

RESOLUTION NO. 2018- 426

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO SOUTH JERSEY PAINT AND GLASS CO.

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated October 23, 2018, for use of Second Generation Enterprise Zone Assistance Funds for the following project: Economic Development Loan to South Jersey Paint and Glass Co.; 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:

South Jersey Paint and Glass Co.	\$2,160,000.00
----------------------------------	----------------

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



ECONOMIC DEVELOPMENT
www.vinelandcity.org

640 E. Wood Street
PO Box 1508
Vineland, NJ 08362-1508
Phone: (856) 794-4100
Fax: (856) 405-0467

MEMORANDUM



TO: City Council President and Members

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

SUBJECT: **Applicant:** South Jersey Paint and Glass Co.
Loan Amount: \$2,160,000.00

DATE: October 23, 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



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

**VINELAND UEZ LOAN COMMITTEE
LOAN PROPOSAL**

Date: 10/04/2018

Borrower Name and Address (s): South Jersey Paint and Glass Co.
P.O. Box 157
Vineland, NJ 08362

Request: up to \$2,160,000 commercial real estate mortgage – permanent financing for a 70,000 sq. ft. facility to house the business operation and warehouse for South Jersey Paint and Glass Co.

Interest Rate: 5.50%

Term of Loan: 20 Years.

1. BACKGROUND: South Jersey Paint and Glass Co. (the “Company” or “SJG&D” or “South Jersey Glass”), founded in 1927, was originally located at 8th Street and Landis Avenue in downtown Vineland, New Jersey. The business then moved to the corner of Third Street and Landis Avenue (Vineland) in 1951 and remained at that location for more than 50 years. During its early years, SJG&D focused primarily on paint and glass sales. D/B/A South Jersey Glass & Door (“SJG&D”) provides quality glass and door products and services for commercial, industrial, and residential buildings and projects in Southern New Jersey.

Through the years, the business grew to include an expanded range of products and services including auto glass, commercial and residential glass, architectural aluminum, wood and steel doors, and hardware. In 1996, a second warehouse location was added on Route 47 (Delsea Drive) in Glassboro, NJ, to better service the Gloucester, Camden and Burlington County areas.

In 2008, South Jersey Glass & Door moved its main facility on Landis Avenue to a new 20,000 square foot facility located at the corner of Sherman Avenue (Rte. 552) and Southwest Boulevard in Vineland. After about 4 years, the company was near capacity again and the company has been renting additional warehouse space over the last number of years. This includes 2 warehouses in Vineland, one rented from owner Joe and his wife Jill Mufalli, and the other (which holds the door division) rented from a 3rd party. The company owns their main Vineland warehouse at 2732 S.W. Boulevard (subject to a \$834M mortgage, which we are proposing to refinance) and the Glassboro warehouse location at 132 S. Delsea Drive (no mortgage). The company recently acquired 2 retail businesses in Ocean City and Wildwood (at the end of 2017 – early 2018) to expand their geographic reach and customer base. The real estate was not part of the acquisitions and the buildings are rented from 3rd parties. In addition to the retail space, there is office space, and a warehouse in the back used to store materials for install work. In the warehouses, they also do light fabrication for customers at these locations. There was also a recent acquisition (11/17) of a hardware business (Walter’s Supply) in Vineland, which was incorporated into their existing door division.

SJG&D is an S-corp., and is 100% owned by Joseph Mufalli (68 years of age), who has run the company for 47 years. Ownership was previously shared with partner, Francis Marrongelli, however, Mr. Marrongelli was bought out in 2017. The Company is a family-run business with Joseph’s daughter, Jodi Trivellini, managing operations since 1998 (20 years), after she graduated from Saint Joseph’s University. Jodi has been the operations and administrative manager of all aspects under her father for many years, as the business has grown, and Joe (her father) has taken a chief executive officer role, focusing more on new business and company direction, while still providing guidance from his years of experience in business and with customers. Joseph’s son, Matt Mufalli, is the “numbers guy”, focusing on estimating and finances. Matt joined the company approximately 5 years ago. Prior to this, Matt graduated from University of Pennsylvania in 2003, and spent 10 years working on the West Coast in music publishing. Since Matt’s joining the company, sales have more than doubled. The company now employs over 100 people. Mr. Joe Mufalli plans to transition ownership gradually to his children, Jodi Trivellini and Matt Mufalli.

1a. COMPETITION: Locally, the company competes with Millville Glass and Hammonton Glass on the installation side. However, both aforementioned companies are B2B customers of SJG&D for materials, supplies etc. On prevailing wage jobs, SJG&D (a non-union shop will pay prevailing wage) competes with a Hammonton company known as Center Metal Fabricators. Outside of the region, SJG&D competes with Malvern Glass in Pennsylvania and Normans Glass in Burlington County. SJG&D believes it is the largest non-union glass and fabricator of glass products south of Princeton, NJ.

1b. BUSINESS CYCLE / INDUSTRY AND MARKET ANALYSIS / INDUSTRY OUTLOOK:

The company falls under the Glass & Glass Product Manufacturers industry. Sales for the US glass and glass product manufacturers are forecast to grow at a 2.62% compounded annual rate from 2016 to 2022. The glass manufacturing industry is mature. The market is largely based on population growth and demand for food, housing, and transportation. Glass manufacturers tend to supply a geographical market, so new competition from other glass manufacturers or substitutes, such as plastic and metal products, can significantly reduce market share. While glass can largely be considered a commodity product, South Jersey Paint and Glass Co. has their niche in glass-related products, such as windows, doors and glass structural panels, and has a long, successful history of installing and servicing such products. This could allow them to grow faster than these industry averages.

Relevant Quarterly Insights – Industry Data

Glass and glass products manufacturers are raising prices for their products. Overall, glass prices increased 3.5% in the first half of 2018 compared to a year earlier. By category, prices rose 2.4% for flat glass, 6.4% for pressed and blown glassware, and 1.4% for glass containers. Raising prices helps manufacturers pass higher raw material and labor costs to customers and protect or grow profit margins. Construction spending is an indicator of demand for glass-related products such as windows, doors, and glass structural panels in buildings. Construction spending reached an all-time high in 2017, without December spending figures included. Spending reached \$1.26 trillion in the first 11 months of the year. Construction industry observers anticipate a slowdown in office, hotel, and commercial construction in 2018, which could put downward pressure on demand for flat glass used in construction.

1c. PROJECT: Due to growth, the company plans to construct a new building at 3278 S.W. Boulevard, Vineland, NJ, estimated to have maximum of \$8,000,000 in project costs. The first phase of the project is a 70,000 sq. ft. commercial facility with 128 parking spaces. Subject to verification of project costs.

	<u>Costs</u>	<u>Funding Sources</u>
Land	\$ 438,000	BB & T Bank \$ 5,040,000
Site Work	1,200,000	Vineland UEZ 2,160,000
Building Shell and Fit Out	5,225,000	Borrower <u>800,000</u>
Materials	300,000	\$8,000,000
Soft Costs	357,000	
Contingency	<u>480,000</u>	
Total	\$ 8,000,000	

Soft costs include \$257,000 for architect; \$50,000 for engineer; \$53,000 in demolition; \$9,000 for permits.

2. COLLATERAL:

- a.) Second position mortgage lien on the real estate located at 3278 S. West Boulevard, Vineland, Cumberland County, New Jersey, a/k/a Block 7004, Lot 10 (an all-inclusive deed may be recorded combining the property referenced in letter c.), - subject to letter of credit lien for BB&T (temporary),
- b.) Assignment of rents and leases on the property referenced in a.),
- c.) Second position mortgage lien on the real estate located at S. West Boulevard, Vineland, Cumberland County, New Jersey, a/k/a Block 7004, Lot 9 (an all-inclusive deed may be recorded combining the property referenced in letter a.), - subject to letter of credit lien for BB&T (temporary),
- d.) Assignment of rents and leases on the property referenced in c.),
- e.) UCC-1 and Security Agreement (State and County filings) on Borrower’s business assets, intangible or tangible, now owned or hereafter acquires (subordinate to BB & T line of credit),

3. GUARANTORS:

- a.) Personal Guaranty of Joseph C. Mufalli,
- b.) Mr. Mufalli will begin gifting ownership interest next year to his children. As the ownership of each child reaches 20%, it is recommended that they also provide personal guaranty's. Attorney's input will be required on this.

4. LIEN POSITION: 2nd on the subject property. Please note that BB & T will be in second position for as long as the letter of credit is outstanding. An amount has not been calculated as of this date but it is anticipated at \$100,000 or less.

5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS: BB & T will provide the construction financing, letter of credit and permanent financing.

6. SIZE OF PARCEL:

- a.) 3278 S. West Boulevard, Vineland, Cumberland County, New Jersey, a/k/a Block 7004, Lot 10:

16.60 acres.

- b.) S. West Boulevard, Vineland, Cumberland County, New Jersey, a/k/a Block 7004, Lot 9:

9.57 acres.

7. IMPROVEMENTS THEREON: SJG&D will construct a 70,000 sq. ft. commercial as phase 1. Site plan was approved by City of Vineland on August 15, 2018. Currently there exists vacant ground. Construction is anticipated to begin in November 2018.

8. LOCATION OF PROPERTY:

- a.) 3278 S. West Boulevard, Vineland, Cumberland County, New Jersey, a/k/a Block 7004, Lot 10,
&
- b.) S. West Boulevard, Vineland, Cumberland County, New Jersey, a/k/a Block 7004, Lot 9.

9. APPRAISAL INFORMATION: An appraisal will be ordered by BB & T and shared with the Vineland UEZ. An LTV of 90% will be required.

10. FINANCIAL:

11. SUBSTANTIATION: DSCR = 1.08x, LTV = 90%

- Company employs 90 full time and anticipates hiring an additional 15 full time employees. – Creation of 15 jobs.
- New real estate tax ratable.
- Additional revenues for the municipal electric and water utility.
- Potential catalyst for additional industrial development along S. West Boulevard.

12. RECOMMENDATION: