

RESOLUTION NO. 2019- 226

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO 1103 REALTY CO, 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 1103 Realty Co, 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:

1103 Realty Co, LLC (or its assigns)	\$320,000.00
(via a loan participation purchase)	

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:** 1103 Realty Co, LLC
Loan Amount: \$320,000.00 via a loan participation purchase

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: March 8, 2019

Borrower Name and Address (s): 1103 Realty Co., LLC
2525 Franklin Drive
Vineland, New Jersey 08361

Request: \$320,000 loan participation purchase - for the funding of a 10,000 sq. ft. medical office building shell to lease for medical offices.

Interest Rate: 6.25% (Gross), Fixed, 6.00% (Net), Fixed (.25% servicing fee). **Term of Loan:** 5/20

1. BACKGROUND: Sebahattin "Sam" Aydin is a local real estate developer and former successful restaurateur. Over the past 47 years, Mr. Aydin has owned and/or operated pizzerias, night club and restaurants in the Vineland, NJ and New York, NY areas. In 2017, he sold the Elmer Diner in Elmer, NJ. Previously, Mr. Aydin owned and operated local restaurant establishments known as the Big Apple Diner in Vineland and Buena, New Jersey, the Elmer Diner in Elmer, New Jersey, and Big Apple II (the current location of Tony Soprano's Pizza) located at 107 W. Landis Avenue, Vineland, New Jersey (corner of Landis and West Avenue) in Vineland, NJ.

Mr. Aydin was the former owner/operator of the Big Apple Restaurant in Vineland which was located at the former Vineland Circle on S. Delsea Drive (current site of an Rite Aid Drug Store). Mr. Aydin sold the real estate at this location to Eckerd Drug Store (now Rite Aid) which developed a pharmacy/retail store at the site. This sales transaction was the impetus for Mr. Aydin to enter into commercial real estate development. Mr. Aydin has and is currently involved in developing real estate along the W. Sherman Avenue medical corridor. He owns several professional office condominiums on W. Sherman Avenue which are leased to medical and professional organizations.

Mr. Aydin is desirous of finalizing the first phase of the 1103 W. Sherman Avenue project which is the construction of a third building/shell of 10,000 sq. ft. (for lease or sale of the units (unit sq. ft. to be determined and subject to prospective occupants). He is currently marketing the site and has three (3) prospective / interested medical offices/doctors which would locate to the site (diabetes practice, woman's health practice, and vascular practice).

1a. PROJECT: The request involves the UEZ Loan Program purchasing a participation interest – subordinate interest or second position interest - in the permanent loan provided by New Jersey Community Capital, for the development of a 10,000 sq. ft. medical office building/shell to be located at 1103 W. Sherman Avenue, Vineland, New Jersey, which will be leased as medical office space. In 2007, Mr. Aydin purchased the subject property for \$800,000. The project site consists of 10 acres of land adjacent to 1051 Sherman Avenue and in close proximity to Inspira Medical Hospital. During Phase I, Mr. Aydin installed all necessary public infrastructure and constructed two (2) 10,000 s.f. buildings and subsequently sold them to private professional and medical firms via a condominium structure. The project cost is \$800,000. New Jersey Community Capital will provide an \$800,000 construction line of credit which will convert to a permanent loan with the Vineland UEZ taking a 40% subordinate-participation interest. The breakdown of the project and funding sources are listed below. The Borrower owns the land outright, paying cash.

<u>Costs</u>		<u>Funding - Permanent</u>	
Construction of 10,000 sq. ft. medical office building shell	\$800,000	NJCC	\$480,000
Soft Costs	<u>77,000</u>	UEZ	320,000
	Total \$877,000	Borrower	<u>77,000</u>
			\$877,000

2. COLLATERAL: The UEZ will purchase a participation which will be serviced by NJCC. Below is the collateral package which the UEZ will have an interest in to support its participation interest. UEZ will be in subordinate position.

- a.) A first mortgage lien position on the real property identified as professional office condominium unit located at 1103 W. Sherman Avenue, Vineland (although shared position, UEZ will be subordinate), Cumberland County, New Jersey a/k/a Block 7001, Lot 703, Qualifier C3A (Building 3).
- b.) Shared collateral and shared assignments in accordance with participation agreement (although shared position, UEZ will be subordinate).
- c.) A first mortgage lien position on 5.5 acres of vacant land located at 4494 Harding Highway in Franklinville, New Jersey. Mr. Aydin purchased this property in 2014 for \$700,000. The property is approved for a 48,000 s.f. commercial retail center. Release of this mortgage will be reviewed upon stabilization of the subject project property subject to the net cash flow of the project property demonstrating a DSCR of not less than 1.25x and at the NJCC's sole discretion (although shared position, UEZ will be subordinate).
- d.) Receipt and satisfactory review of condominium master deed and amendments to master deed.
- e.) UCC-1 filing and Security Agreement (county and state filing) on borrower - all business assets now owned and hereafter acquired of borrower.
- f.) Receipt and satisfactory review of participation agreement.
- g.) Receipt and satisfactory review of Phase 1 Environmental. Borrower engaged Acer Associates.
- h.) Any developer fee and borrower equity will be fully subordinated to the credit facility.

3. GUARANTORS:

- a.) Sebahattin Aydin
- b.) LLC Guaranty of 1051 Realty Co., LLC
- c.) LLC Guaranty of Aydin Properties, LLC (owns the real estate/units of 1051 Realty Co. located at 1051 W. Sherman Avenue, Vineland, NJ)

4. LIEN POSITION: 2nd.

5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS: New Jersey Community Capital ("NJCC") will provide a construction loan of \$800,000 to fund the construction and the UEZ will buy a participation of \$320,000 reducing NJCC's loan to \$480,000.

6. SIZE OF PARCEL: Entire professional/medical offices condo complex sits on +9.85 acres – the subject building, Building #3, will comprise 10,000 sq. ft. and will be split into 3 rental units. Building #3 equates to 33% of the common area elements of the 1103 W. Sherman Avenue Professional Campus, A Condominium.

7. IMPROVEMENTS THEREON:

8. LOCATION OF PROPERTY: 1103 W. Sherman Avenue, Vineland, Cumberland County, New Jersey a/k/a Block 7001, Lot 703, Qualifier C3A (Building 3).

9. APPRAISAL INFORMATION: An appraisal will be ordered demonstrating a minimum value necessary for the UEZ participation to have an LTV of 80%.

Not to exceed 80% of the as-completed appraised value of the subject property.
NJCC has engaged Pyramid Appraisals to conduct a commercial appraisal of the project property. The Vineland UEZ loan participation will be subordinate to NJCC's portion of the proposed loan. As such the Discounted LTV on NJCC's portion of the proposed loan will be less than 80%.

10. FINANCIAL:

11. SUBSTANTIATION: LTV = 80%, DSCR = 1.48x

- Creation of real estate tax ratable.
- Job creation – construction jobs short term; long term creation of medical and professional jobs.

12. RECOMMENDATION: