

RESOLUTION NO. 2018-153

A RESOLUTION AMENDING RESOLUTION 2017-389, A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS TO LEVARI BROTHERS REALTY CO., LLC.

WHEREAS, on September 12, 2017, the City Council of the City of Vineland adopted Resolution No. 2017-389, entitled "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); and

WHEREAS, due to the increased cost of site work and building materials associated with the development of the project the loan amount is being amended; and

WHEREAS, it becomes necessary to amend Resolution No. 2017-389 to change the loan amount from \$6,650,000.00 to \$7,500,000.00; now, therefore,

BE IT RESOLVED that Resolution No. 2017-389 be and the same is hereby amended to change the loan amount from \$6,650,000.00 to \$7,500,000.00.

Adopted:

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President of Council


ATTEST:

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City Clerk

**Office of Economic Development  
City of Vineland, New Jersey**

**Memorandum**

**To:** Robert Dickenson, Assistant Business Administrator  
**From:** F. DiGiorgio   
**CC:** S. Forosisky  
**Date:** March 28, 2018  
**Re:** **Resolution # 2017 - 389**

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Attached is Resolution 2017-389. Please amend this Resolution according to the attached Loan Proposal increasing the UEZ Loan to Levari Brothers Realty Co., LLC from \$6,650,000 to \$7,500,000.

Thank you for your attention to this matter.

*Due to increased cost of site work + bldg materials cause with the development of project.*



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  
**Loan Amount:** \$7,500,000.00 (replaces approval for \$6,650,000 under Resolution #2017-389)

DATE: March 27, 2018

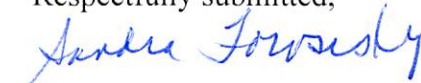
Dear Council President Spinelli, Councilmen Acosta, Franceschini, Vargas, and Councilwomen Calakos:

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 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:** March 1, 2018

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

**Original 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 was +-\$7,850,000 including racks, soft and closing costs. The breakdown of costs is identified in the project cost section.

**Amendment:** Increase of \$850,000 to \$7,500,000 commercial term loan – permanent, to finance cold storage warehouse building. Initial square footage will be +-50,000 with expansions to a total of +-200,000 sq. The project cost is +-\$8,850,000 including land, building racks, soft and closing costs. The breakdown of costs is detailed in the project cost section.

**Interest Rate:** 4.00%

**Term of Loan:** 20 Years

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**BACKGROUND:** Levari Brothers Realty Co., LLC (“LBR”), is a real estate holding company that 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 recently completed 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 has recently been completed to the existing 210,000+- sq. ft. cold storage facility owned by Levari at Almond and Mill Roads. Upon completion of this addition, a total of +-271,000 sq. ft. will exist at this location. The building was constructed primarily to fulfill contract and cold storage demand for existing clients of First Choice and to accommodate growth in the business. The additional space has been contracted and is now full with this facility at capacity.

First Choice was approached by new customers for cold storage space and services due to its excellent reputation which it has established. These unnamed customers are experiencing growth and require cold storage, blast freezing and logistical services, all of which First Choice can provide. However, this requires Levari/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 will be purchased 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 identifies the new funding (and approved UEZ funding for the land purchase) for the project on the next page.

**1a. PROJECT (CONTINUED):**

<u>Sources (Permanent)</u>		<u>Uses</u>	
Vineland UEZ (Land)	\$ 315,000	Acquisition of Land	\$ 350,000
Vineland UEZ (Building)	7,500,000	Building	7,500,000
Borrower (Land)	35,000	Racks	850,000
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	\$8,849,825
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 construction financing, and 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 now 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. Construction Lender will have a first mortgage during the construction.

**5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS:** Please see file.

**6. SIZE OF PARCEL:** +/-10.00 acres.

**7. IMPROVEMENTS THEREON:** The Property consists of an approximate 10 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. to be constructed is estimated to be +/-50,000 sq. ft. in the 1<sup>st</sup> 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 = 1.34x

- Sale of City of Vineland Property provides benefit to the City of Vineland – generates revenue.
- 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:**