

RESOLUTION NO. 2016-\_\_\_\_\_

**A RESOLUTION APPROVING A CITY OF VINELAND  
UDAG/SMALL BUSINESS LOAN TO PEPE, INC.**

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated October 25, 2016, for a **City of Vineland UDAG/Small Business Loan to PEPE, Inc.;** and

WHEREAS, it is considered to be in the best interest of the City of Vineland and the community in particular that UDAG/CDBG – City of Vineland Small Business 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 Funds for the following project, in accordance with the proposal submitted by the City of Vineland Revolving Loan Fund Second Generation Loan Committee:

**City of Vineland UDAG/Small Business Loan to:**  
**PEPE, Inc. \$21,000.00**

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:** PEPE, Inc.  
**Loan Amount:** \$21,000.00 via the City of Vineland UDAG/Small  
Business Loan Program

DATE: October 25, 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 City of Vineland UDAG/Small Business 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 for the City of Vineland UDAG/Small Business Loan Program. The committee further finds that the loan will promote economic development, create or maintain jobs, and/or create tax ratables that will benefit the City of Vineland.

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:** 09/28/2016

**Borrower Name and Address (s):** PEPE, Inc. (trading as Tri-City Paper Restaurant Supply)  
2192 S. Delsea Drive  
Vineland, New Jersey 08360

**Request:** Request for \$21,000.00 commercial term loan to be utilized for permanent financing of repairs to facility under the UDAG/CDBG Small Business Loan Program through the City of Vineland.

**Interest Rate:** 5.00%

**Term of Loan:** 10 Years

**1. Background:** PEPE, Inc. (the “company” or “Tri City Paper Paper Restaurant Supply”) a C-Corp., is located in Vineland, New Jersey. The company is engaged in the business of wholesale and retail sales of paper, janitorial and restaurant supplies, and party supplies. The company is owned by Anthony J. Pepper, Jr. (75%) and the Estate of Lawrence Pepper, Sr. (25%). The company began operations in 1976 and is managed by Robert Pepper and Anthony C. Pepper, the sons of Anthony J. Pepper, Jr. The company carries over 10,000 items which it sells to a variety of users in the restaurant and hospitality industries. In addition, the company operates a retail and party supply store from it’s location on S. Delsea Drive.

**1a. Competition/Business Cycle/Industry and Market:** The company’s main competitor is South Jersey Paper (South Jersey Paper is strictly a paper offering company), also located in Vineland. The company also competes with companies such as Sysco and US Foodservice in the restaurant supply business. In the party supplies segment, the company competes with a variety of vendors in this spectrum.

The company operates on a year round basis. The company’s main sales generating months are the March through August cycle (Tri City Paper also sells products to the shore areas, boardwalk and shore restaurants as well as campgrounds). Tri City Paper considers the first quarter of the year (January, February, and March) and the months of September through October to be the slower revenue generating months. A pick up in business/sales is experienced in the month of December resulting from the holiday time frame.

The paper products, restaurant supply and janitorial supply business is very competitive with many players occupying the space. The industry participants are somewhat scattered and/or fragmented. Although competition is increasingly coming from companies such as wholesale club box stores. By offering a mix of products including janitorial supplies combined with customers service, companies like Tri City have built niche businesses (one stop shop) have the ability to make and maintain supply deals (recurring sales and relationships). However, these companies and distributors need to be cognizant of increased costs such as transportation which could materially impact profitability as fuel increases.

**1b. Project:** The project involves funding a loan for repairs to a facility (primarily roof and parking lot resurfacing and repairs). Below is the breakdown of the project:

Cost of repairs	\$20,000	City of Vineland – Loan	\$21,000
Closing Costs	<u>1,000</u>		
Total	\$21,000		

2. **Collateral:** a.) Third position mortgage lien on the real estate located at 2192 S. Delsea Drive, Vineland, Cumberland County, New Jersey a/k/a Block 6101, Lot 16,  
 b.) Assignment of rents and leases,  
 c.) UCC -1 filing and Security Agreement on all machinery, equipment, inventory, accounts receivable and all business assets now owned and hereafter acquired (subordinate to BB & T Bank – see #5 below).  
 d.) Subordination of any stockholder and/or affiliated family / trust debt.
3. **Guarantors:** a.) Anthony J. Pepper, Jr.,  
 b.) Robert Pepper,  
 c.) Anthony C. Pepper.
4. **Lien Position:** Third on real estate and subordinate on UCC.
5. **Dollar Amount and Holder of Prior Liens:** BB & T Bank has a 1<sup>st</sup> mortgage - original amount of \$825,000, with a balance \$780,000 +/- . Please note that BB & T Bank has a line of credit note for +/- \$100,000 original amount with a \$95,000 +/- (balance) secured by a 2<sup>nd</sup> mortgage, all accounts receivable, inventory and business assets as well. UEZ will be subordinate on these assets for a line of credit.
6. **Size of Parcel:** +/-1.359 acres.
7. **Improvements Thereon:** The site is comprised of 3 large warehouse buildings, one with an attached retail store facing Delsea Drive.
8. **Location of Property:** 2192 S. Delsea Drive, Vineland, Cumberland County, New Jersey a/k/a Block 6101, Lot 16.
9. **Appraisal Information:** An appraisal performed by a bank as of March 2013 demonstrates a value of \$1,600,000. The City of Vineland has the property assessed at \$1,009,700 (land at \$368,800 and improvements at \$640,900).

BB& T Bank 1 <sup>st</sup> mortgage	\$780,000 (balance outstanding)
BB& T Bank 2 <sup>nd</sup> mortgage	100,000 (assume all outstanding)
Proposed UEZ Loan	<u>21,000</u>
Total	\$901,000
Appraised Value of real estate	\$1,600,000
Assessed Value of real estate	\$1,009,700
LTV based on appraisal	57%
LTV based on assessed value	89%

For purposes of this analysis, the LTV is 89%.

10. **Legal and Environmental:** No legal or environmental issues demonstrated or documented.

**11. Financial:**

**12. Substantiation:** LTV = 89%, DSCR = 1.28x.

- Assist local, long-time UEZ certified business with a loan for unforeseen repairs.
- Maintain jobs / employment at 22 full time and increases seasonally to 30 (8 part time) during the summer (mid April to end of September).

**13. Recommendation:**