

RESOLUTION NO. 2021- 526

A RESOLUTION APPROVING VINELAND REVOLVING  
LOAN FUNDS FOR 1103 REALTY CO., LLC (OR ASSIGNS).

WHEREAS, the Vineland Revolving Loan Fund, LLC Committee has submitted a proposal dated October 26, 2021, for use of Vineland Revolving Loan funds for 1103 Realty Co., 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: 1103 Realty Co., LLC (or assigns)                      \$475,000.00

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

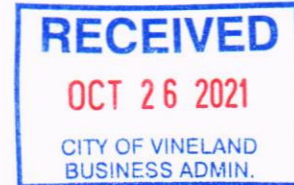


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**MEMORANDUM**

TO: City Council President and Members  
FROM: Vineland Revolving Loan Fund, LLC  
SUBJECT: **Applicant:** 1103 Realty Co., LLC  
**Loan Amount:** \$475,000.00  
DATE: October 26, 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:** September 29, 2021

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

**Request:** Modification and increase to existing loan of \$800,000 (currently interest only) by an additional \$475,000 to fund utility and other exterior/interior improvements to a 10,000 sq. ft. medical office building shell, of which 7,500 sq. ft. is to be leased as a medical center - kidney dialysis center. The \$475,000 will be advance in amounts as necessary not to exceed four draws. The amount includes an interest reserve of \$15,000. The interest only period will not exceed 3 months.

**Interest Rate and Term:** 5.50%, fixed, interest only schedule for 3 months during construction - terming out based on a 20 year term once at a rate of 4.50% fixed interest rate once the tenant occupies or c/o issued.

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**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 a 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 completed the first phase of this project at 1103 W. Sherman Avenue which was 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 has secured a tenant for 7,500 sq. ft. (kidney dialysis center) and is currently marketing the remaining 2,500 sq. ft. to prospective - interested medical offices / doctors and or as office space which could locate to the location.

**1a. PROJECT:** The request involves the VRLF providing financing for the connection of utilities (sewer, electric, water and other exterior and interior improvements – to include hvac, gas line, sprinkler and fire suppression, alarms, insulation and drywall) in the form of a second position loan, on a the 10,000 sq. ft. medical office building/shell (financed with a first mortgage loan from VRLF) located at 1103 W. Sherman Avenue, Vineland, New Jersey, which will be leased as medical office space to a kidney dialysis center operation (7,500 sq. ft.).

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 the original development of Phase 1, Mr. Aydin installed all necessary public infrastructure and constructed two (2) 10,000 sq.ft. buildings and subsequently sold of unites to private professional and medical firms via a condominium structure. The construction of the 3<sup>rd</sup> building (subject building shell) cost is \$800,000 and has been completed.

**1a. PROJECT (CONTINUED):**

The breakdown of the project cost and funding sources for this phase are listed below.

<u>Costs</u>		<u>Funding - Source</u>
Cost of shell	\$ 977,000	VRLF (1 <sup>st</sup> ) \$ 800,000
Cost of utilities and other to office building shell	475,000*	VRLF (2 <sup>nd</sup> ) 475,000*
<u>Closing and other Misc. Costs</u>	<u>140,000</u>	<u>Borrower 317,000</u>
	Total <u>\$1,592,000</u>	Total <u>\$1,592,000</u>

\*includes \$15,000 allocated to interest reserve.

The request involves the VRLF providing interest only loan funding via draws converting to a permanent. The VRLF (UEZ) original request, for the development of a 10,000 sq. ft. medical office building/shell located at 1103 W. Sherman Avenue, Vineland, New Jersey, was for \$800,000 and has been completed. Currently, this loan remains on interest only and will convert once the dialysis center occupies the space. The subject building/shell is in close proximity to Inspira Medical Center. During Phase I, Mr. Aydin installed all necessary public infrastructure when he constructed two (2) 10,000 sq.ft. buildings which he subsequently sold units to private professional and medical firms via a condominium structure arrangement. The subject shell (3<sup>rd</sup> building) project cost was +-\$900,000. New Jersey Community Capital provided an \$800,000 construction line of credit which was taken out by the VRLF. Utility connections and other improvements to provide a “vanilla” shell were not part of the first phase. The original cost of the shell phase are below.

<u>Original Cost of the Shell Project – updated (1<sup>st</sup> Phase)</u>		<u>Funding</u>
Construction of 10,000 sq. ft. medical office building shell	\$900,000	VRLF \$800,000
<u>Soft Costs</u>	<u>77,000</u>	<u>Borrower 177,000</u>
	Total \$977,000	Total \$977,000

**2. COLLATERAL:**

- a.) A modified 1<sup>st</sup> 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.) Assignment of rents and leases.
- c.) Receipt and satisfactory review of condominium master deed and amendments to master deed.
- d.) UCC-1 filing and Security Agreement (county and state filing) on borrower - all business assets now owned and hereafter acquired of borrower.
- e.) Receipt and satisfactory review of Phase I Environmental. Borrower engaged Acer Associates.
- f.) Assignment of Construction Contract Agreement - Borrower assigns and grants to Lender, as additional security for the loan, Borrower’s interest in any construction or other contracts, drawings, plans, specifications or permits pertinent to the construction of the facility. In the event of Borrower default on the Loan(s), Borrower agrees that Lender may elect to complete construction under the terms of said construction contract(s), although Lender shall not be bound by said contract to do so, or may contract to employ other parties to proceed with the work until completed. If Lender elects to complete the facility, Borrower agrees not to hold Lender liable for the manner or quality of said construction. Such disbursements for completion after Borrower default shall be considered to have been disbursed to the Borrower and will be secured by the mortgage or deed executed in connection with this Agreement. If such disbursements exceed the Maximum Principal Balance of the loan(s), they will be considered to be an additional loan to the Borrower, bearing interest at the highest rate provided in the note.
- g.) Prior to any draws, documentation to be evidenced by AIA and any necessary information.

**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 and 109 Front Street, Elmer, NJ).

**4. LIEN POSITION:** 1st. VRLF will have a \$1,275,000 1<sup>st</sup> lien.

**5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS:** Vineland Revolving Loan Fund, LLC, \$800,000 (mortgage will be modified and increased by approximately \$475,000 and go into amortizing status upon tenant occupying).

**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 could be split into 2 or more rental units/spaces. Building #3 equates to 33% of the common area elements of the 1103 W. Sherman Avenue Professional Campus, A Condominium.

**7. IMPROVEMENTS THEREON:** Building #3, is comprised of 10,000 sq. ft. medical office space and could 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. The subject dialysis center project will take 7,500 sq. ft.

**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 was performed by Pyramid Associates and suggests that a based on completion and stabilized occupancy, inclusive of the tax abatement and market rates, the unit could ultimately be valued at \$2,275,000. Cost approach (including buildout) and stabilized suggests an arrived at figure of \$2,190,000 value. Based on both VRLF loans, combined +- \$1,275,000, a 58% LTV would be the result. Therefore, for purposes of this underwriting, a 58% LTV is calculated.

**10. FINANCIAL:**

**11. SUBSTANTIATION:** LTV = 58%, DSCR = 1.36x (subject property based on lease of 7,500 sq. ft. only)  
DSCR = 1.39x (global approach)

- Creation of enhanced real estate tax ratable.
- Job creation – creation of medical and professional jobs.
- Medical services needed in community.

**12. RECOMMENDATION:**