

RESOLUTION NO. 2019- 253

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

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated May 28, 2019, for use of Second Generation Enterprise Zone Assistance Funds for the following project: Economic Development Loan to BME Properties, 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:

BME Properties, LLC (or its assigns)	\$180,000.00
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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
www.vinelandcity.org

640 E. Wood Street
PO Box 1508
Vineland, NJ 08362-1508
Phone: (856) 794-4100
Fax: (856) 405-0467

MEMORANDUM



TO: City Council President and Members

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

SUBJECT: **Applicant:** BME Properties, LLC
Loan Amount: \$180,000.00

DATE: May 28, 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 Forosisky
Director of Economic Development

SF/fd

cc: Frank DiGiorgio
file



**VINELAND UEZ LOAN COMMITTEE
LOAN PROPOSAL**

Date: May 1, 2019

Borrower Name and Address (s): BME Properties, LLC
5540 Hunter Court
Millville, NJ 08332

Request: \$180,000 commercial real estate loan, permanent, for the financing of a commercial building in Vineland.

Interest Rate: 5.95%

Term of Loan: 5/20 Years.

1. BACKGROUND: Robert Morgan (“Bob” or “Bob Morgan”) owns and operates Bob Morgan Entertainment, LLC (d/b/a BME Event Group, “BME” and /or “operating company”), which consists of DJ services, photography, cinematography, lighting, photo booths and special effects. BME specializes in events such as Weddings, Teen Parties, Corporate Functions, and Life Celebrations. BME has been in business for 14 years, has 5,000+ satisfied customers, and has been the DJ at over 2,500 weddings. According to Bob Morgan, the secret to his business success comes from their very detailed preparation, amazing talent and flawless execution of the events. Bob Morgan is married to Ruth Morgan. Ruth Morgan assists in the business, however, she is full time Dental Assistant for Cumberland Periodontal Associates. Robert and Ruth Morgan, recently formed the borrower, BME Properties, LLC, a real estate holding company. BME has leased a business location at 1480 S. Delsea Drive, Vineland, NJ for many years. After many years of leasing, Robert and Ruth Morgan, through BME Properties, LLC, purchased the property located at 1554 S. Delsea Drive, Vineland, NJ in February 2019 for \$330,000 from Mr. Albert Colini (after a down payment, Mr. Colini held a seller financed mortgage as part of the transaction). The subject property was the former Neptune Restaurant. The Morgans are desirous of renovating the former restaurant property/facility to house BME and to lease some space to complimentary businesses. Franklin Bank has approved a construction/permanent loan to refinance the acquisition and renovations of the property. The UEZ will participate with the permanent financing.

1a. PROJECT: The total project cost is \$750,000 (including the purchase of the property (\$330,000) (of which \$40,000 was down payment from borrower), improvements funded with personal funds (\$70,000), and also the cost of additional proposed improvements to the property (\$350,000)). Franklin Bank will fund a construction loan of \$540,000 or 72% of the project. Franklin Bank will originate a 6 month construction loan in the amount of \$540,000, at an interest rate of WSP+.50% floating (currently 6.00%), with monthly principal and interest based on the outstanding principal balance. The initial draw on the construction portion of this loan will be in the amount of \$190,000 to pay down the private mortgage holder, Mr. Collini. Mr. Collini is presently holding a \$290,000 private mortgage for the Morgans. Subsequent to required subordination(s), this will reduce this private mortgage to \$100,000 with the terms as follows: 5 year term, 5.95% fixed interest rate, monthly principal and interest payments based on a 15 year amortization schedule. The estimated monthly payments for this private mortgage will be approximately \$845.62. Mr. Collini will be in 3rd lien position, behind Franklin Bank’s 1st lien and the Vineland UEZs 2nd lien position upon completion of the project. There will be five (5) construction draws from Franklin Bank, each \$70,000, based on a pre-determined draw schedule. Upon completion of the construction and issuance of the CO, Vineland UEZ will take out \$180,000 of the bank’s total construction loan of \$540,000, leaving Franklin Bank will a permanent loan balance of \$360,000. The UEZ loan will have a term of 20 years; an interest rate of 5.75% fixed, and will consist of monthly principal and interest payments of approximately \$1,271.97. Franklin Bank will receive and review the loan agreement with the Morgans and UEZ to ensure UEZ’s take out prior to Franklin’s loan’s conversion to permanent. The UEZ will be in 2nd lien position, behind Franklin’s 1st lien in the revised amount of \$360,000.

1a. PROJECT (CONTINUED):

<u>Project Costs</u>	<u>\$</u>	<u>Project Funding</u>	<u>\$</u>	<u>%</u>
Acquisition	\$ 330,000	Borrower	\$ 110,000	(14.66%)
Renovation	420,000	Franklin Bank	360,000	(48.00%)
Total	\$ 750,000	UEZ	180,000	(24.00%)
		<u>Seller Financing</u>	<u>100,000</u>	<u>(13.34%)</u>
		Total	\$ 750,000	(100.00%)

Renovations will take existing space and convert building into three (3) finished sections with a +2,000 s/f dance studio, a +4,000 s/f office and work space and approximately 2,500 s/f used for commercial photography and advertising studio space for Bob Morgan Entertainment.

2. COLLATERAL:

- a.) Second position mortgage lien on the real estate located at 1554 S. Delsea Drive, Vineland, Cumberland County, NJ a/k/a Block 5603, Lot 3,
- b.) Assignment of Rents and Leases,
- c.) UCC-1 Filing and Security Agreement an all business assets of BME Properties, LLC (State and County),
- d.) UCC-1 Filing and Security Agreement an all business assets of Bob Morgan Entertainment, LLC (State and County),
- e.) Evidence that no environmental conditions exist at the property,
- e.) Subordination from Albert Collini.

3. GUARANTORS:

- a.) Robert Morgan,
- b.) Ruth Morgan,
- c.) Bob Morgan Entertainment, LLC, d/b/a BME Event Group, a single member LLC.

4. LIEN POSITION: Second.

5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS: Franklin Savings Bank, \$360,000, permanent.
Please note that a \$540,000 construction mortgage will be filed initially.

6. SIZE OF PARCEL: 2.66 acres.

7. IMPROVEMENTS THEREON: A one story, commercial building comprising +8,500 sq. ft. previously utilized as a restaurant/bar.

8. LOCATION OF PROPERTY: 1554 S. Delsea Drive, Vineland, Cumberland County, NJ a/k/a Block 5603, Lot 3.

9. APPRAISAL INFORMATION: An "as complete" appraisal will be required. A LTV of 90% is necessary. A minimum value of \$600,000 to be demonstrated for primary and UEZ loan value.

9 (A). ENVIRONMENTAL: An environmental assessment will be required and has been ordered.

10. FINANCIAL:

11. SUBSTANTIATION: DSCR = 1.28x, LTV = 90%

- Vacant commercial property occupied.
- Allows for small business to expand.
- Potential increased assessment for ratable increase.

12. RECOMMENDATION: