

RESOLUTION NO. 2019- 288

A RESOLUTION APPROVING THE USE OF SECOND GENERATION ENTERPRISE ZONE ASSISTANCE FUNDS FOR ECONOMIC DEVELOPMENT LOAN TO SOUTH JERSEY FILM ALLIANCE, LLC (OR ITS ASSIGNS).

WHEREAS, the City of Vineland Revolving Loan Fund Second Generation Loan Committee has submitted a proposal dated June 25, 2019, for use of Second Generation Enterprise Zone Assistance Funds for the following project: Economic Development Loan to South Jersey Film Alliance, LLC (or is 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:

South Jersey Film Alliance, LLC (or its assigns) \$500,000.00

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
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MEMORANDUM



TO: City Council President and Members

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

SUBJECT: **Applicant:** South Jersey Film Alliance, LLC
Loan Amount: \$500,000.00

DATE: June 25, 2019

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

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: June 25, 2019

Borrower Name and Address (s): **South Jersey Film Alliance, LLC**
725 Kenilworth Avenue
Cherry Hill, NJ 08002

Ray Mamrak

Request: \$500,000

Interest Rate: 5.5% **Term of Loan:** 15 years

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 UEZ to the VDC. Although their assistance has been helpful, the theater is not being fully managed and the theater remains a drain on the VDC and the UEZ.

The UEZ previously approved a \$3.0 million renovation loan to a gentleman from Brooklyn, NY and his partner, under the name Abruzzo Ristorante, 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. Their interest was the restaurant and they hesitated to take over operations of the theater. They were going to purchase the facility for \$900,000. The deal ultimately fell through; however, one of the people that the previous potential buyer showed the theater to as a potential tenant still had an interest in the theater. When the deal fell through, he approached the City with an investor to purchase the property and liquor license. He is involved in the film industry and is working with the State on film tax credits for South Jersey. The operating company is South Jersey Film Alliance (SJFA).

The principal owner of South Jersey Film Alliance, Ray Mamrak, has a background in the theater industry. He believes that the Landis Theater is an historic landmark and due to mismanagement, lack of knowledge of the workings of a Theater, and a foggy vision of "what could be", the theater has struggled since it reopened. He believes that South Jersey Film Alliance has a clear view of what is possible in this location and what a properly operated venue could do for the City of Vineland. His plans for the theater include roof repairs, updated lighting, control board, sound system, and general equipment which will allow SJFA to bring quality theatrical productions to the Landis Theater. There will be a focus on off Broadway productions, as well as programming for children, community theater and partnered school groups. The purchase of a new projector and screen will provide SJFA the ability to show feature films as well. SJFA has hired a theater manager, with years of experience at the Broadway Theater of Pitman, to oversee daily operations at the Landis

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 theater everything that was originally intended.

1d. PROJECT: The original intent of SJFA was to purchase the building for \$900,000 cash. However, due to the failings of previous operators, the administration believes the better course of action is to put the \$900,000 into an escrow account for two years and charge \$10,000 per month rent which will be deducted from the escrow account and will be applied toward the purchase price. The renovation loan of \$500,000 will also be collateralized by the escrow account. At the end of two years, if SJFA is current on its loan payments and the theater is operating to satisfaction, ownership will be transferred to SJFA, and the loan will be collateralized with a first position lien on the theater.

	<u>Total Project Costs</u>
<u>Building Repairs</u>	
Roof repair	\$34,000
Water damage repairs.	\$10,000
Total Building Repairs.	\$44,000
<u>Films</u>	
Projector	\$90,000
Screen	\$75,000
Sound System.	\$50,000
Installation.	\$50,000
Total Films.	\$265,000

<u>Live Productions</u>	
Lighting System.	\$100,000
Sound System (microphones, speakers).	\$58,000
Installation.	<u>\$50,000</u>
Total Live Productions.	\$208,000
Grand Total.	\$517,000
UEZ Funding	\$500,000
Insurance Funds Received	\$ 17,000

2. COLLATERAL:

- a.) Pledge of \$900,000 escrow agreement
- b.) UCC -1 filing on all assets of Borrower – South Jersey Film Alliance
- c.) After two years if SJFA is current on their loan and the theater is operating to satisfaction, the loan will be secured by a first mortgage on the Landis Theater.

3. GUARANTORS:

- a.) Ray Mamrak

4. APPRAISAL INFORMATION: N/A