

RESOLUTION NO. 2021-128

A RESOLUTION APPROVING VINELAND REVOLVING
LOAN FUNDS FOR NEP REAL ESTATE OF VINELAND NJ
URBAN RENEWAL, LLC. (OR ASSIGNS).

WHEREAS, the Vineland Revolving Loan Fund, LLC Committee has submitted a proposal dated February 23, 2021, for use of Vineland Revolving Loan funds for NEP Real Estate of Vineland NJ Urban Renewal, 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 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: NEP Real Estate of Vineland NJ Urban Renewal, LLC (or assigns) \$3,500,000.00

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

Adopted:

President of Council

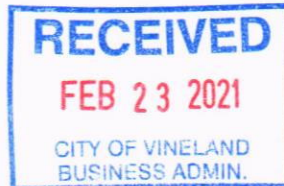
ATTEST:

City Clerk



ECONOMIC DEVELOPMENT
www.vinelandcity.org

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

TO: City Council President and Members

FROM: Vineland Revolving Loan Fund Committee

SUBJECT: **Applicant:** NEP Real Estate of Vineland NJ Urban Renewal, LLC
Loan Amount: \$3,500,000.00

DATE: February 23, 2021


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

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



**VINELAND REVOLVING LOAN FUND, LLC
LOAN PROPOSAL**

Date: February 16, 2021

Borrower Name and Address (s): NEP Real Estate of Vineland NJ Urban Renewal, LLC
92 Reese Road
Millville, NJ 08332

Request: \$3,500,000 commercial term loan for equipment (batch processing plant).

Interest Rate: 4.50%

Term of Loan: 20 Years

1. BACKGROUND: John Ruga started Northeast Precast, LLC (the "Company") with two employees under the name of Superior Walls of South Jersey in 2001. The initial focus of the company was sales and installation of precast foundations for residential dwellings (which were purchased from a non-affiliated plant in Pennsylvania). In July 2003, Superior Walls of South Jersey began construction of their own 30,000 sq. ft. manufacturing facility to produce precast walls. In December 2003, production began. In 2004, Superior Walls of South Jersey acquired a license for the state of New Jersey and changed its name to Superior Walls of New Jersey. In 2005, the size of the manufacturing facility doubled in size to 60,000 sq. ft. to accommodate increased sales. By 2006, Superior Walls of New Jersey was producing in excess of 700 foundations and revenues approached \$15 million annually. In 2008, the Superior Walls of New Jersey changed its name to Northeast Precast, LLC. This was done for diversification and marketing purposes. At this point, the Company was positioned to be multi-market dependent and to grow laterally. With the name change, two new business units were added allowing to serve the private commercial and highway construction markets. The Company's customers include the New Jersey Department of Transportation, New Jersey Turnpike Authority, PSEG Salem Nuclear Plant, and private and public contractors. Mr. Ruga is wife, Lorie, own the Company, 95% and 5%, respectively. One other family member is minority owner of an operating entity known as R-Way Tooling, a precision machine and fabrication shop which will be consolidated into NorthEast Precast. Mr. Ruga and his wife are also the owners of several real estate holding companies which own real estate and facilities from which their business entities operate.

John Ruga is desirous of expanding and consolidating his businesses, ultimately into one area. As a result, he has purchased industrial zoned land from the City of Vineland and Cumberland County Improvement Authority. As designated redeveloper, via phases, he has built a manufacturing plant and plans on continuing to build additional buildings (two (2) +-225,000 sq. ft. buildings) in the future (first building is part of the next phase of the project) to the redevelopment area. In addition, a previous loan proposal/project, involved the acquisition of approximately 21 acres from the City of Vineland and Cumberland County Improvement Authority for \$650,000 (separate VRLF loan of \$585,000 to purchase), which will be added to an additional +-108 acres of the redevelopment area (total of +-129 acres) will be developed into a golf course and recreational facility with amenities to service same. NEP Real Estate of Vineland Urban Renewal, LLC has been designated the redeveloper via a Redeveloper Agreement along with amendments thereto.

1a. PROJECT: Phase 1 (completed) of the project consisted of the acquisition of +-280 acres of Industrial Zoned land which was purchased from the City of Vineland and Cumberland County Improvement Authority. Upon a re-division, a +-42 acres was allocated for use as a residence and the remaining +-238 acres was to be redeveloped for industrial use and the proposed golf course area (the +-42 acres for the original residence area will not be utilized for residence and will become part of the golf course and be part of the collateral package).

Phase 2 of the Industrial Project (completed) encompassed industrial use and took the form (the construction) of a manufacturing facility, steel fabrication building of +-125,000 with a separate batch/mixing plant area, site improvements to the site, and the acquisition of manufacturing equipment.

A +-21 acre parcel owned by the City of Vineland and Cumberland County Improvement Authority is currently being sold and scheduled to settle soon. This piece is being financed with a VRLF acquisition loan of \$585,000. This piece of property will be part of the +-280 acres original site (+-65 existing acres, +-42 acres previous residential site and the +-21 acres will total +-128 acres dedicated to the golf course portion of the project).

Phase 3 of the Industrial Project (underway) includes constructing a manufacturing building of +-225,000 sq. ft. on the industrial acreage totaling +-151 acres (site of existing plant etc.). North East Precast or "NEP" is planning on consolidating its Millville, NJ operation into the new plant in Vineland and has plans to sell the Millville real estate which is expected to close soon. Thereafter, it will lease the Millville location while the Vineland building and plant is being constructed. In addition to the construction of the building (being financed by TD Bank and will require the subordination of existing VRLF loans), the VRLF will fund equipment (in first position) in the form of a batch plant (the subject of this loan). The VRLF will not be part of the +-\$19,500,000 project to construct the manufacturing building. This project is being financed by TD Bank via a couple of loans. The funding and project number below pertain to the equipment / batch processing plant that will be financed by the VRLF and is part of the expansion including the 2nd manufacturing building of +- 225,000 sq. ft.

Total Project Cost for the 3rd Phase expansion is \$23,084,000 of which TD Bank will fund \$17,640,000 and the VRLF will fund \$3,500,000 and the Borrower contributing \$1,944,000 (8.42% of total, 9.26% of primary).

TD Bank's portion \$17,640,000 (+-225,000 sq. ft. manufacturing facility):

Northeast Precast Construction Budget Lincoln Road, Vineland NJ						
	Borrower	%	TD Bank	%	Budget Total	% of Total Project
Building Costs	\$116,268	0.60%	\$16,200,000	83.33%	\$16,316,268	83.93%
Land Improvements	\$1,415,755	7.28%			\$1,415,755	7.28%
Soft Cost	\$267,977	1.38%			\$267,977	1.38%
Hard Cost Contingency (5%)			\$900,000	4.63%	\$900,000	4.63%
Soft Cost Contingency (3%)			\$540,000	2.78%	\$540,000	2.78%
SBA 504 Contingency	\$144,000					
Total	\$1,944,000	9.26%	\$17,640,000	90.74%	\$19,584,000	100.00%

TD Bank will fund two tranches: a \$12,773,000 SBA 504 Senior Loan and a \$4,867,000 SBA 504 Junior Loan for a total of \$17,640,000.00.

VRLF Portion \$3,500,000 (Batch/mixing plant and equipment):

<u>Project Cost (Uses)</u>		<u>Sources</u>	
Acquisition of equipment	\$3,120,125	VRLF	\$3,500,000
Concrete pad and retaining wall	581,250	Borrower	201,375
Total	\$3,701,135	Total	\$3,701,375

2. COLLATERAL:

- a.) New subordinate position mortgage lien (5th) on the real estate located at 4031 S. Lincoln Avenue and Rt. 55, Block 7503, Lot 33.01, (VRLF will subordinate its existing liens of \$3,800,000 and \$6,000,000 to TD Bank on Lot 33.01),
- b.) New subordinate position mortgage lien on the real estate located at S. Lincoln Avenue and Rt. 55, Block 7503, Lots 35.01, 35.02, 35.03 – all-inclusive deed will be prepared prior to settlement (VRLF has an existing First Mortgage of \$3,800,000, Second \$6,000,000, & Third of \$585,000 on this property),
- c.) Assignment of Rents and Leases on properties mentioned in a.) and b.),
- d.) UCC-1 filing and Security Agreements on all business assets of real estate holding company and on business operating entity, (State of NJ and Cumberland County),
- e.) UCC-1 filing and Security Agreements on all business assets of guarantor companies named in Section 3 (in State of NJ and Cumberland County),
- f.) Subordination Agreement for member/stockholder debt,
- g.) All-inclusive deed for Block 7503, Lots 35.01, 35.02, 35.03 will be required prior to settlement,
- h.) **Transfer of Block 7503, Lot 35.02 from LJR Real Estate, LLC to Borrower must take place prior to settlement and deed recorded showing Borrower as owner,**
- i.) **Sale of Block 7503, Lot 35.3 to Borrower from COV and CCIA must take place prior to settlement,**
- j.) Any additional items deemed necessary to address the collateral or documentation for this loan.

3. GUARANTORS:

- a.) Personal Guaranty of John Ruga,
- b.) Guaranty of NorthEast Precast Limited Liability Company (operating/manufacturing company),
- c.) Guaranty of Superior Ventures, LLC (real estate holding company owns 92 Reese Road, Millville, NJ, facility from which NorthEast Precast operates a facility),
- d.) Guaranty of R Way Tooling and Metal Works, LLC (operating company/metal fabrication and machine shop),
- e.) Guaranty of LJR Real Estate, LLC (real estate holding company for 224 S. Lincoln Avenue, Vineland, NJ, facility from which R-Way operates – also owns real estate in New York),

4. LIEN POSITION: Second and subordinate.

5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS: VRLF and TD Bank.

- a.) Block 7503, Lot 33.01 - VRLF will subordinate its existing liens of \$3,800,000 and \$6,000,000 to TD Bank),

4031 S. Lincoln Ave, Block: 7503; Lot: 33.01 (+-151 acres) (Projected Appraised Value \$37,000,000)

- 1st Lien \$3,800,000 VRLF (to be subordinated to TD Bank and SBA 504 Company),
- 2nd Lien \$6,000,000 VRLF (to be subordinated to TD Bank and SBA 504 Company).
- 3rd Lien \$12,773,000 TD Bank (will move into first lien position),
- 4th Lien \$4,867,000 SBA 504 Loan (will move into second lien position).

- b.) S. Lincoln Avenue and Rt. 55, Block 7503, Lots 35.01, 35.02, 35.03 – VRLF has an existing First Mortgage and Second Mortgage on this property.

S. Lincoln Ave, Block: 7503; Lot: 35.01, 35.02, 35.03 (+-129 acres) (Assessed Value \$1,581,600)

- 1st Lien \$3,800,000 VRLF (to remain in 1st)
- 2nd Lien \$6,000,000 VRLF (to remain in 2nd)
- 3rd Lien of \$3,500,000 (proposed).

6. SIZE OF PARCEL: Block 7503, all-inclusive lot of 35.03, 35.01, 35.02 = +-129.15 acres. Block 7503, Lot 33.01, +-151.356 acres.

7. IMPROVEMENTS THEREON: Block 7503, all-inclusive lot of 35.03, 35.01, 35.02, Future improvements will comprise of golf course and recreational project.

Block 7503, Lot 33.01 improvements is currently comprised of +-125,000 sq. ft. manufacturing/warehouse facility with batch processing facility.

8. LOCATION OF PROPERTY: Real estate located at 4031 S. Lincoln Avenue, Lincoln Avenue and Rt. 55, Block 7503, Lot 35.03, 35.01, 35.02 and 33.01.

9. APPRAISAL INFORMATION:

Block 7503, Lot 35.03 is assessed for \$423,900 on the City of Vineland's tax role. Block 7503, Lot 35.01 is assessed for \$944,700 on the City of Vineland's tax role and Block 7503, Lot 35.02 is assessed for \$213,000. Total land assessed value of +-129 acres is \$1,581,600.

4031 S. Lincoln Ave, Block: 7503; Lot: 33.01 (+-151 acres) (Projected Appraised Value \$37,000,000)

Value

Assessed Value of Block 7503, Lots 35.01, 35.02, 35.03	\$ 1,581,600
<u>Projected Appraised Value of Block 7503, Lot 33.01</u>	<u>37,000,000</u>
<u>Total Value</u>	<u>\$ 38,581,600</u>

Loans:

Block 7503, Lots 35.01, 35.02, 35.03

VRLF 1 st Mortgage	\$ 3,800,000	(outstanding balance +-\$3,565,000)
VRLF 2 nd Mortgage	6,000,000	(outstanding balance +-\$5,596,000)
<u>VRLF 3rd Mortgage</u>	<u>3,500,000</u>	(Proposed)
Subtotal	\$13,300,000	

4031 S. Lincoln Ave, Block: 7503; Lot: 33.01

TD Bank	\$12,773,000	(Proposed)
TD Bank	4,867,000	(Proposed)
VRLF (to be subordinated)	3,800,000	(Existing)
VRLF (to be subordinated)	6,000,000	(Existing)
<u>VRLF</u>	<u>3,500,000</u>	(Proposed)
Subtotal	\$30,867,000	

Total Loans \$30,867,000

Total Loans \$30,867,000 / Total Value of \$38,581,000 = LTV 80%

10. FINANCIAL:

11. SUBSTANTIATION: DSCR = 1.62x.
 LTV = 80%.

- Creation of real estate ratable(s) for City of Vineland.
- Creation of jobs.
- Continued development at NEP site on S. Lincoln Ave.

12. RECOMMENDATION: