

RESOLUTION NO. 2021- 527

A RESOLUTION APPROVING VINELAND REVOLVING
LOAN FUNDS FOR LEVARI BROTHERS 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 Levari Brothers 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: Levari Brothers Realty Co., LLC (or assigns)	\$7,000,000.00
	(\$2,000,000 initial disbursement)

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, LLC

SUBJECT: **Applicant:** Levari Brothers Realty Co., LLC
Loan Amount: \$7,000,000.00 (\$2,000,000 initial disbursement)

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: October 15, 2021

Borrower Name and Address (s): Levari Brothers Realty Co., LLC
396 N. Mill Road
Vineland, New Jersey 08360

Request: \$2,000,000 – First Draw on a \$7,000,000 commercial term loan – permanent commitment, to finance cold storage warehouse building and expansion.

Interest Rate: 4.50%

Term of Loan: 20 Years

1. BACKGROUND: Levari Brothers Realty Co., LLC (“LBR” or “Borrower”), is a real estate holding company which owns two industrial / cold storage warehouse properties in Vineland, NJ. The properties are located at 396 N. Mill Road, Vineland, NJ and 1200 N. Mill Road, Vineland, NJ. LBR is owned by Michael Levari, (age 62) 100%. The facilities in Vineland, NJ, are leased/operated to/by the Levari Group, LLC t/a First Choice Freezer and Cold Storage and M & O Freezer and Cold Storage. The Levari Group, LLC t/a First Choice Freezer and Cold Storage and M & O Freezer and Cold Storage was formed in 2001 and operates from 396 N. Mill Road. This property consists of over 300,000 total sq. ft. of cold storage space. The Borrower recently completed the construction of a new addition of 110,000 sq. ft. cold storage facility, located at 1200 North Mill Road, Vineland, NJ, and it became operational under the Levari Group in December 2019. Phase II expansion at this property was completed shortly thereafter and combined represents 175,000 sq. ft. of space. Phase III expansion in 2021 was completed and added an additional 100,000 for a total of approximately 275,000 sq. ft. The facilities specialize in cold storage and flash freeze services for more than 30 long-time customer relationships, such as Seabrook Farms, White Wave Foods, Bridor International, and Cumberland Dairy. They also handle local transportation for several of these companies to and from their clients' facilities. The Levari Group, LLC is owned solely by Michael Levari 100% as well. Michael Levari's son and nephew, assist in the management of the cold storage facilities.

The Borrower recently completed an expansion to the existing freezer and cold storage facility located at Mill and Oak Roads, Vineland, NJ, the M & O Freezer facility. First Choice Freezer, the 396 N. Mill Road facility, has been completely built out and to accommodate the additional growth in the business, the M & O Freezer facility was undertaken. The additional space which was constructed has been completely contracted and is now full with this facility at capacity. The proposed project will add an additional +/-100,000 sq. ft.

New and existing customers continue requiring additional space and service for their products. Due to the excellent reputation which the company has established, First Choice and M & O continue to receive new business requests. These unnamed customers are experiencing growth and require cold storage, blast freezing and logistical services, all of which are provided by Levari Group. However, this requires LBR / M & O to expand its facility again. Documentation is on file which demonstrates new customers which will be contracting with Levari Group t/a M & O Freezer and Cold Storage for pallet positions.

1. BACKGROUND (CONTINUED):

Borrower Expansion Projects – Historical and Proposed:

Historical – 396 N. Mill Road:

396 N. Mill Road Vineland, NJ 08360 (Vineland Industrial Park)

Year	Project	Square Feet	Purpose
2001 (Built in 1970)	Building Purchased	111,000	Existing Buildings
2007	Addition	28,000	Building 6 Constructed
2014	Addition	75,000	Building 7 Constructed
2017	Addition	65,000	Building 8 Constructed
1970 - 2017		21,000	Halls, Loading Dock, Office
Total		300,000	

Historical and Proposed – 1200 N. Mill Road:

1200 N. Mill Road Vineland NJ 08360 (Vineland Industrial Park)

Year	Project	Square Feet	Purpose
2018	Phase I	65,000	New Construction
2019	Phase II Addition	110,000	Building Expansion
2021	Phase III Addition	100,000	New Building
Total		275,000	

Proposed 2021-2022 Phase IV Addition 100,000 New Building Expansion

1a. PROJECT:

The proposed Project (Phase IV) is a new 120,000+/- sq. ft. Dry/Cold Storage facility located at W. Oak Rd., 1200 N. Mill Rd., Vineland, NJ, which is needed due to increased demand for space. Several customers have signed or will sign contracts and others are in negotiations for at pallets for the new building expansion. Several customers have signed a Letters of Intent for the new building space and one customer has signed a contract for pallet positions. The construction is estimated to take less than ten (10) months to complete. Recall, that the Borrower purchased the land located at W. Oak Rd. from the City of Vineland. The 11.70 acre lot was subdivided to create a new Block (1003) and Lot (14.03). The land located at 1250 N. Mill Rd. (Block 1003 and Lot 16.1) was purchased on 10/22/20 from North Mill Road, LLC (\$365,000 for 5 acres). The 5.05-acre lot will be used for parking and a water basin. The properties will be appraised together with 1200 N. Mill Rd., however, a value for 1250 N. Mill Rd. will also be included in the appraisal.

The contractor for the construction is **Perley-Halladay Associates, Inc.** of West Chester PA. Perley-Halladay specializes in cold storage construction. Their experience covers commercial, scientific, industrial and agricultural buildings, including non-refrigerated buildings. Perley-Halladay has installed well over 1,000 design/build projects and millions of square feet of cold storage/food processing space. In addition to food and beverage, Perley-Halladay has serviced many other industries requiring refrigerated or temperature controlled space including pharmaceutical, medical and testing.

The contractor has completed Refrigerated Warehouse projects for many companies, including the Campbell Soup Company, Goya Foods, C.H. Robinson, and Fisher Clinical Services. Perley-Halladay has worked on six (6) of the Borrower's projects.

1a. PROJECT (CONTINUED):

The proposed (subject) total project cost is \$15,000,000 (overall project), to construct a new 100,000+/- sq. ft. Dry/Cold Storage facility expansion/addition to be located at W. Oak Rd., 1200 N. Mill Rd., Vineland, NJ.

<u>Sources (Permanent)</u>		<u>Uses</u>	
TD Bank	\$ 8,000,000 (2) (3)	Building	\$15,000,000
VRLF	7,000,000 (1)	Equipment (racking)	1,000,000
<u>Borrower / other</u>	<u>1,100,000</u>	<u>Soft Costs</u>	<u>100,000</u>
Subtotal	\$16,100,000	Total	\$16,100,000

*Construction loan closing costs, soft costs, permit fees and clearing (includes contingency).

1b. Industry / Competition / Update:

COVID-19 (Coronavirus) Impact Update (Per IBISWorld January 2021):

Demand for a range of products stored by operators in the Refrigerated Storage industry is expected to be affected by the COVID-19 (coronavirus) pandemic. Expected declines in commodity prices, consumer confidence and global trade flows are likely to negatively affect the industry, while increased consumer demand for groceries and frozen food will likely benefit operators. As global trade suffers, demand for storage of frozen or refrigerated commodities will likely fall in line with lower consumer confidence and spending. Falling industry demand and heightened competition for revenue could result in lower profit. Industry operators are also likely to benefit from long-term storage contracts, as frozen food and other items spend less time in industry facilities. Long-term storage of commodities, bulk goods and items designated for future distribution or trade are likely to remain relatively unaffected. Per IBISWorld, increased consumer demand for groceries and frozen food will likely benefit operators.

There is other cold storage competition in Vineland, NJ.

Although there is other competition, each of the local cold storage facilities in Vineland has a niche business plan. Due to increased food processing in the region, it has been confirmed by the Cumberland County Improvement Authority that there is limited to no cold food storage space rentals available. Borrower has been able to increase revenues by adding additional building space. Borrower continues to expand, but only with new contracts in place that can support growth. There is no speculative building involved. The proposed Project (Phase IV) is a new 120,000+/- sq. ft. dry/cold Storage facility located at W. Oak Rd., 1200 N. Mill Rd., Rd., Vineland, NJ, which is needed due to increased demand for space. Existing customers are in negotiations for new 5-year contracts - amended contracts for at least an additional 3,000 pallets each in the new building. Per Mike Levari, several customers have provided Letters of Intent and are ready to use the space when available.

Capital intensive business; high leverage involved with building additions and facilities.

Borrower continues to expand, but only with new contracts in place that can support growth. There is no speculative building involved.

2. COLLATERAL:

- a.) Subordinate mortgage lien position on the property located at 1200 N. Mill Road, Vineland, Cumberland County, New Jersey, a/k/a Block 1003, Lot 16.03 (subject to construction financing, and a letter of credit, therefore, TD Bank may have a lien in a temporary for the letter of credit (plus other mortgages – see below for dollar amounts and prior liens). Note that the lot number is new (an all-inclusive deed will be required),
- b.) Subordinate mortgage lien position on the property located at 396 N. Mill Road, Vineland, Cumberland County, New Jersey, a/k/a Block 2604, Lot 14 (subject to TD Bank mortgage referenced in section 1a.) see below and next page for dollar amount and prior lien(s). VRLF will file one new mortgage for proposed loan.
- c.) Assignment of Rents and Leases for both properties referenced in a.) and b.),
- d.) UCC-1 Filing - General Filing – Cumberland County – on the Borrower, Levari Brothers Realty Co., LLC) on all business assets know owned and hereafter acquired (subordinate to TD Bank),
- e.) UCC-1 Filing - General Filing – State of New Jersey – on Guarantor, The Levari Group, LLC t/a First Choice Freezer & Storage (subordinate to TD Bank),
- f.) Cross Collateralization / Cross Default (with both VRLF loans),
- g.) Subordination of any stockholder, officer, member, principal and/or affiliated debt.

3. GUARANTORS:

- a.) Guaranty of operating company, The Levari Group, LLC, t/a First Choice Freezer & Cold Storage and M & O Freezer and Cold Storage,
- b.) Personal Guaranty of Michael A. Levari, Sr.

4. LIEN POSITION: VRLF will have a subordinate lien on the real estate located at 396 N. Mill Road, Vineland, NJ and a subordinate lien on the real estate located at 1200 N. Mill Road, Vineland, NJ. The VRLF will be subordinate on all business assets behind TD Bank for the Borrower and Guarantor operating company.

5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS: Below is breakdown of existing mortgage liens on the Almond Road and Mill Road property and the Mill and Oak Road property.

1200 North Mill Rd., Vineland, NJ (all-inclusive of lots purchased) - \$45,035,000 (appraisal 01/2021 "As Complete")

1. TD Bank Mortgage Lien: \$8,645,565 (after \$4MM pay down by the VRLF) #3516994-9002.
2. TD Bank Mortgage Lien: \$3,719,798 #3516994-9003.
3. TD Bank Mortgage Lien: \$9,861,757 Construction Loan (New).
4. TD Bank Mortgage Lien: \$4,868,000 SBA 504 Company (New).
5. TD Bank Mortgage Lien: (Abundance of Caution – cross collateral): \$10,239,023 #3516994-9001.
6. VRLF Mortgage Lien: \$6,500,000 (Abundance of Caution – cross collateral)
7. Proposed VRLF Mortgage Lien \$7,000,000 (\$2,000,000 during construction). This will ultimately be subordinated to TD Bank.

396 N. Mill Road, Vineland, NJ - \$36,700,000 (appraisal - January 2021)

1. TD Bank Lien: \$10,239,023 CREM #3516994-9001, \$1,540,606 Term Loan #3517018-9002, and Abundance of Caution Lien \$750M WCLOC #3517018-0199 - filed together as a first lien. Original amount of WCLOC was \$450M at time of filing (\$12,529,629 total).
2. VRLF Lien: \$13,852,000 (estimated balance of \$7,352,000 for existing VRLF loan + proposed \$6,500,000 VRLF loan). VRLF \$7,352M lien is transferring from 1200 N. Mill Rd. to 396 N. Mill Rd.
3. TD Bank Lien: \$9,861,757 Construction Loan (New)
4. TD Bank Lien (Abundance of Caution): \$8,645,565 CREM (after \$4MM pay down by the VRLF) #3516994-9002 (+-\$12,000,000 less \$4,000,000 for phase 2 of 1200 N. Mill Road).
5. Proposed VRLF Mortgage Lien \$7,000,000 (\$2,000,000 during construction). This will ultimately be subordinated to TD Bank.

6. SIZE OF PARCEL: 1200 N. Mill Road, Vineland, NJ will be approximately +27.00 acres upon completion of all-inclusive deed. 396 N. Mill Road, Vineland, NJ is approximately 16.09 acres.

7. IMPROVEMENTS THEREON: 1200 N. Mill Road, Vineland, NJ will consist of an approximate 27 acre parcel of land located at Mill and Oak Roads and improved with a +-420,000 sq. ft., one story, including offices and loading docks, cold storage warehouse facility upon completion of the proposed 120,000 sq. ft. addition.

(Note that CREM = Commercial Real Estate Mortgage)

8. LOCATION OF PROPERTY: Subject property expansion is located 1200 N. Mill Road, Vineland, Cumberland County, New Jersey, a/k/a Block 1003, Lot 16.03. Other Collateral for VRLF is located at 396 N. Mill Road, Vineland, Cumberland County, New Jersey a/k/a Block 2604, Lot 14.

9. APPRAISAL INFORMATION: An appraisal for the subject property valued 1200 N. Mill Road at \$45,035,000. A new appraisal has been ordered. Collateral for the VRLF loan is subordinated liens on 1200 N. Mill Road and 396 N. Mill Road, Vineland, NJ. 396 N. Mill Road has been appraised at \$36,700,000. Appraised values represent figures prior to proposed addition to 1200 N. Mill Road.

1200 North Mill Rd., Vineland, NJ (all-inclusive of lots purchased) - \$45,035,000 (appraisal 01/2021) Does not include proposed expansion in appraisal. New appraisal has been ordered. Loans on 1200 N. Mill Road:

1. TD Bank Mortgage Lien: Balance outstanding \$8,311,844; Original \$8,645,565 #3516994-9002.
2. TD Bank Mortgage Lien: Balance outstanding \$3,523,857; Original \$3,719,798 #3516994-9003.
3. TD Bank Mortgage Lien: \$9,861,757 Construction Loan (Previous Addition – interest only – not perm.).
4. TD Bank Mortgage Lien: \$4,868,000 SBA 504 Company (Previous Addition – interest only – not perm.).
5. TD Bank Mortgage Lien: (Abundance of Caution – cross collateral): Balance outstanding \$10,024,501; Original \$10,239,023 #3516994-9001.
6. VRLF Mortgage Lien: Balance \$6,381,442; Original \$6,500,000 (Abundance of Caution – cross collateral).
7. Proposed VRLF Mortgage Lien \$7,000,000 (\$2,000,000 during construction). This will ultimately be subordinated to TD Bank.
8. Proposed TD Bank Mortgage Lien \$8,000,000.

396 N. Mill Road, Vineland, NJ - \$36,700,000 (appraisal dated 01/2021). Loans on 396N. Mill Road:

1. TD Bank Lien: Balance \$10,024,501; Original \$10,239,023 CREM #3516994-9001, \$1,540,606 Term Loan #3517018-9002, and Abundance of Caution Lien \$750M WCLOC #3517018-0199 - filed together as a first lien. Original amount of WCLOC was \$450M at time of filing (\$12,529,629 total).
2. VRLF Lien: \$13,852,000 (estimated balance of Balance \$7,120,356; Amt. when transferred \$7,352,000 for the existing VRLF loan + Balance \$6,381,442: Original \$6,500,000 VRLF loan). VRLF Balance \$7,120,356 \$7,352,000M lien when transferred from 1200 N. Mill Rd. to 396 N. Mill Rd.
3. TD Bank Lien: \$9,861,757 Construction Loan (Previous addition).
4. TD Bank Lien (Abundance of Caution): \$8,645,565 CREM #3516994-9002.
5. Proposed VRLF Mortgage Lien \$7,000,000 (\$2,000,000 during construction). This will ultimately be subordinated to TD Bank.
6. Proposed TD Bank Mortgage Lien \$8,000,000.

LTV Calculation:

TD Bank Loans	\$46,880,565
VRLF Loans	<u>20,501,798</u>
Total Loans	\$67,382,363

Value 1200 N. Mill Road	\$60,035,000	(including proposed expansion at cost with no value increase on previous expansions).
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Value 396 N. Mill Road	<u>36,700,000</u>	(Assumes no value increase on 396 N. Mill Road property).
Total Value	\$96,735,000	

LTV = 70%

10. FINANCIAL:

11. SUBSTANTIATION: LTV = 70%, DSCR = 1.08x

- Real estate tax ratable growth as future real estate ratable (for new addition once P.I.L.O.T. period ends).
- Increase in employment (permanent upon completion of construction).
- Construction jobs during the construction period.
- Use of local contractors and vendors for certain construction jobs and materials.
- Investment into a business operation in Vineland demonstrates long-term commitment.
- Catalyst for additional construction at Vineland Industrial Park – South (Mill and Oak Roads).

12. RECOMMENDATION: