

RESOLUTION NO. 2023- 270

A RESOLUTION APPROVING VINELAND REVOLVING
LOAN FUNDS FOR LEO INVESTMENT GROUP, LLC (OR
ASSIGNS).

WHEREAS, the Vineland Revolving Loan Fund, LLC Committee has submitted a proposal dated May 23, 2023, for use of Vineland Revolving Loan funds for Leo Investment Group, 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: Leo Investment Group, LLC (or assigns) \$1,250,000.00

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: Vineland Revolving Loan Fund, LLC
SUBJECT: **Applicant:** Leo Investment Group, LLC
Loan Amount: \$1,250,000.00
DATE: May 23, 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: May 8, 2023

Borrower Name and Address (s): Leo Investment Group, LLC
2703 Medina Street
Vineland, NJ 08361

Request: \$1,250,000 commercial term loan (permanent financing) for a family entertainment / bowling center.

Interest Rate: 5.50% **Term of Loan:** 20 Years.

1. BACKGROUND: Leo Investment Group, LLC, the Borrower, is a single purpose real estate holding company, formed on February 17, 2023, for the purpose of owning 3679 S. Delsea Drive, Vineland, NJ (the collateral property) - the site of the former flooring store on S. Delsea Dr. in Vineland, adjacent to Cumberland Mall. The Borrower acquired the property for \$830,000 in March of 2023 utilizing its own resources. The Borrower is 100% owned by Gurpreet Singh. From this location, the customer will be renovating the space to be a family entertainment center under the 810 Billiards & Bowling brand, a franchise. The first 810 Billiards & Bowling location opened in 2015. It began franchising in 2018. It currently has seven locations: four in South Carolina, one in Phoenix, one in Houston, and one in Arkansas.

Leo Entertainment, LLC will be the operating company which will operate 810 Billiards & Bowling. Both entities are solely owned by Gurpreet Singh. 810 Billiards & Bowling offers guests a variety of entertainment amenities including 16 bowling lanes, billiards, arcade games, axe throwing, and golf simulator. In addition, a food menu and full-service bar with craft cocktails and local drafts on tap will be offered. The project received City of Vineland Planning Board approval on April 12, 2023.

Mr. Singh is the Director of Data & Reporting for Comcast Corporation ("Comcast") in Philadelphia. He has worked at Comcast for nearly five years. Previously, he worked at Earnest & Young and several insurance companies. His industry experience in this area exceeds 15 years. Mr. Singh has an MBA from Drexel University and a bachelor's degree from Temple University. His wife, Dr. Harmanjot Kaur, also a personal guarantor for this transaction supporting her husband in the new venture, is an anesthesiologist affiliated with Inspira. She has 14 years of experience and graduated from Ross University School of Medicine in 2009 and performed her residency at Mount Sinai Medical Center. In addition to this new project, Mr. Singh also owns and operates Delsea Liquors LLC. The entity operates two distinct businesses: a liquor store named Toast Wine & Spirits and a restaurant/bar franchise called The Brass Tap. Both entities have dedicated general managers. And Mr. Singh's family/relatives also work in the business. The liquor store has been operating for seven years, the restaurant for four years. The businesses are located at the corner of Delsea Dr. and Sherman Ave. in Vineland, NJ.

1a. PROJECT: The project involves the acquisition of real estate, renovation to real estate, and the acquisition of machinery and equipment to operate a franchised, family entertainment and bowling center.

<u>Uses</u>	<u>Total Cost</u>	<u>Sources – Borrower</u>	<u>Sources – Bank & VRLF (1)</u>
Purchase of building	\$ 830,000	\$ 830,000	\$ -
Purchase of liquor license	90,000	90,000	-
Franchise Fee	50,000	50,000	-
Soft Costs	116,185	74,114	42,071
Fit out / renovation	1,819,500	-	1,819,500
Other / contingency	<u>638,429</u>	<u>-</u>	<u>638,429</u>
Total	\$3,544,114	\$1,044,114	\$2,500,000

(1) \$1,250,000 provided by Century Savings Bank (Century) and \$1,250,000 provided by VRLF on a permanent basis. VRLF to provide Century a guaranty during construction for its involvement.

1b. INDUSTRY / COMPETITION / STRATEGIES / FRANCHISE: Family entertainment centers, or FECs, are miniature indoor or outdoor amusement parks that offer a wide variety of entertainment for all ages. Bowling alleys, arcades, indoor sports, miniature golf courses, are some of the many FECs that have endured for decades. Indoor centers range from 15,000 to 20,000 square feet in size compared with outdoor parks that are as large as 16 acres. Park or center operators that own their properties have a better chance at survival than operators who lease commercial space.

Bowling alleys integrated with arcades, restaurants and music have made a comeback in recent years by expanding entertainment choices, while laser tag centers have dwindled because of unreliability and high maintenance costs. Stand-alone arcades are no longer as popular as they were in the late 20th century since kids with tech gadgets no longer have to go somewhere with a pocket full of quarters to play video games. Skating rinks, which have been around since the 19th century, still attract nearly 11 million skaters per year, according to an American Sports Data survey. IAAPA (International Association of Amusement Parks of America) statistics show that North American families go to FECs three to five times per year at an average cost of \$12 to \$22 per visit per person. Other FECs include playgrounds, go kart rides and batting cages.

FECs usually appeal to the 8 to 14 age group and their parents while certain businesses, such as bowling, command broader demographics. The FEC industry mostly relies on repeat customers. Unless the facility is a nationally known tourist attraction, chances are it targets the regional market and depends on word of mouth reviews by patrons who spread excitement with family and friends. Local media exposure can be gained with promotional partnerships, such as ticket giveaways by radio stations in exchange for free advertising. FEC locations in clean, respected areas help attract residents who live within a convenient driving distance.

Competition: Television, video games, tech gadgets and the Internet all play a part in keeping families happy without leaving the home. High gas prices deter families from entertainment travel and strengthen home entertainment choices. FECs also compete with malls and restaurants even though many of them are actually restaurants, such as pizza parlors that offer a blend of food and entertainment. FECs can gain an edge over competing restaurants by improving food quality and beverage offerings. According to the Courier Post, there has not been an operating bowling alley in Vineland for the past 13 years¹.

The closest bowling alley is outside of Bridgeton (Campani's Legacy Lanes). But this is an older facility without many other amenities. The next closest facility is DiDonato Family Fun Center in Hammonton, which has comparable amenities, followed by Bowlero in Turnersville (1).

1b. INDUSTRY / COMPETITION / STRATEGIES / FRANCHISE:

Strategies: FECs that offer multiple choices for activities usually outperform centers that only offer one choice. Since August is the busiest month for family travel, marketing efforts should include promoting events that celebrate the final month of summer vacation. FECs can improve their revenue by providing a debit card payment system for games. Debit cards with incentives and bonuses lead to consumers hanging on to the cards, which become reminders of the entertainment centers. Cards also speed up transactions on average from 34 seconds to 25 seconds, according to the IAAPA.

Franchise: The first 810 Billiards & Bowling location opened in 2015. It began franchising in 2018. It currently has seven locations: four in South Carolina, one in Phoenix, one in Houston, and one in Arkansas.

2. COLLATERAL:

- a.) Second position mortgage lien on the real estate located at 3679 S. Delsea Drive, Vineland, NJ a/k/a Block 7004, Lot 22,
- b.) Assignment of Rents and Leases,
- c.) UCC – 1 filing and Security Agreement on all business assets of Borrower (subordinate to Century Savings Bank),
- d.) UCC – 1 filing and Security Agreement on all business assets of Guarantor (operating company) (subordinate to Century Savings Bank).
- e.) Perfected security interest in corporate stock or membership units of the entity that owns the Plenary Retail Consumption Liquor License #0614-33-027-013 liquor license (subordinate to Century Savings Bank).
- f.) VRLF, Lender, will provide the primary lender, Century Savings Bank, with a limited and short term guaranty to demonstrate its commitment/involvement to the project funding.
- g.) The franchisor's approval of subject the site is required as part of our request.

3. GUARANTORS:

- a.) Corporate/LLC guaranty of Leo Entertainment, LLC,
- b.) Personal Guaranty of Gurpreet Singh,
- c.) Personal Guaranty of Harmanjot Kaur.

4. LIEN POSITION: Second.

5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS: Century Savings Bank, \$1,250,000.00

6. SIZE OF PARCEL: +/- 2.45 acres.

7. IMPROVEMENTS THEREON: 22,500 sq. ft. masonry/steel building to be renovated and utilized for a family entertainment center and bowling franchised facility.

8. LOCATION OF PROPERTY: 3679 S. Delsea Drive, Vineland, NJ a/k/a Block 7004, Lot 22.

9. APPRAISAL INFORMATION: Subject to receipt and satisfactory review of an appraisal on the collateral real property indicating a minimum appraised value of \$3,333,333.00.

10. FINANCIAL:

11. SUBSTANTIATION: DSCR = 1.17x (based on secondary source only), LTV = 90%.

- Vacant facility becomes occupied.
- Entertainment venue which is needed in City and County.
- Creation of 3 full-time and 15 part-time jobs.

12. RECOMMENDATION: