

RESOLUTION NO. 2018- 227

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO LOUIS QUILES COMPANY TO BE FORMED (REAL ESTATE).

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated May 22, 2018, for use of Second Generation Enterprise Zone Assistance Funds for the following project: Economic Development Loan to Louis Quiles or company to be formed (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:

Louis Quiles or company to be formed (Real Estate) \$191,000.00

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:** Louis Quiles or company to be formed
Loan Amount: up to \$191,000.00

DATE: May 22, 2018

Dear Council President Spinelli, Councilmen Acosta, Franceschini, Vargas, and Councilwoman 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: 05/01/2018

Borrower Name and Address (s): Louis Quiles or company to be formed
266 Foster Avenue, Apt. A
Vineland, NJ 08360

Request #1: \$191,000 commercial real estate loan for the acquisition of a downtown Landis Avenue, Main Street Area property located at 643 E. Landis Avenue, Vineland, NJ (Finer Flowers location). Includes \$20,000 for improvements to real estate and \$171,000 toward acquisition.

Request #2: \$27,000 commercial term loan for the acquisition of business assets located at 643 E. Landis Avenue, Vineland, NJ (Finer Flowers business assets and equipment).

Interest Rate #1: 5.00%

Term of Loan #1: 20 Years.

Interest Rate #2: 5.00%

Term of Loan #2: 10 Years.

1. BACKGROUND: Mr. Louis Quiles is a retired City of Vineland police officer (25 years – retired in 2011 and was Director of PAL – Police Athletic League for five years) and the owner of L&M Tax Service, a tax preparation service (a sole proprietorship). Mr. Quiles has been a tax preparer and real estate investor for approximately seventeen (17) years. The business has grown over the years requiring him to move from a small-leased office location into a larger-leased location at 651 E. Landis Ave. He began operations with four part time employees and in 2018 employed two full time and four part time. Recently, Mr. Quiles has entered into agreements to purchase the real estate and floral shop business/assets known as Finer Flowers located at 643 E. Landis Avenue, Vineland, NJ. Mr. Quiles intends to operate the floral business with a relative and move his tax preparation service from a leased location to the subject location. The current owner and seller of the floral business intends to remain as an employee.

1a. COMPETITION: Competition is blooming in the floral industry. The reality is that the floral industry has and continues to experience disruption. Full service floral business operators have had to embrace technology and adjust to various forms of competition. For example, websites or mobile apps offering same or next day floral options and delivery as well as supermarket compete fiercely with full service operators. Check out the floral cooler box at your supermarket or club store (usually self-serve). Reality is that the market evolves to fill the needs of consumers in many forms. Consumers respond to whichever business options are presented to them, good or bad.

1b. INDUSTRY / INDUSTRY OUTLOOK: Today because of mobile apps, websites, Amazon etc., full service operators must expand offerings and differentiate their service. Full service operators maintain a physical presence as well as having employees while supermarket seldom have an employee present at the floral section of the store. This creates costs and added price pressure for full service while most websites and apps are just storefronts with no salespeople which equals less overhead...they only need to have a back end or fulfillment aspect of the business operation. Also, full service provide delivery which increases cost (even though it can be passed on). Today, you can order wedding flowers from Sam's Club, Costco etc...In addition, there are a number of websites selling DIY wedding kits and pre-assembled wedding kits with thousands of brides ordering their flowers without any hand holding. Existing full service floral business owners need to reinvent and focus on the consumer experience. One only has to look at Starbucks. If someone would have told me Americans would pay \$4 - \$5 for a cup of coffee 20 years ago, when I was paying 99 cents at Wawa, I would say that would be crazy. Today we have Starbucks not to mention the billions of dollars consumers spend on gourmet coffee in mass market segment. What happened to good ole Maxwell House or Folgers? Starbucks gave the marketplace a

1b. INDUSTRY / INDUSTRY OUTLOOK:

better product and made it easy with convenient locations, and don't forget, the exceptional buying experience that many consumers find more preferable to other options. As a result, coffee consumption increased, creating more opportunity for every operator, especially those that reinvented and brand etc.

1c. PROJECT: The project involves the acquisition of real estate, improvements to real estate and acquisition of business assets. The breakdown of the sources and uses of funds is below.

| <u>Uses</u> | | <u>Sources</u> | |
|---------------------------------|--------------|--------------------|---------------|
| Acquisition of real estate | \$190,000 | Borrower | \$ 22,000 |
| Improvements to real estate | 20,000 | UEZ – Real Estate | 191,000* |
| Acquisition of business assets: | | <u>UEZ – Other</u> | <u>27,000</u> |
| Inventory | 22,000 | Total | \$240,000 |
| Equipment | <u>8,000</u> | | |
| Total | \$240,000 | | |

***The real estate loan will be a three (3) month interest only with one (1), three (3) month extension. At settlement, only \$198,000 (\$171,000 + \$27,000) of total UEZ funds will be advanced toward acquisition of building and equipment. The remaining \$20,000 will be utilized for improvements and will be disbursed upon receipt of documentation of improvements and costs.**

2. COLLATERAL:

- a.) First mortgage lien position on the real estate located at 643 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 4002, Lot 15, (for real estate loan \$191,000),
- b.) Assignment of rents and leases,
- c.) UCC-1 filing and Security Agreement (Cumberland County and State filing) on entities to be created, if applicable.
- d.) Second mortgage line position on the real estate located at 643 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 4002, Lot 15, (for business acquisition loan \$27,000).
- e.) Assignment of Life Insurance on Mr. Louis Quiles in the amount of \$100,000.

3. GUARANTORS:

- a.) Personal Guaranty of Louis Quiles,
- b.) Guaranty of any companies or LLC's formed if applicable.

4. LIEN POSITION: First.

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

6. SIZE OF PARCEL: 47.10' x 150'

7. IMPROVEMENTS THEREON: The property is improved with a two-story commercial retail building with a total of 7,828 sq. ft. – 3,161, retail sq. ft., 3,035 storage, and 1,632 sq. ft. additional storage on 2nd floor.

8. LOCATION OF PROPERTY: 643 E. Landis Avenue, Vineland, Cumberland County, NJ a/k/a Block 4002, Lot 15.

9. APPRAISAL INFORMATION: The City of Vineland has the property assessed as follows:

| | |
|---------------------------|----------------|
| Land | \$117,500 |
| Building and Improvements | <u>142,500</u> |
| Total | \$260,000 |

Based on the assessed value, a total LTV of 84% is evident. The current owner has supplied an appraisal which substantiates a value of \$260,000 as of October 2012. The Borrower has requested consideration for waiver of a new appraisal. Based on square footage and assessed value (sq. ft. / by assessed value) a value of +-\$33.25 per sq. ft. is demonstrated.

10. FINANCIAL:

11. SUBSTANTIATION: LTV = 84%, DSCR = 1.16x

- Assist a small business owner with purchase of a business and location for an existing business.
- Business continue to remain on Landis Avenue.

12. RECOMMENDATION: