

RESOLUTION NO. 2023- 537

A RESOLUTION APPROVING VINELAND REVOLVING  
LOAN FUNDS FOR H5 VINELAND, LLC (OR ASSIGNS).

WHEREAS, the Vineland Revolving Loan Fund, LLC Committee has submitted a proposal dated October 24, 2023, for use of Vineland Revolving Loan funds for H5 Vinealand, 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: H5 Vineland, LLC (or assigns)      \$7,231,107.00

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: Vineland Revolving Loan Fund, LLC

SUBJECT: **Applicant:** H5 Vineland, LLC  
**Loan Amount:** \$7,231,107.00

DATE: October 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



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 REVOLVING LOAN FUND, LLC - LOAN COMMITTEE  
LOAN PROPOSAL**

**Date:** 10/02/2023

**Borrower Name and Address (s):** H5 Vineland, LLC  
c/o Tower Hospitality  
1386 S. Delsea Drive  
Vineland, New Jersey 08360

**Request:** \$7,231,107 commercial term loan (permanent commercial real estate) for the development of a 140 room hotel – Springhill Suites and TownePlace by Marriott.

**Interest Rate:** 5.50%

**Term of Loan:** 20 Years.

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**1. BACKGROUND:**

The Roth Family of Vineland has lived and worked in Cumberland County since 1952. They have owned and operated successful lodging operations in Vineland since 1974. In addition to hotels, the Roth's have also operated restaurants under the Denny's and Bennigan's names. The restaurant operations were sold in 2019 and Bennigan's closed. The entities which have been formed to operate the hotel and lodging businesses include two members of the Roth Family, Edward "Ed" and Henry Roth. Ed and Henry Roth, brothers, are the majority owners, operators, and point people for these operations. No persons outside of the family, however, are officers, members or shareholders of these entities. Currently, the Roth's et. al., own and operate the following enterprises located in Vineland, New Jersey: the Wingate Inn, the Holiday Inn Express and the Hampton Inn hotel(s). In addition to the aforementioned, the Roth's own additional real estate in Vineland and also own several properties under different entities outside of Vineland, New Jersey. The Roth Family has over 40+ years of experience in the local hospitality business. In Cumberland County, they have more knowledge of the market and demand generators than any other hotel operator locally. Ed and Henry Roth are currently working to develop a dual-branded hotel: Springhill Suites and TownePlace by Marriott. They have purchased the franchise and have an agreement of sale for land to be purchased. There will be one building that would be half Springhill and half TownePlace. It's a new concept called dual-branded. There's one entrance, one front desk, one pool, one General Manager but two hotels. The TownePlace is 'extended stay' with each guestroom having a fully stocked kitchen. The Springhill is more for overnight stays.

According to Google, America's #1 favorite hotel brand is Marriott. Hilton is #2 and IHG (Intercontinental Hotels Group) is #3. The Roth's own the Hampton Inn in Vineland which is a Hilton brand and Holiday Inn Express which is an IHG brand. For years, the Roth's have been trying to develop a Marriott franchise so Vineland could have each top three brands. However, Marriott has consistently refused because of encroaching on the Fairfield Inn in Millville which is a Marriott brand hotel. Finally, Marriott capitulated and granted a franchise to the Roths. Many business travelers are loyal to their particular brands due to rewards and other incentives. Developing a Springhill Suites and TownePlace in Vineland would allow the Roths to accommodate those customers whom are loyal to Marriott.

Opening another business-class hotel in Vineland would create about 50 new jobs for local residents and add revenue to the City via the property tax and hotel occupancy tax. TownePlace would be Vineland's first "extended-stay" hotel as it would provide accommodations for guests visiting for a month or more. Guestrooms will be equipped with full kitchens including dishwashers, stoves, full-size refrigerators, dishes, glasses, silverware etc. One hundred and forty (140....76 Springhill and 64 TownePlace) guestrooms added in the market would bring more out-of-town customers who will patronize restaurants and shopping establishments. Furthermore, for the Roth's, owning and operating a fourth business-class hotel would add to Tower Hospitality's (the administrative and management arm of the Roth's businesses) efficiency as to sales, accounting, maintenance and management teams. The Roth's feel the market can accommodate one additional hotel and Tower Hospitality is able to develop and operate the facility as they have assembled an effective management and support staff for their hotels with a proven track record of success.



### **1a. COMPETITION:**

The Roth Family operates hotels in Vineland comprising 347 total rooms or +-48% of the hotel rooms in Vineland, New Jersey. Below are listed the hotels and brands along with room count and percentage of the market for Vineland.

	<u># Rooms</u>	<u>%</u>
Quality Inn	40	5.52%
Days Inn	107	14.78%
East Landis Motel	78	10.77%
Relax Lodge	50	6.91%
Hampton Inn	130	17.96%
Holiday Inn Express	101	13.95%
Ramada	102	14.09%
<u>Wingate Inn</u>	<u>116</u>	<u>16.02%</u>
<u>Total</u>	<u>724</u>	<u>100.00%</u>

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47.93% Roth's own the Hampton Inn, Holiday Inn, and Wingate Inn.  
347 Rooms

- East Landis is a different kind of hotel, more of a dormitory.

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

The lodging industry is comprised of commercial establishments known to the public as hotels and motels, providing services including lodging or lodging and meals (Standard Industry Classification or SIC of 7011 or 72111. In the 1920s, the hotel industry had its first major boom. Flourishing economic conditions and high occupancy rates encouraged hotel owners to expand properties and build many new larger ones. The depression brought an end to the expansion and sent many hotels into foreclosure or receivership. Hotel owners who survived the crash were able to add to their existing holdings and develop hotel chains. The industry began a complete transformation in the 1950s when the need for affordable lodging increased. This need was satisfied by the invention of the motel. Motels competed effectively with hotels until the 1960s. By this time motels had begun to grow in size and offer more amenities. To compete, the hotel industry created motor hotels. Lodging at motor hotels was priced higher than the original motels creating, once again, a lack of low end lodging. This market was satisfied by the creation of budget motels. Budget motels were developed and operated on the same principals as the original motels. By the 1970s hotel chains were expanding through franchise agreements and the creation of high-leverage finance factors which caused the industry to become overextended. In the 1980s the hotel industry completed another cycle of growth and retrenchment. The Reagan administration began easing lending constraints and creating tax incentives for developers. In addition to growth, this period was characterized by an increase in new lodging concepts, such as the all-suite hotel. Companies began to diversify which allowed them to do better planning and apply their resources more efficiently. After several years of substantial losses the hotel and motel industry began to rebound in the early 1990s. Actually, the industry witnessed a merger and acquisition binge in the mid to late 1990s resulting in "it's cheaper to build rather than buy mentality". This lasted for several years. Unfortunately, the events of September 11, 2001 cast a shadow of uncertainty as travel slowed and impacted operations negatively. The lodging industry is subjected to the economic cycles. Strong operators with acceptable leverage whom are able to sustain operations during the down cycle have seemed to emerge stronger for the obvious reasons when an upturn in travel and business cycle returns as undercapitalized operators fail, fold or sell. In recent years the industry has been successful at minimizing costs, restructuring debt, and obtaining lower interest rates which led to higher pre-tax operation income. Unfortunately in 2008, as

**1b. BUSINESS CYCLE, INDUSTRY AND MARKET ANALYSIS / INDUSTRY OUTLOOK**  
**(CONTINUED):**

the result of several economic issues, primarily the overcapacity and weakened demand as measured by occupancy rates resulting from economic environment coupled with a difficult lending environment, once again created a difficult operating atmosphere and led to job losses. To remain competitive, operators focused more on value, brand development and management expertise rather than number of rooms, utilizing franchising and property management. They are renovating older hotels and adding upgraded features. In addition, extended day suites are the relatively new format - addition to the industry. Concepts such as keeping the brand relevant and catering to the business traveler's needs are ever more important.

The Hotel / Lodging Industry entered the century with over-capacity and a weakening in demand. Although this scenario played out and operators whom survived were able to increase pricing as demand returned. The Pandemic of 2020 began a decade of unease which temporarily impacted the lodging and travel industries negatively. The reopening of the economy thereafter, has created a resurgence in all types of travel and hotel and lodging experienced boosts in 2022 and thereafter as consumers in general regained their footing with disposable income and pent up demand increased travel once again. At the moment, anticipated weakness resulting from an anticipated recession has not severely impacted results. Nonetheless, the industry has fierce competition as operators endeavor to secure the available customers for their brands. Look for slow growth in this industry, generally speaking in the future, and on a local level it appears, at this time, capacity may have hit its peak with this new entry entering the space. This is always subject to change based on local and economic fundamentals.

**1c. PROJECT:**

The project request centers on the acquisition of land and development of 140 room hotel including the funding of furniture, fixtures and equipment, inventory and working capital for the development of a Springhill Suites and TownePlace by Marriott hotel. SpringHill Suites and TownPlace is a great choice for larger families or groups traveling together who don't want to book multiple rooms. Every room is a suite. The breakdown of the project cost and funding are as follows:

	<u>Costs</u>		<u>Funding Sources</u>
Acquisition of Land	\$ 1,000,000	Primary	\$14,462,214
Construction of hotel	15,099,280 (1)	UEZ	7,231,107
FF & E	2,499,280	Borrower	2,410,369
Inventory	271,320	Total	\$24,103,690
Soft Costs / Permits	1,373,960		
Contingency	1,759,850 (2)		
Construction Interest	700,000		
<u>Working Capital</u>	<u>1,400,000 (3)</u>		
Total	\$24,103,690		

(1) 140 rooms @ \$107,852 per room. Includes indoor pool.

(2) 10% of construction and ff & e.

(3) Dollar amount will assist in paying approximately 73% of mortgage(s) debt service for one year.



**2. COLLATERAL:**

- a.) Second mortgage lien on the real estate located at \_\_\_\_\_ S. Delsea Drive, Vineland, Cumberland County, New Jersey a/k/a Block \_\_\_\_\_, Lot \_\_\_\_\_, (land to be subdivided).
- b.) Assignment of Rents and Leases.
- c.) UCC-1 filing and Security Agreement, State and County as necessary,
- d.) Subordination of all officer/member loans,
- e.) Assignment of franchise agreement(s), if applicable,
- f.) Any documents deemed necessary by legal counsel to document and secure the loan,
- g.) Subordination of Management Fee Contract.

**3. GUARANTORS:**

- A.) Personal Guaranty of Edward and Judy Roth,
- B.) Personal Guaranty of Henry and Barbara Roth.
- C.) Guaranty of Operating Entity which will operate proposed hotel.

**4. LIEN POSITION:** Subordinate Lien Position to \_\_\_\_\_ (lender to be determined).

**5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS:**

A lender to be named \_\_\_\_\_ will be the primary lien holder on the subject property. The VRLF will provide subordinate financing and have a second lien on the proposed subject property.

**6. SIZE OF PARCEL:** +/- 1 acre(s).

**7. IMPROVEMENTS THEREON:**

A hotel containing 140 total guest rooms under two separate brands. The site will contain approximately 1 acre of land and is situated in close proximity to the Cumberland Mall.

**8. LOCATION OF PROPERTY:**

The subject property/collateral (to be subdivided and created), is located at in the Raymour & Flanigan / Gabes Retail Store parking / land area (behind TD Bank and Olive Garden Restaurant) of S. Delsea Drive, Vineland, Cumberland County, New Jersey a/k/a Block \_\_\_\_\_, Lot \_\_\_\_\_ (property description to be determined).

## **9. APPRAISAL INFORMATION:**

An appraisal will be required demonstrating a loan-to-value of 90%, combined LTV.  
The minimum value \$24,103,690 is required.

### **Loan to Value Calculation:**

Loans Outstanding  
\$21,693,321

Collateral Value  
\$24,103,690

LTV = 90.00%

**10. FINANCIAL:**

**11. SUBSTANTIATION:** LTV 90%, DSCR 1.47x

- Creation of additional employment. Approximately 50 jobs.
- A VRLF/UEZ loan will enhance the financing package and provide for a financial impetus in securing primary financing.
- Tax revenue for the city (via the hotel tax) and real estate tax ratable creation.
- Upon completion of P.I.L.O.T., +-\$335,000 in annual real estate taxes based on +-\$11,000,000 assessment is estimated.
- Assist a local developer in an industry which is experiencing a tight credit market.

**12. RECOMMENDATION:**