

RESOLUTION NO. 2016- 323

**A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO CONSOLIDATED INDUSTRIAL SERVICES, INC. OR ITS ASSIGNS**

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated September 27, 2016, for use of Second Generation Enterprise Zone Assistance Funds for the following project: **Economic Development Loan Consolidated Industrial Services, Inc. or its assigns**; 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:**

**Consolidated Industrial Services, Inc. or its assigns                      \$360,000.00**

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

MEMORANDUM



TO: City Council President and Members

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

SUBJECT: **Applicant:** Consolidated Industrial Services, Inc. or its assigns  
**Loan Amount:** \$360,000.00

DATE: September 27, 2016

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

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:** 08/23/2016

**Borrower Name and Address:** Consolidated Industrial Services, Inc. or its assigns (real estate holding company to be formed).  
1601 N. Mill Road  
Vineland, NJ 08360

**Request:** \$360,000 – commercial term loan (permanent mortgage) on a 30,000 sq. ft. industrial facility located at 1601 N. Mill Road, Vineland, NJ. Facility will be the new home and operations center for Consolidated Industrial Services, Inc.

**Interest Rate:** 6.00%

**Term of Loan:** 20 Years.

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**1. BACKGROUND:** Consolidated Industrial Services, Inc. (“CIS” and the “Company”), is a New Jersey S-Corp. incorporated on 08/10/2009. Ericka MacKannan is the sole owner (100%) of the company. Her husband, Shane MacKannan is the operations and general manager. CIS specializes in the repair, sale and service of refurbished waste handling systems and recycling equipment including parts (equipment such as trash compactors, cardboard compactors and bailers, and to a lesser extent dock levelers). In addition, CIS also provides welding and fabricating services, along with sales of parts and new equipment. When the Company sells new equipment, most of the time, the existing equipment is replaced and the old equipment is given to the Company to haul away. The Company refurbishes the old equipment and is able to rent or sell to existing and/or new customers. The Company employs eight (8) people currently and is looking to add six (6) additional full time employees due to growth. Target, Sears, Lowes, Walgreens, Regal/AMC Theaters are a few of the customers with Target being the largest.

Prior to owning and operating CIS, the MacKannans were in the trash collection/disposal business for large customers. In 2009, the business environment for this type of business became very difficult and Shane McKannan suffered financially. At one point during the downturn, a driver from the MacKannan’s company was at a customer site which had a broken compactor. Although no one was able to previously repair the broken compactor, this driver/employee fixed the broken compactor and word spread that the MacKannan’s company could repair trash compactors and vertical bailers. Due to this incident, Shane MacKannan saw an opportunity to transition and reposition the new company “CIS” away from trash collection and into a maintenance, repair and a service company.

As a result of the growth which CIS is experiencing, the MacKannan’s are desirous of purchasing and owning their own facility. Recently, CIS has agreed to purchase (under contract) the property located at 1601 N. Mill Road in Vineland, NJ (formerly Martex Packaging facility). The Company is currently leasing a facility in Millville, NJ. The Company was searching for a location in Pennsylvania and recently struck a deal to purchase the vacant facility in Vineland, maintaining the business in Cumberland County.

**1a. COMPETITION:** In the South Jersey area, according to CIS’s owners, competition for its services is non-existent. An inquiry revealed that an operator in Vineland, NJ manufactures new waste containers, compactors, and bailers. In the Tri-State Area however, competitors exist in the form of two companies, REC in Quakertown, Pa. and B & E Equipment also in Quakertown, Pa. These two companies deal with very large equipment and bailers (those with values in excess of \$250,000) and CIS does not consider them direct competition. CIS believes it is the only operator in the area dealing in the repair and refurbishment of recycling and waste handling equipment, especially in this category size and price.

**1b. PROJECT:** The project involves the acquisition and renovation of a vacant industrial facility in Vineland. Franklin Bank will provide a commercial construction loan for the renovations and Vineland UEZ and Cooperative Business Assistance Corp. of Camden will provide the permanent financing. Commitment is subject to both approvals. Vineland UEZ will be in first position. The cost breakdown of the project is below.

<u>Uses</u>		<u>Sources</u>		<u>%</u>
Acquisition	\$333,000	Vineland UEZ	\$360,000	80.90%
Renovations	102,000	CBAC	35,000	7.86%
Other/closing	<u>10,000</u>	Borrower	<u>50,000</u>	<u>11.24%</u>
Total	\$445,000		\$445,000	100.00%

**2. COLLATERAL:**

- a.) First position mortgage lien on the real estate located at 1601 N. Mill Road, Vineland, Cumberland County, NJ, a/k/a Block 1501, Lot 1, **(Franklin Bank will have a primary lien during renovation period).**
- b.) First position mortgage lien on the real estate located at 1569 N Mill Road, Vineland, Cumberland County, NJ, a/k/a Block 1501, Lot 78, **(Franklin Bank will have a primary lien during renovation period).**
- c.) Assignment of Rents and Leases on properties stated in a.) and b.) above,
- d.) UCC-1 Filing and Security Agreement (Cumberland County Filing) on all assets of the real estate holding company to be formed,
- e.) UCC-1 Filing and Security Agreement (State of NJ Filing) on machinery, equipment, accounts receivable, inventory and all business assets of the guarantor and operating company, Consolidated Industrial Services, Inc,
- f.) Evidence that no environmental conditions exist on the property (Phase 1 Assessment, Phase 2 etc.),
- g.) Subordination of Shareowner Debt
- h.) Assignment of Life Insurance on Mr. Shane MacKannan \$250,000.

**3. GUARANTORS:**

- a.) Corporate Guaranty of Consolidated Industrial Services, Inc. (if realty holding company is formed),
- b.) Personal Guaranty of Ericka MacKannan,
- c.) Personal Guaranty of Shane MacKannan.

**4. LIEN POSITION:** First.

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

**6. SIZE OF PARCEL:**

- a.) 1601 N. Mill Road, Vineland, NJ, Block 1501, Lot 1, = +-5.85 acres,
- b.) 1569 N Mill Road, Vineland, NJ, Block 1501, Lot 78, = +-1.75 acres.

**7. IMPROVEMENTS THEREON:**

- a.) 1601 N. Mill Road, Vineland, NJ, Block 1501, Lot 1  
Improved with a 30,000 sq. ft. industrial building comprised of 3,918 sq. ft. of office space and 26,082 sq. ft. of warehouse / manufacturing space. 24' eave, 29' peak – 12' eave, 18' peak. Electrical and mechanicals will need to be replaced.
- b.) 1569 N Mill Road, Vineland, NJ, Block 1501, Lot 78  
1,800 sq. ft. residential dwelling.

**8. LOCATION OF PROPERTY:**

- a.) 1601 N. Mill Road, Vineland, NJ, Block 1501, Lot 1,
- b.) 1569 N Mill Road, Vineland, NJ, Block 1501, Lot 78.

**9. APPRAISAL INFORMATION:** The City of Vineland currently has the building assessed as follows:

- a.) 1601 N. Mill Road, Vineland, NJ, Block 1501, Lot 1 (industrial building),

Land	\$214,500
Improvements	<u>615,500</u>
	\$830,000

- b.) 1569 N Mill Road, Vineland, NJ, Block 1501, Lot 78 (residential dwelling),

Land	\$ 39,400
Improvements	<u>119,300</u>
	\$158,700

Total combined assessed values = \$ 988,700

An as built / as completed appraisal will be requested. Assuming a value of the industrial facility of \$445,000 (project cost, a conservative value, assuming all renovations included) the Loan-to-Value would be 89%. This also assumes no value given to the residential dwelling on site.

LTV Calculation: Vineland UEZ Loan \$360,000 / \$445,000 = 81% LTV for UEZ  
Vineland UEZ and CBAC \$395,000 / \$445,000 = 89% LTV for Both

**10. FINANCIAL:**

**11. SUBSTANTIATION:** LTV = 81%, DSCR = 1.54x

- Assist company / business to locate to Vineland.
- Creation of up to 6 new full time jobs.
- A vacant industrial facility in the vicinity of Vineland Industrial Park South will be occupied and renovated.

**12. RECOMMENDATION:**