

RESOLUTION NO. 2018- 352

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO ABRUZZO RISTORANTE, LLC.

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated August 28, 2018, for use of Second Generation Enterprise Zone Assistance Funds for the following project: Economic Development Loan to Abruzzo Ristorante, 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:

Abruzzo Ristorante, LLC

\$3,000,000.00

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute all documents associated with this loan.

Adopted:

ATTEST:

President of Council

City Clerk



Economic Development Dept.
www.vinelandcity.org

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Phone: (856) 794-4100
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MEMORANDUM

TO: City Council President and Members

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

SUBJECT: **Applicant:** Abruzzo Ristorante, LLC
Loan Amount: \$3,000,000.00

DATE: August 28, 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

cc: file



Special arrangements for persons with disabilities may be made if requested in advance by contacting the Business Administrator's office at 856-794-4144.

Revised 9-6-18

VINELAND UEZ LOAN COMMITTEE
LOAN PROPOSAL

Date: August 28, 2018

Borrower Name and Address (s): **Abruzzo Ristorante, LLC**
1300 Wheaton Ave., Millville, NJ. 08332

Ana De Santis
Regina Porat

Request: \$3,000,000

Interest Rate: 3% Term of Loan: 30 year amortization, 10 year balloon

1. BACKGROUND: The Landis Theater was part of the East Gateway redevelopment project in 2008. The plan called for the redevelopment of all four corners of East Avenue and Landis Avenue. Unfortunately, due to circumstances outside the City's control, only the Landis Theater was developed, and opened in 2010. The project was plagued with problems right from the start. The community was divided on the redevelopment of the theater and it became a campaign issue for the next municipal election. A different administration came into power and City support for the theater was tepid at best. The Landis Theater Foundation (LTF) was producing the shows and lost a great deal of money in the process. The restaurant also turned over several times. In 2012, the LTF leased the theater to Appel Farms. However, they struggled also to sustain the theater on ticket sales. They requested a grant from the City for 3 years, reducing the assistance each year. At that time there was another new administration that did not want wish to support the theater in any manner. Both the theater and restaurant went dark in 2013 and remained dark until the Vineland Development Corp. (VDC) decided to enter into a management agreement with the LTF in 2015. The VDC paid all the operating costs and the Office of Economic Development provided manpower, which included but not limited to rentals of the theater and banquet hall, running the box office, maintenance and repairs, and managing the Landis Theater Foundation.

The LTF entered into a lease for the restaurant in November 2016. The restaurant did well for the first 6 months, but the operator lost his job, and had a falling out with his family whom had been previously managing the restaurant and banquet hall. Things went downhill from the lease was terminated in March 2018 due to failure to pay rent.

The financing of the Landis Theater utilized a loan from the UEZ, CEZ, New Market Tax Credits, and Historic Tax Credits. The UEZ loaned \$3,000,000 to U.S. Bank to leverage New Market Tax Credits, the UEZ also gave the LTF a Restaurant Row loan in the amount of \$800,000, of which 25% was forgivable, and a façade grant of \$500,000. It is important to note that the UEZ was taking in close to \$10,000,000 per year in first and second generation funds and had the ability to do these risky projects. The CEZ also provided a loan of \$750,000 to U.S. Bank in order to leverage the New Market Tax Credits. The UEZ loan for \$3.0 million was payable based on cash flows and has been written off the UEZ books. The LTF is now defunct and has no ability to pay back any loans.

The financing structure was a 7-year structure and collapsed in December 2016. As a result of the collapse, the LTF became the owner of the building and the debt that came with the building. In 2017, the LTF turned over the building to the VDC. The VDC has expanded a net to date of over \$300,000 in maintaining the Landis Theater. This continues to grow every year and is depleting the VDC of resources. In 2018, the VDC entered into a management contract with Tofanelli and Associates to help manage the theater since it was becoming too time consuming for the Office of Economic Development

and to assist in booking more acts for the theater. The contract was funded by a grant from the UEEZ to the VDC. Although their assistance has been helpful, there is only one show booked in the fall and the theater remains a drain on the VDC and the vUEZ.

The Mayor and Office of Economic Development was approached by the attorney of a gentleman from Brooklyn, NY, who had recently purchased the closed Gerresheimer building in Millville. His family was from Italy and they wished to open an Italian restaurant in the area. They were shown the restaurant in the Mori Building of the Landis Theater but believed in order to make it successful they would have to invest a great deal of money to make it a first class Italian restaurant. They were unwilling to invest any money unless they owned the building. Due to the fact that it was attached to the theater, it was only possible if he purchased the entire facility. He brought people in the entertainment industry down from New York, and made a decision to purchase the building if the UEZ would finance the renovations, and the VDC would hold paper on the acquisition due to the fact that he just paid cash for the Gerresheimer building and was paying cash for all the renovations to that building. He is willing to give the UEZ a first position mortgage on this building as well as an assignment of rents and leases.

Although it is not an ideal situation of putting more UEZ funds into the Landis Theater, it must be analyzed from the point of how much money it is costing the UEZ and VDC in both funding and manpower from the Office of Economic Development and the likelihood of any other buyers coming along for the building that are willing to make the restaurant a first class Italian restaurant and have people from New York manage the theater. The loan will not only be secured by a first position mortgage on the Landis Theater, but also with a first position mortgage on the Gerresheimer facility in Millville and the Assignment of Rents and Leases.

1d. PROJECT: Project involves the acquisition and renovations to the interior and exterior of the Mori Building and the Theater. The acquisition also includes the parking lot that was part of the 818 Landis Avenue redevelopment project. Rather than the City purchasing the lot and utilizing as a public parking lot, it will be acquired by the applicant to be part of the Landis Theater and Restaurant. The project also includes all new equipment for the restaurant and a brick oven pizza from Italy. The acquisition also includes the sale of the liquor license owned by the Landis Theater Foundation.

	<u>Total Project Costs</u>	<u>Sources of Funds</u>
Parking Lot	\$ 250,000	UEZ (already approved to City)
Building	\$ 875,000	VDC
Liquor license	\$ 125,000	Abruzzo Ristorante, LLC
Professional Fees	\$ 250,000	Abruzzo Ristorante, LLC
Building Renovations	\$2,500,000	UEZ
Equipment	\$ 515,000	UEZ/Abruzzo Ristorante
Inventory	<u>\$ 100,000</u>	Abruzzo Ristorante
	<u>\$4,615,000</u>	

2. COLLATERAL:

- a.) First position mortgage on the real estate located at 830 E. Landis Avenue, Vineland, NJ
- b.) First position mortgage on the real estate located at 1300 Wheaton Avenue, Millville, NJ
- c.) Assignment of Rents and Leases for 13000 Wheaton Avenue
- d.) UCC – 1 filing on all assets of Borrower – Abruzzo Ristorante, LLC

3. GUARANTORS:

- a.) Ana De Santis
- b.) Regina Porat

- c.) Anthony De Santis
- d.) Gary Porat

9. APPRAISAL INFORMATION:

Landis Theater Assessment - \$1,750,000
1300 Wheaton Avenue - \$ 7,000,000 (350,000 sq. ft.)

11. SUBSTANTIATION:

DSCR is 1.31 with current leases for 1300 Wheaton Avenue and will increase to 2.33 when option is signed. Not included in this calculation was income from the restaurant and Landis Theater.

Total Value on real estate and not including equipment

Landis Theater	\$ 875,000 (Assessed for \$1,750,000)
1300 Wheaton Avenue	\$7,000,000 (340,000 sq. ft. @ \$20, current leases are 30% of square footage totaling \$556,000)

Total Loans = \$3,000,000 UEZ
875,000 VDC

$LTV = \$3,875,000 / \$7,875,000 = 49\%$