

RESOLUTION NO. 2015-84_____

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO SEXTON'S PROPERTIES, LLC.

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated January 29, 2015, for use of Second Generation Enterprise Zone Assistance Funds for the following project: **Economic Development Loan to Sexton's Properties, LLC**; 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 Sexton's Properties, LLC	\$257,500.00
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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



Sandra Forosisky, Director
Economic Development Dept.
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MEMORANDUM



TO: City Council President and Members

FROM: City of Vineland Revolving Loan Fund
Second Generation Loan Committee

SUBJECT: **Applicant:** Sexton's Properties, LLC
Loan Amount: \$257,500

DATE: January 29, 2015

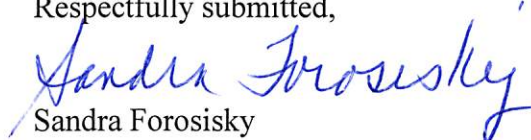
Dear Council President Fanucci, Councilmen Procopio, Spinelli, and Councilwomen Calakos and Gonzales:

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



**VINELAND UEZ LOAN COMMITTEE
LOAN PROPOSAL**

Date: 1/9/2015

Borrower Name and Address (s): Sexton's Properties, LLC
116 W. Almond Street
Vineland, New Jersey 08360

Request: \$257,500 commercial term loan comprising of +-\$138,500.00 (new money to take out Parke Bank and closing costs) as well as an existing UEZ commercial term loan (+-\$119,000 outstanding) to assist an existing equipment rental business in Vineland.

Interest Rate: 5.50% **Term of Loan:** 15 Years.

1. **Background:** David Sexton and Jennifer Sexton (brother and sister) are the owners (50%/50%) of Sexton's Equipment Rental, Inc. (s-corp.), a company that specializes in the rental of self propelled aerial platforms. The types of platforms and lifts vary from the 19 foot electric lift to a 135 foot diesel telescoping boom lift. The business was gifted to David and Jennifer Sexton from their father, Larry Sexton. Larry Sexton was in the industry since 1981 and Sexton's Equipment Rental has been in existence for fifteen years. Ninety-five (95% of the company's revenues are derived from commercial accounts and the balance split between municipalities and government/military). Larry Sexton previously owned this business with his brother until 2002 when they split. Larry Sexton's son, David, has been active in the business along with his sister, Jennifer. David is a graduate LaSalle University and he is a certified trainer and is a board member of ANSI, The American National Standards Institute, which writes laws for OSHA (regulates the lift industry). Larry Sexton and his wife Bonnie continue to work in the business albeit in a part time capacity.

The Sexton Family also owns a woman/minority owned business company known as JDB Equipment Company, Inc. This company was started and is owned by Bonnie, Jennifer and David Sexton, wife, daughter, and son of Larry Sexton. Each has a 33% ownership interest in this company. Sexton's Equipment Rental and JDB Equipment operate from 116 W. Almond Street location in Vineland.

The Sexton's purchased the facility located at 112-116 W. Almond Street, Vineland, New Jersey (former Austino's Liftrucks site) in 2006 and moved their equipment rental businesses to Vineland, New Jersey. This property is owned by a real estate holding company formed by the Sexton's and is known as Sexton's Properties, LLC, owned 25% each by Larry, Bonnie, David and Jennifer Sexton.

1 (a.) **Project:** Scope of the project is to restructure an existing UEZ loan as well as to take out the primary lender, Parke Bank, allowing the Vineland UEZ to obtain first position lien on the property. This allows the borrower/business to concentrate on the business and to alleviate pressure from the primary lender. Recently, Sexton's experienced a fire which resulted in over \$250,000 in property damage to their location on Almond Street. David Sexton obtained an adjuster and was successful in obtaining an insurance recovery. Upon informing the primary lender, Parke Bank, David Sexton was informed that Parke Bank requested that their loan be paid off. David Sexton was planning on utilizing the insurance claim proceeds to repair the damage which took place as a result of the fire. He has obtained quote/estimate from a local contractor, Kelly Construction, whom has provided a quote/proposal for the repairs (+-\$250,000). David Sexton is approaching the Vineland UEZ for consideration to assist in providing financing to take out Parke Bank so that he may utilize the insurance proceeds to repair the building from which Sexton's Equipment Rental and JDB Equipment operate.

1 (a.) Project (continued):

Payoff Parke Bank loan balance	\$131,000	UEZ Loan	\$257,500
Existing UEZ loan balance	119,000		
Closing Costs/Misc.	<u>7,500</u>		
Total Costs	\$257,500		

2. **Collateral:**
 - a.) First mortgage lien position on the real property located at 116 W. Almond Street, Vineland, Cumberland County, New Jersey a/k/a Block 3901, Lot 9,
 - b.) Assignment of rents and leases,
 - c.) Subordination of any stockholder and/or affiliated debt (Sexton’s Equipment Rental, Inc. & JDB Equipment Company, Inc.),
 - d.) Priority (first position on over \$1,250,000 worth of equipment) UCC-1 filing and Security Agreement covering Guarantors and Borrower’s fixtures, equipment, machinery, inventory, accounts receivable, and business assets now owned or hereafter acquired (state UCC filing on Sexton’s Equipment and JDB Equipment),
 - e.) Evidence that no environmental conditions exist,
 - f.) UEZ to control disbursement of insurance proceeds.

3. **Guarantors:**
 - a.) Personal Guaranty of Larry Sexton,
 - b.) Personal Guaranty of Bonnie Sexton,
 - c.) Personal Guaranty of David Sexton,
 - d.) Personal Guaranty of Jennifer Sexton
 - e.) Corporate Guaranty of JDB Equipment Company, Inc.
 - f.) Corporate Guaranty of Sexton’s Equipment Rental, Inc.

4. **Lien Position:** First position on real estate and all equipment, machinery and business assets of Sexton’s Equipment Rental, Inc. and JDB Equipment Company, Inc.

5. **Dollar Amount and Holder of Prior Liens:** N/A.

6. **Size of Parcel:** 1.38 acres.

7. **Improvements Thereon:** The site includes three buildings/stand alone structures: one building is +- 13,500 sq. ft. building inclusive of warehouse and office space (+-3,500 sq. ft. of office with +- 10,000 sq. ft. of warehouse), 2nd building is considered a 3 bay shop/garage for service and repairs (+-2,300 sq. ft.), and a 3rd building is a two bay garage including a powerwash bay (+- 1,800 sq. ft.).

8. **Location of Property:** 116 W. Almond Street, Vineland, Cumberland County, NJ a/k/a Block 3901, Lot 9.

9. **Appraisal Information:** The City of Vineland has this property assessed at \$552,300.00 (land \$29,400, improvements are \$522,900). The revenue generated by this property for tax purposes in 2014 was \$12,956.96. Request to waive appraisal to keep costs down. LTV based on real estate assessment would be 46.7%.

Below LTV calculation based on real estate collateral (based on City’s valuation is less than 50%) and consideration for adjusted valuation on machinery and equipment (UEZ first position and assuming a 75% discount to the \$1,000,000 equipment value and +- 50% discount to assessed realty value). Equipment is insured for replacement at over \$1,000,000. Real estate is insured for \$1,000,000 for insurance purposes.

Real Estate Value (adjusted)	\$250,000	Loan Amount	\$257,500
<u>Equipment Value (adjusted)</u>	<u>250,000</u>		
Adjusted Collateral Value	\$500,000	LTV =	52%

10. Financial:

11. Substantiation: LTV = 52%, DSCR = 4.09x

- Assist Vineland business due to Bank financing issue.
- Company employs 5 full-time at its Vineland location (excluding 4 family members).

12. Recommendation: