

RESOLUTION NO. 2018- 311

**A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO 525 EAST ELMER, LLC.**

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated July 24, 2018, for use of Second Generation Enterprise Zone Assistance Funds for the following project: **Economic Development Loan to 525 East Elmer, 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:

<b>Economic Development Loan to</b>	
<b>525 East Elmer, LLC</b>	<b>\$52,500.00</b>

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 Dept.  
www.vinelandcity.org

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MEMORANDUM

TO: City Council President and Members

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

SUBJECT: **Applicant:** 525 East Elmer, LLC  
**Loan Amount:** \$52,500.00

DATE: July 24, 2018


Dear Council President Spinelli, Councilmen Acosta, Franceschini, Vargas, and Councilwoman Calakos:

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:** July 2, 2018

**Borrower Name and Address (s):** 525 East Elmer, LLC  
c/o George Castellini  
525 E. Elmer Street  
Vineland, NJ 08360

**Request:** \$52,500 commercial real estate loan for the purchase of an 6,000 sq. ft. downtown building.

**Interest Rate:** 5.00%

**Term of Loan:** 20 Years

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**1. BACKGROUND:** George Castellini is a long term employee of Biondi Insurance Agency, Inc. That business was owned for many years by founder William Biondi, who passed away in September 2014. The business passed to his wife, Sharon Biondi. Sharon passed away in August 2017. Prior to his death William Biondi had semi-retired, and George Castellini was running the daily operations of the business. After William's death George assumed all management duties. The Estate of Sharon Biondi has agreed to sell the business and the real estate to George Castellini in two separate transactions: the first transaction, Biondi Insurance Agency, Inc. (the operating entity) is being purchased for \$490,000. This transaction is being financed by the seller (terms are 100% financing at an interest rate of 5% fixed for ten years). The second part of the transaction is the purchase of the business real estate located at 525 Elmer Street in Vineland, NJ which is being purchased for \$175,000. That transaction is the subject of this proposal. The property was owned personally. George Castellini has formed a single purpose LLC to acquire the property. The property will be leased to Biondi Insurance Agency, Inc. on a triple net basis. No rental amount has been determined, but presumably rental payments will be designed to cover debt service.

George Castellini has had a full career with Biondi Insurance and has been the sole manager of the company for at least three years. He has demonstrated the ability to properly direct the affairs of the business. He is assisted by a team of professionals, many of whom have worked at this enterprise for years. George Castellini has formed an limited liability company to own the real estate located at 525 E. Elmer Street, Vineland, NJ known as 525 East Elmer, LLC.

**1a. PROJECT:** The project involves the purchase of a 6,000 sq. ft. building in downtown Vineland.

<u>Uses/Costs</u>		<u>Sources/Funding</u>	
Acquisition of building	\$ 175,000	Borrower	\$ 22,500
Closing Costs	5,000	Century Savings Bank	105,000
Total Project	\$ 180,000	<u>Vineland UEZ</u>	<u>52,500</u>
		Total Sources	\$ 180,000

**2. COLLATERAL:**

- a.) Second position mortgage lien on the real estate located at 525 E. Elmer Street, Vineland, Cumberland County, New Jersey a/k/a Block 4008, Lot 7,
- b.) Assignment of Rents and Leases,
- c.) UCC – 1 filing and Security Agreement (Cumberland County Filing) on all business assets of the borrower, 525 East Elmer, LLC.
- d.) UCC – 1 filing and Security Agreement (State of NJ Filing) on all business assets of the guarantor, Biondi Insurance Agency, Inc.

**3. GUARANTORS:**

- a.) Corporate Guaranty of Biondi Insurance Agency, Inc.,
- b.) Personal Guaranty of George Castellini.

**4. LIEN POSITION:** Second.

**5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS:** Century Savings Bank, \$105,000.00.

**6. SIZE OF PARCEL:** 55' x 150'

**7. IMPROVEMENTS THEREON:** 6,000 sq. ft. building comprised of 4,500 sq. ft. of office and 1,450 sq. ft. of lite manufacturing-upholstery repair shop.

**8. LOCATION OF PROPERTY:** 525 E. Elmer Street, Vineland, Cumberland County, New Jersey a/k/a Block 4008, Lot 7.

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

Land	\$ 96,300
Improvements	<u>340,000</u>
Total	\$436,900.

The primary lender/bank has not required an appraisal. The Borrower has requested consideration to utilize assessed value for valuation purposes. Unfortunately, the assessed value does not appear to adequately represent comparable sale values in the area. As such, the following is offered up as a conservative approach to address valuation to be utilized to arrive at loan to value:

If one utilizes a value of \$32.00 per sq. ft. on 4,500 sq. ft. of office, this translates to =	\$144,000*
If one utilizes a value of \$22.00 per sq. ft. on 1,500 sq. ft. of lite manufacturing space =	<u>33,000*</u>
	Value <u>\$177,000*</u>
	Purchase Price <u>\$175,000</u>

<u>Loans</u>	
Century Savings Bank	105,000
Vineland UEZ	<u>52,500</u>
Total Loans	\$ 157,500

LTV based on loans to purchase price is \$157,500 / \$175,000 = 90%

\*sq. ft. figures based on relatively recent or latest transactions occurring in downtown area over past 2 years.

**10. FINANCIAL:**

**11. SUBSTANTIATION:** DSCR = 1.20x , LTV = 90%

- Assist local business person with purchase of facility for conducting business.
- Long time business remains downtown location.
- Maintain existing employees.

**12. RECOMMENDATION:**