not rely on any one industry.

1d. PROJECT: Acquisition of real estate and building located at 1755 N. Delsea Drive, Vineland, NJ. The property is situated on +-7.54 acres and includes a 7,200 sq. ft. metal building. Project cost is below.

<u>Cost</u>		<u>Funding Sources</u>	
Acquisition of real estate	\$325,000	Vineland UEZ	\$300,000
Closing Costs (estimate)	<u>7,500</u>	Borrower	<u>32,500</u>
Total	\$332,500	Total	\$332,500

2. COLLATERAL:

- a.) First position mortgage lien on the real estate located at 1755 N. Delsea Drive, Vineland, Cumberland County, NJ a/k/a Block 1201, Lot 45,
- b.) Assignment of Rents and Leases,
- c.) UCC-1 Filing and Security Agreement (Cumberland County) Filing on GS3 Enterprise, LLC,
- d.) UCC-1 Filing and Security Agreement (State of NJ) Filing on Simco NJ, Inc.

3. GUARANTORS:

- a.) Corporate Guaranty of Simco NJ, Inc.,
- b.) Personal Guaranty of Gaetan Simiriglio, Sr.,
- c.) Personal Guaranty of Gaetan Simiriglio, Jr.,
- d.) Personal Guaranty of Gregory Simiriglio.

4. LIEN POSITION: First.

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

6. SIZE OF PARCEL: +-7.54 acres.

7. IMPROVEMENTS THEREON: 7,200 sq. ft. (gross building area) currently encompassing 5,280 sq. ft. of warehouse, 1,920 sq. ft. of office, and 1,600 sq. ft. unfinished 2nd floor.

8. LOCATION OF PROPERTY: 1755 N. Delsea Drive, Vineland, Cumberland County, NJ a/k/a Block 1201, Lot 45.

9. APPRAISAL INFORMATION: We were able to obtain a copy of a property appraisal from the current owner which demonstrates a property value of of \$495,000. The appraisal is dated July 14, 2012. The City of Vineland currently has the property assessed for \$522,100 (land at \$275,000 and improvements at \$247,100). Due to the size of the loan, the Borrower has requested consideration to waive the appraisal. As a result, this writer utilized the value of the 2012 appraisal as a basis for calculating the Loan-to-Value, the resulting LTV would be 61%. Further discounting the improvements and land resulted in the following LTV assumption.

7,200 sq. ft. at \$30.00	=	\$216,000
7.50 acres at \$20,000 per acre	=	<u>150,000</u>
Total		\$366,000

Loan of \$300,000 / \$366,000 = LTV of 82%

10. FINANCIAL:

11. SUBSTANTIATION: DSCR = 1.13x, LTV = 82%

- Company locating to Vineland.
- Creation of 20 – 25 jobs.
- Company will improve building.
- Company anticipates growing the facility and employment.

12. RECOMMENDATION: