

RESOLUTION NO. 2017- 389

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO LEVARI BROTHERS REALTY CO., LLC (OR THEIR ASSIGNS).

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated August 22, 2017, for use of Second Generation Enterprise Zone Assistance Funds for the following project: **Economic Development Loan to Levari Brothers Realty Co., LLC (or their assigns);** 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:

Levari Brothers Realty Co., LLC (or their assigns) \$6,650,000.00

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:** Levari Brothers Realty Co., LLC (or their assigns)
Loan Amount: \$6,650,000.00

DATE: August 22, 2017

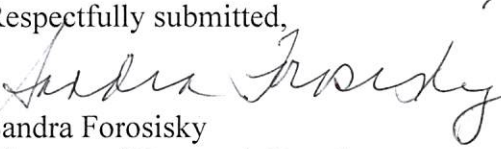
Dear Council President Spinelli, Councilmen Acosta, Francheshini, Vargas, and Councilwomen Calakos:

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: June 27, 2017

Borrower Name and Address (s): Levari Brothers Realty Co., LLC
396 N. Mill Road
Vineland, New Jersey 08360

Request: \$6,650,000 commercial term loan – permanent, to finance cold storage warehouse building. Initial square footage will be 50,000 with expansions of up to a total of 200,000 sq. The project cost is +\$7,850,000 including racks, soft and closing costs. The breakdown of costs is identified in the project cost section.

Interest Rate: 4.00%

Term of Loan: 20 Years

BACKGROUND: Levari Brothers Realty Co., LLC (“LBR”), is a real estate holding company which owns and operates an industrial facility / cold storage warehouse property located at 396 N. Mill Road, Vineland, NJ. LBR is owned by Michael Levari, (age 56) 100%. He purchased his brother’s (Kenneth Levari) interest in April of 2006. The facility is located at 396 N. Mill Road, Vineland, NJ and is leased to the Levari Group, LLC t/a First Choice Freezer, an affiliated company which was established in 2001 by Michael and Kenneth Levari, now owned solely by Michael Levari 100% as well.

The Levari Group, LLC t/a First Choice Freezer & Storage (“First Choice” or “Levari Group”), is a freezer and cold storage operating company which provides storage for produce and seafood companies in the local southern NJ marketplace. In April of 2006, Michael Levari purchased his brother Kenneth’s interest in First Choice. Kenneth Levari’s son, Christopher (nephew to Michael Levari), is the general manager of the cold storage facility. Kenneth Levari (the father of Christopher Levari, whom is the general manager of First Choice) remains the primary principal in Levari Trucking, an interstate motor carrier of stone and gravel, established in 1957 by Michael and Ken’s father. Kenneth Levari does not have any ownership interest in the two entities involved with this transaction. Gene Taormina is the Chief Financial Officer of First Choice and LBR.

1a. PROJECT: The Borrower is in process of an expansion to an existing freezer and cold storage facility located at Mill and Almond Roads. Please recall that +-61,000 sq. ft. addition was approved and is currently under construction to the existing 210,000+- sq. ft. cold storage facility owned by Levari at Almond and Mill Roads. Upon completion of the addition, a total of +-271,000 sq. ft. will exist at this location. The building was constructed primarily to fulfill contract and demand for existing clients of First Choice, and as well as to accommodate growth in the business. The space has been contracted and is full.

Recently, First Choice was approached by a new customer for cold storage space and services due to the excellent reputation First Choice has established. This unnamed customer is experiencing growth and requires cold storage, blast freezing and logistical services, all of which First Choice provides with excellent results. The customer will contract with First Choice. However, this requires First Choice to build a new facility (initially 50,000 sq. ft. and ultimately increasing to 200,000 sq. ft. with future expansions) on a lot/parcel which it will purchase from the City of Vineland (purchase price \$350,000, UEZ Loan \$315,000 under separate approval). The lot is located at 1200 N. Mill Road, Block 1003, Lot 16. The UEZ request below identifies the new funding (and approved UEZ funding for the land purchase) for the project below as follows:

1a. PROJECT (CONTINUED):

<u>Sources (Permanent)</u>		<u>Uses</u>	
Vineland UEZ (Land)	\$ 315,000	Acquisition of Land	\$ 350,000
Vineland UEZ (Building)	6,650,000	Building	6,000,000
Borrower (Land)	35,000	Racks	650,000
Borrower (Building)	-0-	Soft Costs	89,825*
Borrower (Soft Costs)	89,825	Closing Cost(s) (Land)	10,000
Borrower (Closing Costs)	<u>60,000</u>	Closing Cost(s) Building	<u>50,000</u>
Subtotal	\$7,149,825	Subtotal	\$7,149,825
Borrower/other (Equip.)	<u>712,000</u>	Equipment	<u>712,000</u>
Total	\$7,861,825	Total	\$7,861,825

*Construction loan closing costs, soft costs and permit fees.

2. COLLATERAL:

- a.) First mortgage position (permanent financing) on the property located at 1200 N. Mill Road, Vineland, Cumberland County, New Jersey, a/k/a Block 1003, Lot 16 (subject to a letter of credit, therefore, UEZ loans may be in a temporary subordinate position for the letter of credit),
- b.) Assignment of Rents and Leases,
- c.) UCC-1 Filing - General Filing – Cumberland County – on the Borrower, Levari Brothers Realty Co., LLC) on all business assets know owned and hereafter acquired (subordinate),
- d.) UCC-1 Filing - General Filing – State of New Jersey – on Guarantor, The Levari Group, LLC t/a First Choice Freezer & Storage (subordinate),
- e.) Cross Collateralization / Cross Default (with existing UEZ loans),
- f.) Subordination of any stockholder, officer, member, principal and/or affiliated debt.

3. GUARANTORS:

- a.) Guaranty of operating company, The Levari Group, LLC, t/a First Choice Freezer & Cold Storage,
- b.) Personal Guaranty of Michael A. Levari.

4. LIEN POSITION: UEZ will have a first on the subject collateral upon take out of construction lender. Consturction Lender will have a first mortgage during the construction.

5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS:

6. SIZE OF PARCEL: +-10.00 acres.

7. IMPROVEMENTS THEREON: The Property consists of an approximate ten acre parcel of land located at Mill and Oak Roads. A proposed one-story cold storage warehouse building ultimately containing +-200,000 Sq. ft. (including office space and loading docks will be constructed). Initial sq. ft. is estimated to be 50,000 sq. ft. in the 1st phase.

8. LOCATION OF PROPERTY: 1200 N. Mill Road, Vineland, Cumberland County, New Jersey, a/k/a Block 1003, Lot 16.

9. APPRAISAL INFORMATION: An appraisal will be required. The City of Vineland is the owner of the property and sells industrial land at \$35,000 per acre as established by the Vineland Industrial Commission. The City of Vineland currently has the property assessed at \$472,500 (land at \$472,500). A 90% Loan-to-value will be required.

10. FINANCIAL:

11. SUBSTANTIATION: LTV = 90%, DSCR = 1.19x

- Sale of City of Vineland Property provides benefit to the City of Vineland.
- Real estate tax ratable as property will now go on the tax rolls after sale.
- Future real estate ratable (for new building once P.I.L.O.T. period ends).
- Increase in employment (permanent upon completion of construction).
- Construction jobs during the construction period.
- Use of local contractors and vendors for certain construction jobs and materials.
- Investment into a business operation in Vineland demonstrates a long term commitment.
- Catalyst for additional construction at Vineland Industrial Park – South (Mill and Oak Roads).

12. RECOMMENDATION: