

RESOLUTION NO. 2017-_____

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO SUMMIT INVESTMENT PROPERTIES, LLC.

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 Summit Investment Properties, 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:

Summit Investment Properties, LLC \$655,500.00

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:** Summit Investment Properties, LLC
Loan Amount: \$655,500.00

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: August 22, 2017

Borrower Name and Address (s): Summit Investment Properties, L.L.C. c/o of Russell Swanson
629 Wood Street
Vineland, New Jersey 08360

Request: \$655,500 commercial term loan.

Interest Rate: 3.00%

Term of Loan: 10/25

1. BACKGROUND: Summit Investment Properties, L.L.C. was organized as a limited liability company (NJ) April 12, 2000 to engage in the ownership, development and management of real estate. Russell J. Swanson is the sole member of the LLC and has 100% ownership interest.

Mr. Swanson via Summit Investment Properties, LLC purchased several commercial properties located at 636 E. Landis Avenue, 618 – 626 E. Landis Avenue, 629 Wood Street, Vineland, NJ and improved the properties into restaurant, retail, and office uses. The properties are centrally located in downtown Vineland on E. Landis Avenue (Main Street District) and the office building (629 E. Wood Street) is just steps away from Vineland City Hall.

The restaurant property located at 636 E. Landis Avenue, former location of Bain's Deli, operated as Bain's Deli & Fuel House Cafe for several years including an entertainment venue prior to being leased out to other restaurant operators. Mr. Swanson formed Beats & Eats Management, LLC, to own and operate the deli & café business when it operated. Summit Investment Properties, LLC leased the facility to Beats & Eats Management, LLC. This property, as well as the other properties referenced above received several Vineland Urban Enterprise Zone ("UEZ") Loans ("UEZ Loans") to acquire and renovate the buildings.

As a result of the economic slowdown earlier in the decade, Mr. Swanson utilized personal funds and equity to maintain the properties and to try to stabilize same right up until the present time. As a result of the economic conditions and difficulties with leasing downtown Landis Avenue properties, Mr. Swanson requested interest only payment structures on the UEZ Loans. Having stabilized the retail and office properties, 636 E. Landis Avenue has continued to suffer and has created cash flow shortages which have impacted global cash flow for Mr. Swanson. As a result, Mr. Swanson approached the UEZ for consideration for relief. Upon review of all properties owned and financing structures currently in place on a global approach, the UEZ Loan Committee determined that the best opportunity and structure to ensure stability of ownership and continued operation as well as marketing of same, a proposal to restructure existing financing arrangements with a new UEZ Loan was presented.

Russell J. Swanson has a thorough background in the repair, maintenance and ownership of real estate from involvement in his personal investments and business enterprises. Mr. Swanson began his work career early in life while working at Swanson Hardware in various capacities. At the present time, Mr. Swanson continues to dedicated his time to his property investments. Also, Mr. Swanson is the Executive Director of the Vineland Downtown Improvement District.

1b. PROJECT: The project involves the funding of one loan to restructure several UEZ and third party loans. This will assist a downtown business owner with a restructure and improve and stabilize cash flow as to maintain operations. Total project funding is as \$655,500 inclusive of closing costs.

2. COLLATERAL:

- a.) First position mortgage lien on 629 E. Wood Street, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 6,
- b.) Assignment of rents and leases on property identified in a.),
- c.) First position mortgage lien on 618 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 5,
- d.) Assignment of rents and leases on property identified in c.),
- e.) Subordinate position mortgage lien (to existing UEZ Loan Liens) on 636 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 10,
- f.) Assignment of rents and leases on property identified in e.),
- g.) First position mortgage lien on 633 E. Wood Street, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 7,
- h.) Assignment of rents and leases on property identified in g.),
- i.) Hypothecation Agreement from Russell Swanson for the property located at 633 E. Wood Street,
- j.) Line of credit accounts must be closed and cannot be used going forward.

3. GUARANTORS:

- a.) Russell J. Swanson,
- b.) Beats & Eats Management, LLC.

4. LIEN POSITION: First.

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

6. SIZE OF PARCEL:

- 629 E. Wood Street, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 6, .491 acres
- 618 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 5, .376 acres
- 636 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 10, 18.52' x 150'
- 633 E. Wood Street, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 7, 37.50' x 150'

7. IMPROVEMENTS THEREON:

- 629 E. Wood Street, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 6, Property consists of a three story office building (multiple offices) comprised of a total of 15,540 sq. ft.
- 618 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 5, Property consists of a 15,284 sq. ft. retail store footprint, one story building.
- 636 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 10, Property consists of a one story restaurant facility/building comprising 2,158 sq. ft.
- 633 E. Wood Street, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 7, Property consists of a two story duplex-residential dwelling, upstairs unit and downstairs unit.

8. LOCATION OF PROPERTY:

- 629 E. Wood Street, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 6,
- 618 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 5,
- 636 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 10,
- 633 E. Wood Street, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 7.

9. APPRAISAL INFORMATION: Assessed Values were utilized to arrive at valuation and LTV:

- 629 E. Wood Street, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 6,
Land \$360,000 Improvements \$215,000 Total = \$575,000
- 618 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 5,
Land \$232,500 Improvements \$217,500 Total = \$450,000
- 636 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 10,
Land \$47,500 Improvements \$82,500 Total = \$130,000
- 633 E. Wood Street, Vineland, Cumberland County, NJ a/k/a Block 3020, Lot 7,
Land \$15,700 Improvements \$94,900 Total = \$110,600

| <u>Assessed Values</u> | <u>Loans</u> | |
|----------------------------|----------------|--------------------------------|
| \$ 575,000 | \$ 655,500 | Proposed Loan |
| 450,000 | <u>362,200</u> | Remaining / Existing UEZ Loans |
| 130,000 | \$1,017,000 | |
| <u>110,600</u> | | |
| \$1,265,000 | | |

LTV = 80.40%

10. FINANCIAL:

11. SUBSTANTIATION: LTV = 80.40%, DSCR = 1.00x.

- Assist Downtown Property Owner.
- Improve cash flow to maintain retail operation active and restaurant property marketable.

12. RECOMMENDATION: