

RESOLUTION NO. 2018- 152

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO A.D. PETERSON ENTERPRISES, INC.

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated March 27, 2018, for use of Second Generation Enterprise Zone Assistance Funds for the following project: Economic Development Loan to A.D. Peterson Enterprises, Inc.; 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:

A.D. Peterson Enterprises, Inc.
Approving the assumption of the following loans:
Beats and Eats Management Loan #99-01-02, balance \$78,821.21 (UEZ)
Summit Investment Properties #1-04-02, balance \$160,485.13 (UEZ)
Summit Investment Properties #1-07-01, balance \$100,000.00 (Façade Loan Program)

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:** A. D. Peterson Enterprises, Inc.
Loan Amount: Approving the assumption of the following loans:

Beats and Eats Management Loan #99-01-02, balance \$78,821.21 (UEZ)
Summit Investment Properties #1-04-02, balance \$160,485.13 (UEZ)
Summit Investment Properties #1-07-01 balance \$100,000.00 (Façade Loan Program)

DATE: March 27, 2018


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 the assumption of loan(s) 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.

Respectfully submitted,


Sandra Forosisky
Director of Economic Development

SF/fd

cc: Frank DiGiorgio
file



**VINELAND UEZ LOAN COMMITTEE
LOAN PROPOSAL**

Date: March 12, 2018

Borrower Name and Address (s): A.D. Peterson Enterprises, Inc.
5 Purdue Avenue
Bridgeton, NJ 08302

Request: Assumption of mortgages associated with the property located at 636 E. Landis Avenue, Vineland, NJ (former Bains Deli), see Section 1b for details.

Interest Rate: See project section below. **Term of Loan:** See project section below.

1. BACKGROUND: Mr. Anthony Peterson, is the majority owner (99.30%) of A.D. Peterson Enterprises, Inc. (an S-Corp. formed in the State of NJ on May 5, 2006), a construction and property management company, specializing in all aspects of construction and property maintenance, plumbing, and HVAC, plus real estate holding company for over 20 years. A.D. Peterson Enterprises, Inc. (the "Company") is involved in the ownership of residential real estate properties as well as the purchase, repair and sale of real estate auction properties. The Company's business (contracting and real estate) are conducted via one sole company. Mr. Peterson, personally and through his company, has ownership interest in +- 115 residential properties.

Mr. Peterson is interested in embarking on a new venture. He is interested in owning and operating a small eatery/deli. As such, his search for this type of establishment has led him to Downtown Vineland. On March 5, 2018, the Company engaged Vineland Realty Corp. to submit an offer to purchase the property and equipment, furniture and fixtures located at 636 E. Landis Avenue, Vineland, NJ, a former restaurant/café, for an amount of \$299,900 with the following breakdown: building (real estate) \$219,900, equipment and improvements of \$80,000. This offer requires that an outstanding Façade Improvement Loan (forgivable for the current owner) will be approved to be assumable by the Company. The balance on this forgivable loan is currently \$100,000. The agreement also requires that the amortizing loans be assumed as well by the Borrower at the interest rate of 2.50%. Furthermore, the agreement suggests that the Company/buyer will be giving the owner a \$61,611.35 second mortgage as part of the purchase. This will allow for the Seller/Current Owner to pay a realtor commission and recover some expenses. If approved, Mr. Peterson plans on hiring a manager and staff to operate the eatery.

Summit Investment Properties, LLC is the current owner of 636 E. Landis Avenue, Vineland, NJ (a commercial retail/restaurant building in downtown Landis Avenue - Main Street). Mr. Russell Swanson via Summit Investment Properties, LLC, primarily a real estate holding company, purchased the commercial property located at 636 E. Landis Avenue, Vineland, NJ approximately in 2006 and transformed the property into a Bain's Deli Café with the assistance of a Vineland Downtown Façade Improvements commercial term loan – permanent financing in the amount of \$200,000 – which is a forgivable loan under the Façade Improvement Program – with a \$100,000 balance remaining. A second loan for \$100,000.00 commercial term loan – permanent financing – for a deli and café operating company – equipment loan to Beats & Eats Management, LLC., balance approximately \$78,500, and a third loan, a \$184,000 commercial term loan – permanent financing – for improvements to the interior property with a remaining balance of approximately \$160,000. The two amortizing loans have a fixed interest rate of 2.50%. A.D. Peterson Enterprises, Inc. will assume these loans in an effort to open his restaurant business at this location.

1a. COMPETITION: Competition, overall for restaurants is high. In addition to franchised restaurant operators in Vineland, this location has several establishments nearby including Landis Pig Roast, Kura, Michele's, several Chinese Restaurants and Spanish style restaurants in close proximity to the proposed venture.

1b. PROJECT:

The project cost breakdown is as follows:

<u>Costs</u>		<u>Funding Sources</u>	
Acquisition of real estate	\$219,900.00	UEZ (1)	\$ 78,300.00 (assumption of amortizing loan)
Assumption of equipment	80,000.00	UEZ (2)	160,000.00 (assumption of amortizing loan)
<u>Assumption of Façade Loan</u>	<u>100,000.00</u>	UEZ	100,000.00 (assumption of forgivable loan)
		<u>Borrower (3)</u>	<u>61,600.00</u> (accomplished via second mtg. to seller)
Total	\$399,900.00	Total	\$399,900.00

- (1) Monthly payment of \$424.53 based on existing remaining amortization schedule (+-19.5 years remaining).
- (2) Monthly payment of \$864.37 based on existing remaining amortization schedule (+-19.5 years remaining).
- (3) Contribution toward purchase to be made by Purchaser/Borrower which will primarily go to the Seller whom will receive form of reimbursement for expenses which will be or have been incurred such as realtor commission associated with sale, sellers closing costs and other expenses as a second mortgage filing.

2. COLLATERAL:

- a.) First position mortgage lien on the real estate located at 636 E. Landis Avenue, Vineland, Cumberland County, New Jersey a/k/a Block 3020, Lot 10 in the amount of \$160,000.00; Second mortgage in the amount of \$78,500.00, and Third mortgage in the amount of \$100,000.00.
- b.) First position mortgage lien on the real estate owned by A.D. Peterson Enterprises, Inc. in the amount necessary to obtain a 90% LTV. The properties will be determined at later date.
- c.) Assignment of rents and leases for a.) and b.),
- d.) UCC-1 and Security Agreement (primary position) on machinery and equipment, and Furniture and Fixtures, on real estate holding company and or operating company if applicable (Mr. Peterson states that he is planning on running everything through existing company).
- e.) Assignment of Life Insurance on Mr. Anthony D. Peterson in the minimum amount of \$150,000.
- f.) Cross Collateralization / Cross Default provision for each loan.
- g.) Subordination Agreement from Mr. Peterson.
- h.) Subordination Agreement or Inter-creditor agreement from Seller regarding 2nd mortgage loan.

3. GUARANTORS:

- a.) Anthony D. Peterson

4. LIEN POSITION: First.

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

6. SIZE OF PARCEL: 18.52' x 150'

7. IMPROVEMENTS THEREON: A commercial building encompassing a total of +-2,000 sq. ft. to be utilized as a deli and café operation.

8. LOCATION OF PROPERTY: 636 E. Landis Avenue, Vineland, Cumberland County, New Jersey a/k/a Block 3020, Lot 10.

9. APPRAISAL INFORMATION:

The City of Vineland currently has the property assessed at \$130,000 (building at \$82,500, and land at \$47,500). Total value of all real estate to be pledged must demonstrate a minimum LTV of 90%.

10. FINANCIAL:

11. SUBSTANTIATION: LTV = 90%*, DSCR = 1.29x (based on 2016 cash flow – see above section)

*subject to Mr. Peterson pledging additional collateral to arrive at 90% LTV.

- Vacant facility to be utilized as a café/restaurant.
- Creation of 3 jobs.

12. RECOMMENDATION: