

RESOLUTION NO. 2023- 58

A RESOLUTION APPROVING VINELAND REVOLVING
LOAN FUNDS FOR REALTY X, LLC (OR ASSIGNS).

WHEREAS, the Vineland Revolving Loan Fund, LLC Committee has submitted a proposal dated January 24, 2023, for use of Vineland Revolving Loan funds for Realty X, LLC (or assigns); and

WHEREAS, it is considered to be in the best interest of the City of Vineland and the community in particular that Vineland Revolving 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 Vineland Revolving Loan Funds for the following project, in accordance with the proposal submitted by the Vineland Revolving Loan Fund, LLC Committee:

To: Realty X, LLC (or assigns) \$1,040,000.00

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

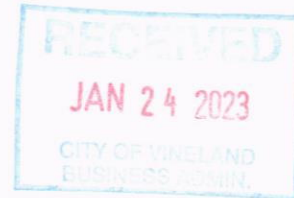
MEMORANDUM

TO: City Council President and Members

FROM: Vineland Revolving Loan Fund, LLC

SUBJECT: **Applicant:** RealtyX, LLC
Loan Amount: \$1,040,000.00

DATE: January 24, 2023



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

On behalf of the Vineland Revolving Loan Fund Committee, please accept this letter recommending a commitment be given to the above applicant for a Vineland Revolving Loan Fund, LLC 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 Zones. The Committee further finds that the loan will promote economic development, creation/retention of jobs, and/or tax ratable(s) that will benefit the City of Vineland.

Further, please note that 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 REVOLVING LOAN FUND, LLC
LOAN PROPOSAL**

Date: November 15, 2022

Borrower Name and Address: **Loan #1:**
RealtyX LLC
141 Sheridan Avenue
Vineland, NJ 08360

Borrower Name and Address: **Loan #2:**
Spectra Polymers & Color Specialties, Inc.
141 Sheridan Avenue
Vineland, NJ 08360

Request – Loan #1: \$1,040,000 commercial term loan - \$840,000 for loan restructure, and \$200,000 for infrastructure improvements to a property which houses a +-27,000 sq. ft. manufacturing/warehouse building. Structured as a 6 month interest only with infrastructure improvement funds being disbursed as draws.

Request – Loan #2: \$ 200,000 commercial term loan for equipment acquisition.

Interest Rate Loan #1: 5.00%, fixed.	Term of Loan #1: 20 Years.
Interest Rate Loan #2: 5.00%, fixed.	Term of Loan #2: 10 Years.

1. BACKGROUND: Ewerton Borges is the president and 100% owner of Spectra Polymers & Colors, Inc. ("Spectra"), a manufacturer of plastic products. Mr. Borges is also the sole owner and managing member of RealtyX, LLC, a real estate holding company which owns the real estate and manufacturing facility located at 141 Sheridan Avenue, Vineland, NJ. Spectra operates and warehouses its products from within this facility.

Twenty years ago, Ewerton Borges was hired to sweep the floor at a Farmingdale, NY business. Over the years he worked his way up to the position of plant manager at the business and then also managed plants in several states. Originally founded in 1983 originally, Spectra Polymers and Color Specialties Inc., is a full Express Color House Service with molding capabilities. Products and services include 3D Printer, Filaments, Color Matching, Color Concentrate, Color Compounds, Specialty Colors & Additives, Salt & Pepper Blends, Molding Capabilities.

Mr. Borges bought Spectra in 2017 with \$60,000 of his own money and over \$700,000 in financing from the previous owner. The original purchase included the company's customer base and assets, and included a library of 35,000 color variations. Mr. Borges stabilized the business and brought back several inactive customers. The company currently has about 85 active customers. Since he purchased Spectra, he has stabilized the client base and brought back inactive customers, including some international customers. He reestablished accounts in Poland and Mexico. He is working with a technology company that provides chips to casino companies with additives that help prevent counterfeit versions. The previous Spectra largely focused on color plastics for cosmetics display. Mr. Borges moved the manufacturing operations to Vineland, NJ earlier in 2022 after purchasing a +-25,000 sq. ft. building from the Vineland Development Corporation. As a result of the move, the facility requires several upgrades to various utility functions including electric, sewer, and natural gas. In addition, Mr. Borges wants to further add additional equipment, as well as updated and automate the production equipment to make it more efficient. Currently, the facility is equipped with a Single and Twin extruders, high intensity mixer(s) as well a fully equipped laboratory featured molding machines, precision scales, light box, spectrophotometric equipment, and properties test equipment. Spectra specializes in transforming raw plastics from white and transparent form, producing colors and additives

1. BACKGROUND (CONTINUED):

through extrusion and blending process, supporting most Industries which fulfill plastic parts for various applications such, cosmetics, toys, automotive, technology, house hold, etc.

Many of Spectra's customers (injection molders) do their work for large cosmetic and toy companies (Revlon, Crayola, shampoo manufacturers, cosmetic companies, POS displays). All of the large entities have social messages in their mission with the mandates and promise to convert a percentage of their packaging to be produced from recycled materials by 2035. Environment, social and governance or "ESG" is a popular message circulating in the mainstream of company cultures and missions. Spectra is preparing for this and expanding so that it could be part of solution. Spectra is at the center of the re-use/re-purpose circular economy in plastics which is the effort to keep plastics out of the landfills. Spectra is set up to take in repurposed plastic (think cosmetic displays in CVS) and utilize its expertise in adding color and such to restore the plastic to its original state or re-use. They are quickly becoming a leader in this field.

While moving the manufacturing equipment and operations to Vineland, it was discovered that the facility required utility upgrades and utility connections. A portion of the requested VRLF loan funds will be utilized to make upgrades to the facility which will assist in the manufacturing process and reduce manufacturing costs ultimately leading to lower COGS in the future. A separate portion of the funds will be utilized to restructure a variable rate loan with an SBA Lender which has a variable interest rate, currently in the 8% range and variable, which was used to acquire the facility. Fixing the interest rate will allow the company to budget cash, assist with cash flow and maintain its expansion plans. New equipment will also be purchased which will lead to efficiencies and the handling of increased material. A portion of the equipment acquisition will be funded by the NJEDA's NJMVP or New Jersey Manufacturing Voucher Program. It is important to note that Mr. Borges and Spectra utilized approximately \$700,000 of cash resources between company and personal resources to effectuate the move.

1a. PROJECT: The financing of improvements to a manufacturing facility and manufacturing equip-upgrades as well as restructure of acquisition debt which has a variable rate. Note that RealtyX, LLC purchased the facility from Vineland Development Corp. in 2022 without seller or UEZ financing. It financed the acquisition with an SBA Loan / Lender which carries an adjustable rate and the repricing is higher.

<u>Project Cost</u>		<u>Funding Sources</u>	
Electric upgrade	\$ 25,000	Loan #1 VRLF	\$1,040,000
Sewer connection	60,000	Loan #2 VRLF	200,000
Natural Gas connection	75,000	NJEDA-MVP	200,000 (Grant)
Heaters	40,000	Borrower	20,000
Restructure Debt	840,000	Total	\$1,460,000
Manuf. Equip/upgrades	400,000		
Closing Costs	20,000		
Total \$1,460,000			

2. COLLATERAL:

- a.) First position mortgage lien in the amount of \$1,040,000 on the real property located at 141 Sheridan Avenue, Vineland, Cumberland County, NJ a/k/a Block 7110, Lot 1,
- b.) Second position mortgage lien in the amount of \$200,000 on the real property located at 141 Sheridan Avenue, Vineland, Cumberland County, NJ a/k/a Block 7110 Lot 1 (subordinate to an 1st position mortgage / subordinate to proposed \$1,040,000 First position mortgage lien of the VRLF in the amount of \$1,040,000),
- b.) Assignment of Rents and Leases,
- c.) UCC-1 and Security Agreement State and County filing on the Borrower and Guarantor,
- d.) Cross Collateral / Cross Guaranty,
- e.) Hypothecation Agreement(s) by the Borrower and Guarantor pledging the respective assets as collateral as necessary,
- f.) Assignment of Life Insurance on Ewerton Borges in the amount of \$250,000.00.
- e.) Subordination of Stockholder and affiliated debt.

3. GUARANTORS:

- a.) Personal Guaranty of Ewerton Borges,
- b.) Cross Guaranty of the two business entities, RealtyX, LLC and Spectra Polymers & Color Specialties, Inc.

4. LIEN POSITION: Second.

5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS: Harvest Small Business Finance, LLC. on RealtyX, LLC (original amount of \$807,500) and several financial institutions have loans/debt on machinery and equipment.

6. SIZE OF PARCEL: +-16.92 acres.

7. IMPROVEMENTS THEREON: +-27,000 sq. ft. masonry and metal building.

8. LOCATION OF PROPERTY: 141 Sheridan Avenue, Vineland, Cumberland County, NJ a/k/a Block 7110, Lot 1.

9. APPRAISAL INFORMATION: The City of Vineland has the property located at 141 Sheridan Avenue, Vineland, NJ assessed for \$900,000 (land at \$260,300 and improvements at \$639,700). An appraisal ordered by the SBA Lender last year demonstrated a value of \$1,330,000 prior to any improvements/modifications. Since acquisition, Mr. Borges has made improvements to the interior of the site, setting up offices and manufacturing area. These improvements and modifications most likely added some value. In addition, assuming the proposed improvements add no value to the building (this writer believes that these specific improvements will definitely add value - possibly dollar-for-dollar value). However, for purposes of utilizing the existing appraised value of \$1,330,000, the LTV for the real estate loan will be 78%. The LTV increases to 93% when including the combined real estate and equipment loans. However, adjusting the value upward by the improvements to \$1,530,000 (including the proposed improvements / modification), the combined LTV would be 81%.

10. FINANCIAL:

11. SUBSTANTIATION: DSCR = 2.24x (projected), LTV = 81%

- Company anticipates hiring up to 5 additional employees as it grows.
- New industry for Vineland.
- Property has the potential to attract ancillary manufacturing. Mr. Borges currently working to start or bring in company which could assist in processes.
- Improvements to facility will allow for efficient manufacturing and increased capacity.
- Improvements to facility will enhance property value and provide for future development.

12. RECOMMENDATION: