

RESOLUTION NO. 2017- 464

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO CUMBERLAND COUNTY REALTY PARTNERS, LLC T/A KELLER WILLIAMS REAL ESTATE.

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated October 24, 2017, for use of Second Generation Enterprise Zone Assistance Funds for the following project: **Economic Development Loan to Cumberland County Realty Partners, LLC t/a Keller Williams Real Estate;** 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:

Cumberland County Realty Partners, LLC	\$57,000.00
t/a Keller Williams Real Estate	

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:** Cumberland County Realty Partners, LLC t/a Keller Williams
Real Estate
Loan Amount: \$57,000.00

DATE: October 24, 2017

Dear Council President Spinelli, Councilmen Acosta, Franceschini, 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: October 3, 2017

Borrower Name and Address (s): Cumberland County Realty Partners, LLC, t/a Keller Williams Real Estate
1103 S. Delsea Drive
Vineland, NJ 08360

Request: \$57,000 commercial term loan for leasehold improvements to 6,090 sq. ft. of office space.

Interest Rate: 5.00%

Term of Loan: 10 Years

1. BACKGROUND: Earlier this year, Thomas P. Duffy and Nehemias Borrero, Jr., the owners of 1103 Delsea, LLC, acquired the business/commercial property located at 1103 S. Delsea Drive, Vineland, NJ. Messrs. Duffy and Borrero goal is to lease a portion of the property (+-,6,090 sq. ft.) to Cumberland County Realty Partners, LLC t/a Keller Williams Real Estate (“CCRP”), a company owned by them and 4 other individuals. The intend to lease the remaining 4,400 sq. ft. to non affiliated enterprises.

CCRP is leasing a facility at 905 W. Main Street, Millville, NJ. CCRP or Keller Williams Realty - Cumberland County, was formed on November 9, 2016 when Mr. Duffy, Mr. Borrero and Marie Heer (Century 21 Key Real Estate) merged their respective realty offices. CCRP began operations in May 2017. Century 21 Key Real Estate had operated for 25 years prior to the merger under Mrs. Heer’s ownership. Mr. Borrero owns 27.5%, Mrs. Heer owns a 27.5%, and Mr. Duffy owns a 16% interest in CCRP. Other owners of CCRP are John Clidy with 14%, Vince Parenti with 10%, and Krista Heritage with 5%. CCRP-Keller Williams – Cumberland County, started off with approximately 50 agents and has grown it’s agent base to 125 today. The owners have utilized the Keller Williams business model to train, coach and mentor real estate agents. They believe they are now the largest real estate office, by agent count and sales volume, in Cumberland County. It is the intent of the owners to create a “one stop shop” real estate services office to include mortgage services and title services under one roof. The broker of record is Thomas P. Duffy, Jr. Mr. Duffy is currently the co-owner and broker of record for Keller Williams, Washington Township Office. Mr. Borrero is active full time to the operations of CCRP. This office has been running under a different company since 2008 (incubating under a different name until 125 agents were secured for CCRP to be formed).

1a. COMPETITION: The real estate industry is big business generating billions of dollars in revenue annually and there are ample opportunities for entrepreneurs to turn a profit. According to Franchise Help, a franchise and real estate industry think tank, in 2016, there were approximately 210,000 companies operating in the residential brokerage and management field, which generated \$200 billion in revenue; there were 35,000 companies operating in the commercial brokerage and management field, generating \$35 billion in revenue.

1b. BUSINESS CYCLE: Real estate is a cyclical industry, reacts to macroeconomic trends such as interest rates, population growth, and economic strength. Real estate soared in the post-World War II economic boom of the 1950s, sank in the inflation-riddled 1970s, rose again in the early 1980s until the depression at the end of that decade, and was prosperous again by the end of the century. Low interest rates in the mid-2000s allowed residential real estate to boom even when the economy was slow - until the mortgage crisis hit, and prices started collapsing in 2007 – 2008. The recession ended in 2009 and the housing market begin recovery in 2012. The beginning of the last decade saw an unprecedented spike in real estate prices, which ended with the bursting of the real estate bubble in 2006 and a financial crisis. Then came the crash, and prices fell precipitously, with the Case-Shiller Housing Index losing 33% from its 2006 peak to the 2012 trough. But nearly just as quickly, investors returned to real estate as they realized that getting in at the bottom could be a great source of profit. Since the beginning of the housing recovery in 2012, the Case-Shiller index has regularly shown the national real estate market getting more than 10% pricier on a year-over-year basis.

1c. PROJECT: The project involves final fit-out or leasehold improvements to +-6,090 sq. ft. which will house the Keller Williams – Cumberland County Real Estate office(s) and acquisition of computer and telephone equipment.

<u>Costs</u>		<u>Funding Sources</u>	
Leasehold Improvements	\$210,000	UEZ	\$ 57,000
Equipment	35,000	<u>Borrower</u>	<u>190,000</u>
<u>Closing / Misc.</u>	<u>2,000</u>	Total	\$ 247,000
Total	\$247,000		

2. COLLATERAL:

a.) UCC-1 Filing and Security Agreement (State of NJ filing),

3. GUARANTORS:

- a.) Nehemias Borrero, Jr.,
- b.) Marie Heer

4. LIEN POSITION: First position on UCC.

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

6. SIZE OF PARCEL: N/A.

7. IMPROVEMENTS THEREON: N/A.

8. LOCATION OF PROPERTY/COLLATERAL: Leasehold improvements are being made to property located at 1103 S. Delsea Drive, Vineland, NJ.

9. APPRAISAL INFORMATION: N/A.

10. FINANCIAL:

11. SUBSTANTIATION: LTV = N/A, DSCR = 1.20x

- Assist small business with improvements to facility.
- Business scheduled to open within a month.
- Improvements made to vacant facility.
- Utilized local contractors.
- Increased economic activity along S. Delsea Drive.
- Company is real estate services company and has hired significant number of new agents and staff over the past year.

12. RECOMMENDATION: