

RESOLUTION NO. 2017- 259

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO MOISES AFANADOR T/A MOE'S AUTO SALES.

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 Moises Afanador t/a Moe's Auto Sales;** 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:
Moises Afanador t/a Moe's Auto Sales \$200,000.00**

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:** Moises Afanador t/a Moe's Auto Sales
Loan Amount: \$200,000.00

DATE: May 24, 2017

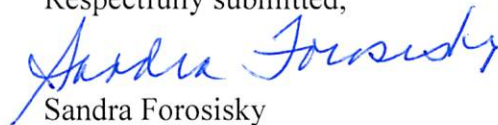
Dear Council President Spinelli, Councilmen Acosta, Francheshini, Vargas, and Councilwomen Calakos:

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 24, 2017

Borrower Name and Address (s): Moises Afanador t/a Moe's Auto Sales
847 S. Delsea Drive
Vineland, New Jersey 08360

Request: \$200,000 commercial mortgage loan – permanent mortgage for building expansion and equipment acquisition associated with a commercial zoned property utilized for auto sales and repair.

Interest Rate: 6.00%

Term of Loan: 10/20 yrs.

1. BACKGROUND: Moises Afanador is the owner/operator of Moe's Auto Sales (sole proprietorship), a used auto dealer located at 847 S. Delsea Drive in Vineland, New Jersey. Mr. Afanador has been in the business of selling automobiles for over sixteen years. Mr. Afanador began his business in Vineland in 2001 with a location at W. Park Avenue. He was able to acquire the property at W. Park Avenue with the assistance of a Vineland Urban Enterprise Zone ("UEZ" Loan). Within two years of operating at the W. Park location, he was able to pay off the UEZ loan and he began searching for a better location to accommodate the growing sales and inventory required to grow his used auto sales business. He sold the W. Park Ave. location and purchased the current location in 2002 and continued operating his business. As a result of the expansion, he was informed that site improvements and a site plan would be necessary to pave the way to accommodate the growth and inventory. Over the past several years, Mr. Afanador began funding and making the site improvements necessary to allow the property to house and inventory 118 autos for sale and repair. Mr. Afanador has accessed equity in the real estate and has utilized personal and business resources to undertake the improvements. Mr. Afanador completed the site improvements and is now desirous of completing additional site improvements (over time) as well as expanding the size of his garage building located at the site. The expansion of the garage will allow for additional repair space and will include new equipment for the Moe's Auto Sales operation.

1a. COMPETITION: Moe's Auto Sales competes with several new and used automobile dealers located on North and South Delsea Drive in Vineland.

1b. BUSINESS CYCLE: The auto industry and used auto industry is not immune to the business cycle. The downside of a business cycle could have dramatic consequences for employment, investment, and growth. There exists a direct correlation to the consumer and the disposable income and spending related to the consumer. In the past, consumers have made adjustments to the spending on autos during recession and down economic periods, opting to purchase either used autos or invest in parts to maintain the existing automobiles. It should be noted however, that pricing trends in the marketplace demonstrate that when used car pricing is stronger, new auto dealers are presented with the opportunity to encourage the consumer into purchasing a newer model auto versus used. This correlates with supply demand and the opposite would be the case when significant supply comes on line which is currently the case. Please note that used auto market spans many price ranges and marketing of such vehicles also spans from lower priced vehicles to the luxury autos.

1c. INDUSTRY AND MARKET ANALYSIS / INDUSTRY OUTLOOK: Like most automotive industry sectors, the used car dealer industry felt the impact of the recession and the dramatic slowdown in consumer spending. However, the industry has been somewhat recession-resistant due to its in-house financing arrangements. The adoption of lease here, buy here financing options has helped used car dealers stay competitive and increase profitability, but the effects of new legislation on financing practices will remain uncertain.

1d. PROJECT: The project involves funding for building expansion (extension of garage area) and equipment purchase for a car dealership located on S. Delsea Drive. The breakdown of costs and funding are as follows:

<u>Costs</u>		<u>Funding Sources</u>	
Building expansion	65,000	UEZ	\$200,000
Equipment purchase	10,000	<u>Borrower</u>	<u>30,000</u>
Existing UEZ Loan	57,000	Total	\$230,000
Existing 1 st Mortgage	90,000		
<u>Misc./Closing</u>	<u>8,000</u>		
Total	\$230,000		

2. COLLATERAL:

- a.) First position mortgage lien on the property located at 847 S. Delsea Drive, Vineland, Cumberland County, New Jersey a/k/a Block 4801, Lot 66,
- b.) Assignment of rents and leases,
- c.) UCC-1 filing and Security Agreement (Cumberland County Filing),
- d.) UCC-1 filing and Security Agreement (State of NJ Filing) on all business assets now owned and hereafter acquired including accounts receivable, machinery and equipment,
- e.) Evidence that tax lien has been paid off (explained in personal financial section).

3. GUARANTORS:

- a.) N/A

4. LIEN POSITION: 1st position.

5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS: N/A. UEZ will have a first position upon takeout of existing lender on the mortgage filing as well as the UCC-1 filing.

6. SIZE OF PARCEL: +-1.43 acres.

7. IMPROVEMENTS THEREON: The Tax Assessor's Office currently indicates that the property is improved with a dwelling currently utilized as an office with a detached garage.

8. LOCATION OF PROPERTY: 847 S. Delsea Drive, Vineland, Cumberland County, New Jersey a/k/a Block 4801, Lot 66.

9. APPRAISAL INFORMATION: The property is currently assessed by the City of Vineland at \$295,000 (land valuation \$178,300, improvements valuation \$116,700).

An appraisal performed by MAI – Sheffield Valuation Services indicates a value of \$700,000 as of May 2015. Borrower has requested that this appraisal be utilized and a waiver to a new appraisal be obtained. Assuming a value discounted to \$295,000 (City of Vineland assessed value) and based on a \$250,000 UEZ loan, LTV = 85%.

10. FINANCIAL:

11. SUBSTANTIATION: DSCR = 1.24x, LTV = 63%.

- Assist local a UEZ Certified business with a business loan.
- Loan will assist owner with expanding the use of an existing business operation and will lead to increased real estate tax ratable for the City of Vineland.

12. RECOMMENDATION: