

RESOLUTION NO. 2017-256

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO STS SHEETMETAL, INC. (EQUIPMENT)

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated May 24, 2017, for use of Second Generation Enterprise Zone Assistance Funds for the following project: **Economic Development Loan to STS SheetMetal, Inc. (Equipment)**; 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:
STS SheetMetal, Inc. \$81,000.00
(Equipment)

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:** STS SheetMetal, Inc.
Loan Amount: \$81,000.00

DATE: May 24, 2017

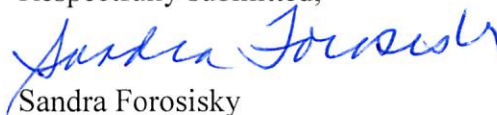
Dear Council President Spinelli, Councilmen Acosta, Francheshini, Vargas, and Councilwomen Calakos:

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: May 5, 2017

Borrower Name and Address (s): STS SheetMetal, Inc.
2569 N. Delsea Drive
Vineland, NJ 08360

Request #1: \$400,000 commercial mortgage to acquire a 9,640, sq. ft. commercial building.
Request #2: \$81,000 commercial term loan for the acquisition of sheet metal fabrication equipment.

Interest Rate – Loan #1: 5.00%, Fixed
Interest Rate – Loan #2: 5.00%, Fixed

Term of Loan – Loan #1: 20 Years
Term of Loan – Loan #2: 10 Years

1. BACKGROUND: Stultz Taylor and Sandra Taylor are the equal owners of STS SheetMetal, Inc. (“STS” an S. Corp.), a commercial/industrial HVAC duct and sheet metal fabrication and installation business. The business operates from a leased facility located at 2569 N. Delsea Drive, Vineland, NJ. The business was incorporated in the State of New Jersey in April 2013. Customers include Corning, Gerresheimer, Durand Glass, Stockton University (Tozer Trane), Bernal Mechanical, Stanker and Galletto, and Joseph R. Delgado. Products such as stainless steel ducts and stacks are some of the items manufactured by STS. Mr. Taylor has been involved in this business for over thirty eight (38) years. Bernal Mechanical Contractors, Inc. previously employed Mr. Taylor for 34 years prior to selling the business to him and his wife in 2013. Currently, STS leases the facility and equipment from which it operates from Bernardini Realty, LLC and Bernal Mechanical Contractors, Inc. (affiliated entities owned by the same family members), respectively.

STS is currently in the fourth year of a ten year lease for the facility and equipment. Mr. Taylor and his wife are interested in owning the facility. In addition, they are interested in purchasing outright, the manufacturing machinery and equipment which is currently owned by Bernal Mechanical Contractors, Inc. which it leases. As such, they have entered into an agreement to purchase the real estate and equipment. Mr. and Mrs. Taylor have applied to the Vineland Urban Enterprise Zone Loan Program for the financing of the purchases to accomplish their long term goal of owning the real estate and equipment as well as keeping the business in Vineland.

1a. PROJECT: The project involves the acquisition of real estate and equipment. Below is a summary of the project costs and funding.

<u>Uses of Funds</u>	<u>Sources of Funds</u>
Acquisition of Real Estate \$ 445,000	Borrower – Real Estate \$ 45,000
Acquisition of equipment <u>90,000</u>	Borrower – Equipment 9,000
Total \$ 535,000	UEZ – Real Estate 400,000
	<u>UEZ – Equipment 81,000</u>
	Total \$535,000

2. COLLATERAL:

- a.) First and second position mortgage lien(s) on the real estate located at 2569-2589 N. Delsea Drive, Vineland, Cumberland County, New Jersey a/k/a Block 801, Lot 42, 43, 44 (3 separate deeds),
- b.) Assignment of Rents and Leases,
- c.) UCC-1 Filing and Security Agreement (State of NJ filing) on equipment, machinery and all business assets of STS SheetMetal, Inc., excluding Accounts Receivable which are pledged to Fulton Bank for a line of credit,
- d.) UCC-1 Filing and Security Agreement (Cumberland County Filing) fixture filing and all business assets, excluding Accounts Receivable which are pledged to Fulton Bank for a line of credit,

3. GUARANTORS:

- a.) Personal Guaranty of Stultz Taylor.
- b.) Personal Guaranty of Sandra Taylor.

4. LIEN POSITION: First position lien on real estate and first position UCC – 1 lien on machinery, equipment and all business assets of STS SheetMetal, Inc. excluding A/R which is liened by Fulton Bank for a line of credit.

5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS: N/A, refer to #4 above.

6. SIZE OF PARCEL: Parcel #1: Block 801, Lot 42 = +-1.10 acres. (2569 N. Delsea)
Parcel #2: Block 801, Lot 43 = +-1.14 acres. (2589 N. Delsea)
Parcel #3: Block 801, Lot 44 = +-1.19 acres. (2589 N. Delsea)

7. IMPROVEMENTS THEREON:

- Parcel #1: Improved with 9,640 sq. ft., one story building comprised of 1,500 sq. ft. of office space and 8,140 sq. ft. of light manufacturing space.
- Parcel #2: Land (billboard located on property).
- Parcel #3: Land.

8. LOCATION OF PROPERTY: 2569-2589 N. Delsea Drive, Vineland, Cumberland County, New Jersey a/k/a Block 801, Lot 42, 43, 44.

9. APPRAISAL INFORMATION: An appraisal performed by Ed Kay and Associates in May 2016 demonstrates a value on the real estate of \$445,000. An appraisal performed by Certified Equipment Appraisal Associates, Inc. of North Wales, Pennsylvania dated November 2016 demonstrates a value of \$92,150.00.

Real Estate Loan \$400,000
Real Estate Value \$445,000

Equipment Loan \$81,000
Equipment Value \$92,150

LTV = 90%

LTV = 88%

10. FINANCIAL:

11. SUBSTANTIATION: DSCR = 1.40x, LTV (Real Estate) = 90%, LTV (Equipment) = 88%

- Assist a small business with purchase/ownership of operating facility and equipment.
- 7 full time employees with benefits.
- Committed to remain a Vineland based business.

12. RECOMMENDATION: