

RESOLUTION NO. 2019- 224

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO EAST COAST DEVELOPMENT, LLC (OR ITS ASSIGNS).

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated April 30, 2019, for use of Second Generation Enterprise Zone Assistance Funds for the following project: Economic Development Loan to East Coast Development, LLC (or is assigns).; 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:

East Coast Development, LLC (or its assigns) \$390,000.00

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



ECONOMIC DEVELOPMENT
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MEMORANDUM

TO: City Council President and Members

FROM: City of Vineland Revolving Loan Fund
Second Generation Loan Committee

SUBJECT: **Applicant:** East Coast Development, LLC
Loan Amount: \$390,000.00

DATE: April 30, 2019

Dear Council President Spinelli, Councilmen Acosta, Franceschini, Vargas, and Councilwoman Arthur:

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 Forsosky
Director of Economic Development

SF/fd

cc: Frank DiGiorgio
file



Special arrangements for persons with disabilities may be made if requested in advance by contacting the Business Administrator's office at 856-794-4144.



**VINELAND UEZ LOAN COMMITTEE
LOAN PROPOSAL**

Date: April 5, 2019

Borrower Name and Address (s): East Coast Development, LLC
2800 Industrial Way
Vineland, NJ 08360

Request: \$390,000 commercial real estate loan for the acquisition of real estate located at 3003 N. Mill Road, Vineland, NJ (property in the Vineland Industrial Park – North).

Interest Rate: 5.50%

Term of Loan: 20 Years.

1. BACKGROUND: Mr. Vincent J. Borrelli is the owner of Borrelli Steel Fabricators, LLC (“Borrelli Steel”) and Borrelli Construction, LLC (“Borrelli Construction”). The steel fabrication company was formed on March 7, 2007 and the construction company was formed on February 26, 2002 under the laws of the State of New Jersey. Borrelli Construction is a steel construction business providing a wide range of services, including design and build, structural steel fabrication, steel joist & joist girders, metal floor & roof decking, steel erection, miscellaneous iron work, industrial metal siding and pre-engineered metal buildings. Borrelli Steel is an authorized dealer of CECO Building Systems providing customized metal buildings. Mr. Borrelli and his wife formed East Coast Development, L.L.C. (“East Coast”), a real estate holding company, to own the real estate (located at 2800 Industrial Way, Vineland, NJ) on March 1, 2001 in the State of New Jersey. At this point in time, Mr. Borrelli is the sole owner of East Coast Development, LLC (operating agreement on file which reflects him becoming 100% owner via assignment of wife’s interest). Currently, East Coast owns and leases the real estate located at 2800 Industrial Way, Vineland, New Jersey and two residential rental properties (Wildwood and Winslow Twp., New Jersey). East Coast purchased the land located at 2800 Industrial Way (Vineland Industrial Park – South) from the City of Vineland in 2001. Mr. Borrelli through his real estate holding company, subsequently developed and built a headquarters for his operating businesses mentioned earlier herein at the location as well as a second building which leases space to third parties. He relocated his business from Berlin, New Jersey to Vineland in 2002.

Mr. Borrelli is under contract to purchase 3003 N. Mill Road, Vineland, NJ, from SL1082-LS, LLC. SL-1082LS, LLC and Morrow Associated Enterprises, Inc. are owned by Darrell and Marilyn Morrow. Both companies are currently borrowers/customers of the Vineland UEZ Loan Program. In addition to these entities, the Morrow’s own or had owned other entities known as Packaging Systems & Enterprises, Inc. and Leak Detection Systems, Inc. (operating at 3003 N. Mill Road). The entity known as SL-1082LS, LLC is a real estate holding company formed to own the real estate located at 3003 N. Mill Road, Vineland, NJ, the subject of this proposed acquisition. SL1082-LS, LLC and Morrow Associated Enterprises, Inc. The Morrrows are scaling back operations and have recently sold one of their operating businesses, Leak Detection Systems. The sale of the subject property will assist them in paying off their obligations to the UEZ and will further allow East Coast Development, LLC to renovate and expand the subject site to include an additional building of +/- 10,000 sq. ft. in the future.

1a. PROJECT: The project involves the acquisition of land and improvements located at 3003 N. Mill Road, Vineland, NJ.

<u>Cost:</u>		<u>Funding:</u>	
Acquisition	\$440,000	UEZ	\$390,000
Closing Cost	10,000	Borrower	60,000
Total Cost	\$450,000	Total Funding	\$450,000

It is important to note, that the UEZ will essentially be replacing a loan with a loan regarding this transaction. As previously stated, the UEZ has two loans totaling approximately \$400,000+- with SL1082-LS, LLC and Morrow Associated Enterprises, LLC, the latter which is currently in default and legal proceedings. As a result of this financing transaction, the UEZ will replace both existing loans to a the new Borrower and essentially lending to a stronger party whom will improve the real estate and facility.

2. COLLATERAL:

- a.) 1st position mortgage lien on the property located at 3003 N. Mill Road, Vineland, Cumberland County, New Jersey a/k/a Block 603, Lot 16,
- b.) Assignment of Rents and Leases,
- c.) UCC-1 Filing and Security Agreement (Cumberland County Filing),

3. GUARANTORS:

- a.) Personal Guaranty of Vincent J. Borrelli,
- b.) LLC Guaranty of Borrelli Construction, LLC,
- c.) LLC Guaranty of Borrelli Steel Fabricators, LLC.

4. LIEN POSITION: The Vineland UEZ will have a priority lien (first position mortgage) on real estate.

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

6. SIZE OF PARCEL: 4.85 acres.

7. IMPROVEMENTS THEREON: The property is improved as follows: 3 detached and separated buildings of which 2 one-story buildings are similar and comprised of 3,200 sq. ft. (1,068 sq. ft. of office space and 2,140 sq. ft. of storage space); and 1 two-story building comprised of 2,530 sq. ft. of office space and 3,510 sq. ft. of warehouse/storage space.

8. LOCATION OF PROPERTY: 3003 N. Mill Road, Vineland, Cumberland County, New Jersey a/k/a Block 603, Lot 16 (Vineland Industrial Park – North).

9. APPRAISAL INFORMATION: Borrower has requested utilizing the City of Vineland's tax assessment for LTV purposes so that an appraisal not be ordered. For loan-to-value calculation purposes, an appraisal on the real estate will not be ordered. The City of Vineland has the property's assessed valuation of the subject real estate (3003 N. Mill Road, Vineland, NJ) of \$417,300 (land at \$83,500 and improvements at \$333,800). Based on this value and the contribution from the borrowers, LTV of 50% is calculated. This would translate into an LTV of 93% based assessed value and 90% based on purchase price.

10. FINANCIAL:

11. SUBSTANTIATION:

DSCR = 1.27x, LTV = 93%*

- Increased real estate tax ratable upon completion of improvements.
- Provides for closure to a UEZ loan delinquency matter.
- Job creation – construction and long term as lease up takes place.
- Replace a sub Borrower with an better Borrower with good history & capacity

*Based on assessed value. Would be 90% based on purchase price. Further note, improvements will increase market value.

12. RECOMMENDATION: