

RESOLUTION NO. 2021- 23

A RESOLUTION APPROVING VINELAND REVOLVING
LOAN FUNDS FOR LEE RAIN, INC. (OR ASSIGNS).

WHEREAS, the Vineland Revolving Loan Fund, LLC Committee has submitted a proposal dated December 22, 2020, for use of Vineland Revolving Loan funds for Lee Rain, Inc. (or assigns); and

WHEREAS, it is considered to be in the best interest of the City of Vineland and the community in particular that Vineland Revolving Loan 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 Vineland Revolving Loan Funds for the following project, in accordance with the proposal submitted by the Vineland Revolving Loan Fund, LLC Committee:

To: Lee Rain, Inc. (or assigns) \$275,000.00

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: Vineland Revolving Loan Fund Committee
SUBJECT: **Applicant:** Lee Rain, Inc.
Loan Amount: \$275,000.00
DATE: December 22, 2020

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

On behalf of the Vineland Revolving Loan Fund Committee, please accept this letter recommending a commitment be given to the above applicant for a Vineland Revolving Loan Fund 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 Zones. The Committee further finds that the loan will promote economic development, creation/retention of jobs, and/or tax ratable(s) that will benefit the City of Vineland.

Further, please note that 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.

Lee Rain provides service from an “eye dropper to ocean” approach in terms of service – in terms of size of project – from small to large (others do not do as in depth as Lee Rain and they do not turn any size down). At this time, there is not a competitor who competes in all facets of their business locally.

1b. BUSINESS CYCLE: Seasonal and cyclical, but also weather driven. For example a wet year translates into less service revenue which is a higher margin profit business for Lee Rain. A dry year translates into more service. The economy impacts nursery and the sod marketplace. Less purchases in nursery or sod due to economy or weather (impacts landscape contractors and consumer purchases etc.) and translates into less revenue for companies like Lee Rain. Developers are also impacted via the wastewater requirements via legislation, although not as prevalent in New Jersey, could have a material impact (positive) on business as states and/or municipalities continue to enhance requirements for wastewater (tract development primarily) treatment, runoff etc.

1b. BUSINESS CYCLE (CONTINUED):

There exists several irrigation regulations which impact landscape and irrigation contractors which could impact and should be paid attention. Legislation impacts could have positive consequences to vendors (e.g. required spending on materials and parts to address water efficiency and runoff etc.).

Potable water use for irrigation. As drought pops up in different areas, major strain is placed on water sources for different uses of water. This can effect municipal, agriculture, environment, landscaping and other industries. Because the majority of water used for landscape irrigation throughout the U.S. is potable water, regulators will be looking to irrigation first for potential water savings.

According to the Irrigation Association (“IA”), another issue is, scope of practice. Unfortunately, especially in states without a landscape irrigation license, other trades (plumbing, landscape architecture, etc.) attempt to define irrigation under their license. For example, in Illinois and Connecticut, the irrigation contractor license is administered by the respective state plumbing board. The IA believes that if irrigation contractors are licensed in a state, they should be governed by a board of their peers due to the technical aspects of irrigation.

Thirdly, is drought. States are beginning to realize that drought can hit at any moment and sustain for a long period of time. Therefore, drought plans are being drafted throughout various states. Though landscape irrigation water use is a “first line” of water savings, turning off access to water for landscape irrigation should be done only as a last resort.

Technology, efficiency improvements and proper management should be part of a sustainable long term plan. Technology is becoming more important and playing a role. Lee Rain has secured patents for software and data collection (uses algorithms etc.). Water management, using water more efficiently, properly managed irrigation enables farmers to use chemicals and fertilizers more effectively. The greatest deterrent to agriculture investment into new technology is the initial cost involved.

1c. INDUSTRY AND MARKET ANALYSIS / INDUSTRY OUTLOOK: The Irrigation Systems Industry is defined as very capital intensive. The infrastructure required to supply agriculture users and wastewater improvements with a reliable and sufficient water supply is large. Projects could include a series pumping stations, water treatment, system of pipes, parts and service and the amount of money to be spent is high. A large amount of capital must be invested to ensure that these system function properly, as the consequences of failure can be catastrophic to the user. This is a positive for companies like Lee Rain, however, as previously stated, the economy and weather drives the business fundamentals. The advancements in irrigation will provide higher quality water supplies leading to higher food security and higher food quality when adoption of technology takes place. Adoption of technology and conversion may lead to increased revenues for companies, but initiatives to introduce the technology in the forms of incentives may be necessary. The outlook remains stable with moderate growth expected in the irrigation side of the business.

The waste water business is a new and exciting business area for Lee Rain. For example - developers doing tract development (especially in Pennsylvania where Lee Rain has customers) are required to have

a waste water treatment system for sewer treatment for residential development (every 30 houses or so). Subsequently, the developer turns over the system to local municipality or sewer authority. Lee Rain has been in this business sector for ten years – providing the system, installation and parts. However, this part of their business is economically sensitive and should improve with economic upswing. This area was hurt with the past economic downturn. Three years ago this sector of their business made up 20% of the total business before it slowed considerably and the economy turned negative. This should improve with uptick in economy.

1d. PROJECT: The proceeds of the loan will be used to purchase/payoff existing indebtedness, in its entirety (at a discount for the current bank debt and other at value), currently held by M & T Bank and government. This will assist the company in restructuring its debt and maintaining business operations. In addition, IRS liens will be paid off.

2. COLLATERAL:

- a.) 1st position mortgage interest in the real property located at 2079 E. Wheat Road, Cumberland County, Vineland NJ, a/k/a Block 1905, Lot 5 owned by 2079 East Wheat, LLC (primary collateral).
- b.) 1st position mortgage interest in the real property located at 2137 E. Wheat Road, Cumberland County, Vineland NJ, a/k/a Block 1905, Lot 6 owned by 2079 East Wheat, LLC (primary collateral).
- c.) 1st position mortgage interest in the real properties located below (secondary collateral):
 - 1724 E. Wheat Road, Vineland, Cumberland County, NJ, a/k/a Block 1401, Lot 35, owned by Blue Bell Properties, LLC,
 - 2092 N. Main Road, Vineland, Cumberland County, NJ, a/k/a Block 1401, Lot 32, owned by Blue Bell Properties, LLC,
 - 2072 N. Main Road, Vineland, Cumberland County, NJ, a/k/a Block 1401, Lot 33, owned by Blue Bell Properties, LLC,
 - 2050 N. Main Road, Vineland, Cumberland County, NJ, a/k/a Block 1401, Lot 34, owned by Blue Bell Properties, LLC.
- d.) 1st position UCC security interest in all accounts receivable, equipment, machinery, all business assets, tangible or intangible, now owned and future of operating company Lee Rain, Inc. (State of NJ filing) and guarantor company 2079 East Wheat, LLC (County of Cumberland filing) as applicable,
- e.) 1st position UCC security interest, Cumberland County filing, Blue Bell Properties, LLC,
- f.) Hypothecation Agreements from 2079 East Wheat, LLC,
- g.) Hypothecation Agreements from Blue Bell Properties, LLC

3. GUARANTORS:

- a.) Lirio Fiocchi III,
- b.) Felicia Fiocchi,
- c.) Todd Fiocchi,
- d.) Gina Fiocchi,
- e.) Lee Rain, Inc. (Lee Tractor, Inc.),
- f.) 2079 East Wheat, LLC,
- g.) Lirio and Kathleen Fiocchi (\$275,000 loan)

4. LIEN POSITION: 1st position on all collateral.

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

6. SIZE OF PARCEL: Parcel #1 or main parcel is +-3.6 acres. Parcel #2 is comprised of +-8.51 acres.

7. IMPROVEMENTS THEREON: Parcel #1 or main parcel is a mixed use commercial building comprising 20,205 total gross building area (a storage warehouse comprising 1,092 sq. ft., a warehouse comprising 6,000 sq. ft., a second warehouse comprising 920 sq. ft. and a detached residential/apartment comprising 1,102 sq. ft.).
Parcel #2 is comprised of land of 8.51 acres primarily used as storage and residential dwelling.

8. LOCATION OF PROPERTY: Parcel #1 is located at 2079 East Wheat Road, Vineland, Cumberland County, New Jersey a/k/a Block 1905, Lot 5.
Parcel #2 is located next door and is known as 2137 E. Wheat Road, Vineland, Cumberland County, New Jersey, a/k/a Block 1905, Lot 6.

9. APPRAISAL INFORMATION: Parcel #1: The City of Vineland has the property assessed for a total of \$1,250,000 (land is \$66,100 and improvements \$1,183,900).

Parcel #2: The City of Vineland has the property assessed for a total of \$110,000 (land is \$63,800 and improvements \$ 46,200).

Based on the assessed value, the LTV demonstrates 136% on the primary collateral.