

RESOLUTION NO. 2017-260

**A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO DNS SOLUTIONS HOLDINGS, LLC.**

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 DNS Solutions Holdings, 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:  
DNS Solutions Holdings, LLC                    \$150,000.00**

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:** DNS Solutions *Holdings, LLC*  
**Loan Amount:** \$150,000.00

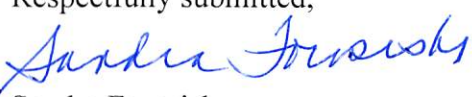
DATE: May 24, 2017

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 17, 2017

**Borrower Name and Address (s):** DNS Solutions Holdings, LLC  
3071E. Chestnut Avenue, Suite 67  
Vineland, New Jersey 08361

**Request:** \$150,000 commercial mortgage loan – permanent end loan for a +-1,200 sq. ft. commercial building to be constructed at 2831 S. East Boulevard, Vineland, NJ.

**Interest Rate:** 5.00%

**Term of Loan:** 20 Years.

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**1. BACKGROUND:** Dominick N. “Nick” Surace, III, is the owner of DNS Solutions, LLC (“DNS”), a full service surveillance and security system installer in Vineland, NJ providing installation and alarm monitoring services to residential and commercial clients throughout South Jersey, Southeastern Pennsylvania and Delaware. Mr. Surace has been in the surveillance business/industry since starting DNS in 2012. Prior to starting DNS, Mr. Surace was employed by TD Bank as a financial representative.

Recently, Mr. Surace has formed DNS Solutions Holdings, LLC, a real estate holding company, for the purposes of acquiring the real property located at 2831 S. East Boulevard (currently owned by Vineland Board of Education and tax-exempt). He plans on constructing a 1,200 sq. ft. facility which will house the offices and operations of DNS. DNS currently leases space for its operation and Mr. Surace is desirous of owning his operations center having a physical and visual presence with exposure to grow his business.

**1a. COMPETITION / INDUSTRY / MARKET OUTLOOK:** Competition exists on many fronts from providers, pricing and customer service to name a few. For security dealers there has been a much more shift away from the way things have been done forever. As cable and Internet companies come into the market and offer security as part of their offerings, at a much lower cost, and consumer electronics manufacturers offer more and more do-it-yourself (“DIY”) offerings for sale online and at mass market retail stores, the traditional security dealer is having to change quickly due to technology or to get out of the business. Many in the industry view the new entrants as necessary and an opportunity to “grow the pie” and gain additional customers as opposed to competing for existing customers. Although cable and internet companies may get the customers initially, it should be noted that references to customer surveys suggest that customers leave these providers due to customer service issues. According to industry sources, competitive pressures abound and it is unlikely that they will abate anytime soon.

People are becoming more safety conscious. With the greater affordability of interactive security alarm systems, a larger span of socioeconomic groups are utilizing these services. Home and business owners want to protect what they have, protect their families and businesses. They want to feel safe in an unsecure world, where the threats that may pose potential personal harm to self, family and treasured possessions require additional security.

**1b. PROJECT:** The project involves the acquisition of land and permanent financing for a building to be constructed thereupon. Detailed project costs will require verification and have been requested.

<u>Uses</u>		<u>Sources</u>	
Acquisition of Land	\$ 35,500	Borrower	\$ 30,000
Building and Site work	110,000	<u>UEZ</u>	<u>150,000</u>
Soft Costs/Misc./Closing	34,500	Total	\$ 180,000
Total	\$ 180,000		

**2. COLLATERAL:**

- a.) First position mortgage lien on the real estate located at 2831 S. East Boulevard, Vineland, Cumberland County, New Jersey a/k/a Block 7101, Lot 98,
- b.) Assignment of Rents and Leases,
- c.) UCC-1 Filing and Security Agreement (County Filing for DNS Solutions Holdings, LLC),
- d.) UCC-1 Filing and Security Agreement (State of NJ Filing for DNS Solutions Holdings, LLC),
- e.) UCC-1 Filing and Security Agreement (State of NJ Filing for DNS Solutions, LLC).

**3. GUARANTORS:**

- a.) Personal Guaranty of Dominick N. Surace, III,
- b.) Guaranty of DNS Solutions, LLC

**4. LIEN POSITION:** Permanent Loan – UEZ will have 1<sup>st</sup> mortgage.

**5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS:** Capital Bank of NJ will have a lien on the property during construction (providing construction financing). UEZ will have 1<sup>st</sup> mortgage on permanent financing.

**6. SIZE OF PARCEL:** +-3.60 acres.

**7. IMPROVEMENTS THEREON:** Land only. Previous site of South Vineland School which was demolished.

**8. LOCATION OF PROPERTY:** 2831 S. East Boulevard, Vineland, Cumberland County, New Jersey a/k/a Block 7101, Lot 98.

**9. APPRAISAL INFORMATION:** An appraisal, as built, will be required, to demonstrate an LTV of 90%.

**9 a. ENVIRONMENTAL:** The Vineland Board of Education has provided documentation addressing aspects of environmental matters. The following was reviewed:

- Removal of 1,000 gallon underground fuel oil storage tank by Renova Environmental Services. Completed 2012. Documentation provided demonstrates no evidence of discharge upon removal and closure completed.
- Asbestos. Epic Environmental Services and VMC Company, Inc. performed minor asbestos removal to the boiler area and floor tiles prior to demolition according to standards established by State of New Jersey. Completed 2012. Documentation provided demonstrates nothing further necessary.
- Removal of septic system completed 2012.
- Demolition of former school facility completed 2012.

Based on the review of documentation provided, no further environmental assessment will be required.

**10. FINANCIAL:**

**11. SUBSTANTIATION:** DSCR = 1.01x, LTV = 90%

- Assist local business with ownership of facility.
- Increased real estate tax ratable for City of Vineland – new building to be constructed.
- Increased revenue for City of Vineland Municipal Utilities.
- Construction and permit fees for City of Vineland.
- Creation of construction jobs (local contractor being utilized for the building of the facility).
- Sale of real estate will create revenue for Vineland Board of Education.

**12. RECOMMENDATION:**