

RESOLUTION NO. 2019- 566

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

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated November 27, 2019, for use of Second Generation Enterprise Zone Assistance Funds for the following project: Economic Development Loan to Genovese Realty, LLC (or 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:

Genovese Realty, LLC (or assigns) \$14,750.00

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute all documents associated with this loan.

Adopted:

President of Council

ATTEST:

Deputy 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:** Genovese Realty, LLC
Loan Amount: \$14,750.00

DATE: November 27, 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



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: 11/26/2019

Borrower Name and Address (s): Genovese Realty, LLC
13 N.E. Boulevard
Vineland, New Jersey 08360

Request: Increase of \$14,750.00 (new money) to an existing commercial term loan with a current Borrower (with +-\$217,428 outstanding) on a two-story manufacturing facility, wholesale cookie manufacturer, containing +-25,000 sq. ft.

Interest Rate - 5.50%

Term of Loan – 10 Years.

1. Background: San Paolo Bakery, a wholesale bakery, was operating from the property owned by Genovese Realty, LLC (13 N. East Blvd., Vineland, NJ), the UEZ Borrower. One of the owners of San Paolo Bakery and Genovese Realty, LLC (and principal worker), Antonio Scala, left the facility and operations (and the United States for that matter) in December 2018. Mr. Scala left several bills unpaid and kind of “washed his hands” of the operation and all outstanding bills (including Vineland Municipal Electric and Water bills and other bills). At that time, one of the remaining owners, Antonio Genovese, in December 2018, made a decision to lease the bakery operation to a new operator, San Blas Bakery, a totally separate operator (was also a tenant at the property – leased front of the facility as a Mexican bakery). San Blas was not owned by any principal of Genovese Realty, LLC or San Paolo Bakery. This allowed for the existing employees to maintain their jobs and to continue working at the location. In addition, it allowed for the prior customers of San Paolo Bakery to now become customers of San Blas Bakery. In December 2018 San Blas Bakery transferred the electric and other utilities into their name.

Antonio Genovese, the remaining and sole managing member of Genovese Realty, LLC has been diligent in maintaining the bakery operations open and maintaining the building. In fact, he has undertaken some repairs as well as additional facility cleaning. San Blas Bakery’s attempt to maintain the bakery operation, the manufacturing of products (cookies) as well as maintaining employment of the existing 7 persons on site came to an end this past Summer. San Blas Bakery is no longer operating at this location. Upon the departure of the operators of San Blas Bakery, Mr. Genovese has secured another bakery operator and entered into a lease with that operator for an amount which will cover mortgage payments, insurance and taxes in the future. Mr. Genovese has continued investing his personal cash resources through 2019 to get the outstanding bills address (trash, sewer, working capital, taxes, etc.), while maintaining UEZ and VDC loan payments. In addition, Mr. Genovese has addressed and modified the ownership structure of Genovese Realty, LLC where he is now on file as the sole owner and sole guarantor. The other previous owners have left the country.

At this point in time, however, the taxes for 2019 remain unpaid (+-\$14,750). It will take Mr. Genovese some time to match the lease payments to carrying costs of the property and get to a point where cash flow is healthy (anticipated to happen in first half of 2019).

He has requested consideration for the 2019 taxes to be added to the outstanding UEZ loan and to have a small outstanding balance on a VDC escrow loan for Genovese Realty, LLC. This would be achieved by funding from the Vineland Revolving Loan Fund. This amount could be added to the outstanding UEZ Loan to Genovese Realty, LLC.

Taking this one step further, I thought it would be a better idea to clean up the existing two (2) loans by modifying the existing UEZ loan to include the VDC loan and the 2019 taxes into one single UEZ loan. This will likely provide some relief to the Borrower, but will allow for one payment to be made to the UEZ vs. two to VRLF and VDC. This will also allow for taxes due to be paid and will also assist the owner with getting the property and cash flow back on track.

1. Background (Continued):

This consideration requires your approval. In addition, I also believe that this is within the scope allowable under the VRLF in providing assistance to a small business.

Proposed monthly payments due from Genovese Realty, LLC based on the combination of all items is outlined and detailed below. Assuming a modified note and schedule, the modified promissory note would be based on a 10 year amortization schedule and an increased interest rate of 5.50% (previously 5.00%). Assuming this transaction takes place in December 2019, the following will be the new amount and payment:

a.) Existing UEZ Loan balance	\$ 213,962.52
b.) Existing VDC Escrow Loan balance	3,465.25 (will be paid off to VDC)
c.) Taxes for 2019	<u>14,726.54 (will be paid to City of Vineland)</u>
	\$ 232,154.31 @ 5.50%, 10 years = \$2,519.31 monthly

- 2. Collateral:** a.) Continued First and Second Position mortgage liens on the real estate located at 13 N.E. Boulevard, Vineland, Cumberland County, New Jersey a/k/a Block 3019, Lot 2,
c.) Assignment of rents and leases,
d.) Continued UCC-1 filing and Security Agreement (general filing) on all business assets now owned and hereafter acquired of the Borrower.

- 3. Guarantors:** a.) Continued Personal Guaranty of Antonio Genovese.

- 4. Lien Position:** First.

- 5. Dollar Amount and Holder of Prior Liens:** UEZ will have a primary lien on the real estate in the amount of \$232,000 and a second for a façade improvement loan.

- 6. Size of Parcel:** +/- .5829 acres.

- 7. Improvements Thereon:** two-story commercial facility currently containing +/- 25,000 sq. ft. manufacturing space of +/- 23,500 sq. ft. and 560 sq. ft. storage space, and the 2nd floor contains 1,720 sq. ft. of office space/apartment.

- 8. Location of Property:** 13 N. East Boulevard, Vineland, Cumberland County, New Jersey a/k/a Block 3019, Lot 2.

- 9. Appraisal Information:** An appraisal will not be ordered. Based on the assessed value \$470,000.00 and the two UEZ loans (proposed plus outstanding façade of \$100,000), a +/- 71% LTV is calculated.

The City of Vineland currently has the property assessed as follows: Land at \$291,500, and Improvements at \$178,500 for a total of \$470,000. Based on assessed value, the LTV would be +/- 71%.

- 10. Financial:**

- 11. Substantiation:** LTV = 71%, DSCR = 1.20x

- Maintain business operation in Vineland.
- Maintain employment.

- 12. Recommendation:**