

RESOLUTION NO. 2024- 53

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

WHEREAS, the Vineland Revolving Loan Fund, LLC Committee has submitted a proposal dated January 23, 2024, for use of Vineland Revolving Loan funds for Levari Brothers Realty Co., 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: Levari Brothers Realty Co., LLC (or assigns) \$5,000,000.00

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 Membe
FROM: Vineland Revolving Loan Fund, LLC
SUBJECT: **Applicant:** Levari Brothers Realty Co., LLC
Loan Amount: \$5,000,000.00
DATE January 23, 2024

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 PROPOSAL**

Date: January 5, 2024

Borrower Name and Address (s): Levari Brothers Realty Co., LLC
396 N. Mill Road
Vineland, New Jersey 08360

Request: \$5,000,000 – commercial real estate permanent loan to finance costs associated with the expansions to several cold storage facility expansions.

Interest Rate: 5.50%

Term of Loan: 20 Years

1. BACKGROUND: Levari Brothers Realty Co., LLC (“LBR” or “Borrower”), is a real estate holding company which currently owns two industrial / cold storage warehouse properties in Vineland, NJ. The properties are located at 396 N. Mill Road, Vineland, NJ and 1200 N. Mill Road, Vineland, NJ. A corporate office facility was constructed and completed in 2023 at the 396 N. Mill Road address. LBR is owned by Michael Levari, (age 65) 100%. The facilities in Vineland, NJ, are leased/operated to/by the Levari Group, LLC t/a First Choice Freezer and Cold Storage and M & O Freezer and Cold Storage. The Levari Group, LLC is owned solely by Michael Levari 100% as well. The Levari Group, LLC (formed in 2001) t/a First Choice Freezer and Cold Storage and M & O Freezer and Cold Storage operates cold storage businesses from the respective properties. 396 N. Mill Road consists of +- 400,000 total sq. ft. of cold storage space. The Borrower recently completed the construction of a final phase - new addition of +-120,000 sq. ft. to a cold storage facility located at 1200 North Mill Road, Vineland, NJ, now operational. This property also has +-400,000 sq. ft. of cold storage and refrigerated space. Both facilities specialize in cold storage and flash freeze services for more than 60 customer relationships, such as Seabrook Farms, Just for Dogs, White Wave Foods, Oatly, Bridor USA, Pelton Shepherd, Misfits Market, Hello Fresh, Townsend Farms, Sorbello, Creative Packaging and T Marzetti. They also handle local transportation for several of these companies to and from their clients' facilities. Michael Levari's son and nephew, assist in the management of the cold storage facilities.

The Borrower, completed a final expansion to the freezer and cold storage facility located at Mill and Oak Roads (1200 N. Mill Road), Vineland, NJ, the M & O Freezer facility in 2022 / 2023, and is now completely built out. First Choice Freezer, the 396 N. Mill Road facility, has also been completely built out to accommodate increased volume and business growth. The additional space which was constructed has been completely contracted and is now full with both facilities at capacity. The expansions of both locations were completed over the last 3 years, culminating in the office facility (+-6,300) construction at 396 N. Mill Road last year. As of this writing, an affiliate company owned by Michael Levari has acquired +-15 acres on W. Oak Road in Vineland and is embarking on a new project which will add 150,000 sq. ft. of new refrigerated and freezer space to be constructed in Vineland. The VRLF has been instrumental with financing the expansions at the original locations.

New and existing customers continue to require additional space and service for their refrigerated and frozen products. Due to the excellent reputation which the Levari Group, LLC t/a First Choice Freezer and Cold Storage and M & O Freezer and Cold Storage has established, First Choice and M & O continue to receive new business and pallet position requests. Its customers are experiencing growth and require cold storage, blast freezing and logistical services, all of which are provided by Levari Group.

1a. PROJECT: The Borrower, over the past couple of years, has reinvested a significant portion of its free cash and income into costs for project expansions and operations at both locations in Vineland, including the most recent project, the office building, comprising of a new 6,293 sq. ft. located at the intersection of Almond and Mill Roads, Vineland, NJ. As a result, the Borrower has approached the VRLF for consideration to fund these costs as part of secondary financing of same which in turn will provide resources for investment into a new project in Vineland, leading to a new ratable and jobs for Vineland.

	<u>Uses</u>		<u>Sources</u>
Costs – Previously not financed	\$5,767,186 (a.)	VRLF	\$5,000,000
		<u>Borrower</u>	<u>767,186</u>
		Total	\$5,787,186

(a.) Documentation on file.

2. COLLATERAL:

- a.) Fourth Position - Subordinate mortgage lien position on the property located at 396 N. Mill Road, Vineland, Cumberland County, New Jersey, a/k/a Block 2604, Lot 14 (subject to TD Bank mortgage referenced in Section 5 - see below and next page for dollar amount and prior lien(s) and existing VRLF mortgage in Second). VRLF will file one new mortgage for proposed loan in 4th position on subject property behind its existing 3rd position mtg.
- b.) Subordinate mortgage lien position on the property located at 1200 N. Mill Road, Vineland, Cumberland County, New Jersey, a/k/a Block 1003, Lot 16.03 (subject to outstanding letters of credit from TD Bank and other primary TD Bank liens. Note that the lot number is new (an all-inclusive deed will be required) see Section 5,
- c.) Subordinate mortgage lien position on the property located at 1760 W. Oak Road, Vineland, Cumberland County, New Jersey, a/k/a Block 1501, Lot 60, subordinate to a total senior secured credit facility of \$23,147,019 comprised of \$6,747,019 interest of TD Bank, \$5,000,000 interest of New Jersey Community Capital (subordinated), \$5,000,000 interest of First National Bank of Elmer, and \$5,000,000 interest of WSFS.
- d.) Assignment of Rents and Leases for all properties referenced in a.) b.) and c.),
- e.) UCC-1 Filing - General Filing – Cumberland County – on the Borrower, Levari Brothers Realty Co., LLC) on all business assets know owned and hereafter acquired (subordinate to TD Bank for the properties located at 396 N. Mill Road and 1200 N. Mill Road, Vineland, Cumberland County, NJ),
- f.) UCC-1 Filing - General Filing – State of New Jersey – on Guarantor, The Levari Group, LLC t/a First Choice Freezer & Storage (subordinate to TD Bank regarding the financing packages involving the following locations: 396 N. Mill Road and 1200 N. Mill Road, Vineland, Cumberland County, NJ),
- g.) Cross Collateralization / Cross Default (with all other VRLF loans),
- h.) Subordination of any stockholder, officer, member, principal and/or affiliated debt,
- i.) Hypothecation Agreement for property referenced in c. from GMR Properties, LLC).

3. GUARANTORS:

- a.) Guaranty of operating company, The Levari Group, LLC, t/a First Choice Freezer & Cold Storage and M & O Freezer and Cold Storage,
- b.) Guaranty of GMR Properties, LLC and GMR Freezer & Cold Storage, LLC,
- c.) Personal Guaranty of Michael A. Levari, Sr.

4. LIEN POSITION: VRLF will file a subordinate liens on the real estate located at 396 N. Mill Road, Vineland, NJ and the real estate located at 1200 N. Mill Road, Vineland, NJ. The VRLF will be subordinate on all business assets behind TD Bank for the Borrower and Guarantor operating company. In addition, the VRLF will also file a second/subordinate mortgage lien on a new project located on Oak Road, Vineland, NJ, under construction and comprising 150,000 sq. ft. of cold storage facility.

5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS: Below is breakdown of existing mortgage liens on the respective properties:

1200 North Mill Rd., Vineland, NJ - \$64,850,000 (appraisal 11/2021). Loans on 1200 N. Mill Road:

1. TD Bank Mortgage Lien: \$7,161,000 (after \$4MM pay down completed by the VRLF) #3516994-9002.
2. TD Bank Mortgage Lien: \$2,857,000 #3516994-9003.
3. TD Bank Mortgage Lien: \$9,863,000 #3516994-9004.
4. TD Bank Mortgage Lien: \$9,197,000 #3516994-9006.
5. TD Bank Mortgage Lien: \$4,867,000 SBA 504 Company (New).
6. TD Bank Mortgage Lien: (Abundance of Caution – cross collateral): \$9,281,000 #3516994-9001.
7. VRLF Mortgage Lien: \$5,913,000 (Abundance of Caution – cross collateral).
8. VRLF Mortgage Lien \$6,479,000 – Completed final addition. This was subordinated to TD Bank.
9. VRLF Mortgage Lien \$2,603,000 (office building).

396 N. Mill Road, Vineland, NJ - \$37,550,000 (appraisal dated 11/03/2021). Loans on 396 N. Mill Road:

1. TD Bank Lien: \$9,281,000 CREM #3516994-9001, \$309,000 Term Loan #3517018-9002, and Abundance of Caution Lien \$750M WCLOC #3517018-0199 - filed together as a first lien. Original amount of WCLOC was \$450M at time of filing (\$10,340,000 total remaining).
2. VRLF Lien: \$13,852,000 (estimated balance of \$6,722,000 for existing VRLF loan + \$5,913,000 VRLF loan). Original VRLF Lien transferred from 1200 N. Mill Rd. to 396 N. Mill Rd.
3. VRLF office building request of \$2,603,000.
4. TD Bank Lien: \$9,863,000 - #3516994-9004 (for 1200 N. Mill Road Addition).
5. TD Bank Lien (Abundance of Caution): \$7,161,000 CREM (after \$4MM paid down by the VRLF) #3516994-9002 (+-\$12,000,000 less +-\$4MM pay down for phase 2 of 1200 N. Mill Road).
6. VRLF Mortgage Lien \$6,479,000 - completed final addition for 1200 N. Mill Road. This was subordinated to TD Bank.
- 7.) TD Bank Lien: \$2,857,000 #3516994-9003.
- 8.) TD Bank Lien: \$9,197,000 #3516994-9006.

*Loan amounts represent outstanding balances – not original amounts.

*(Note: CREM = Commercial Real Estate Mortgage)

Existing UEZ / VRLF Loan Relationship with Levari Brothers Realty Co., LLC as it pertains to 396 N. Mill Rd. & 1200 N. Mill Rd.

Date Settled	Collateral Address	Original Amount	Outstanding Balance	Monthly P & I Pymt.	Interest Rate	Maturity Date
05/27/2018	1200 N. Mill	\$ 7,815,000	\$ 6,479,875	\$ 47,357.36	4.00%	02/24/2039
03/17/2021	1200 N. Mill	\$ 6,500,000	\$ 5,912,861	\$ 41,122.21	4.50%	03/17/2041
12/14/2021	1200 N. Mill	\$ 7,000,000	\$ 6,722,250	\$ 44,285.46	4.50%	09/14/2042
09/30/2022	396 N. Mill	\$ 2,623,000	\$ 2,602,649	\$ 16,594.39	4.50%	09/30/2043
		\$23,938,000	\$21,717,635	\$149,359.42		
Proposed	Both Properties	\$ 5,000,000	\$ 5,000,000	\$ 34,394.37	5.50%	
Totals		\$28,938,000	\$26,717,635	\$183,753.79		

6. SIZE OF PARCEL: 396 N. Mill Road, Vineland, NJ is approximately 16.00 acres. 1200 N. Mill Road, Vineland, NJ is approximately 27.00.

7. IMPROVEMENTS THEREON: 396 N. Mill Road, Vineland, NJ consists of an approximate 16 acre site of land located at Almond and Mill Roads and improved with a +350,000 sq. ft. cold storage warehouse facility. 1200 N. Mill Road, Vineland, NJ consists of an approximate 27 acre parcel of land located at Mill and Oak Roads and improved with a +400,000 sq. ft., one story, including offices and loading docks, cold storage warehouse facility.

8. LOCATION OF PROPERTY: Subject properties are located at 396 N. Mill Road, Vineland, Cumberland County, New Jersey a/k/a Block 2604, Lot 14, and at 1200 N. Mill Road, Vineland, Cumberland County, New Jersey, a/k/a Block 1003, Lot 16.03.

9. APPRAISAL INFORMATION: The property located at 396 N. Mill Road has been appraised at \$37,550,000 as of 11/2021. An appraisal dated 11/2021 for the property located at 1200 N. Mill Road demonstrates a value of \$64,850,000. Collateral for the VRLF loan is a subordinated lien on 1200 N. Mill Road and a subordinated lien on 396 N. Mill Road, Vineland, NJ.

LTV Calculation:

TD Bank Loans (existing)	\$44,825,000 (includes SBA Loan)
VRLF Loan (existing)	21,718,000
Proposed TD Bank & Syndicate	23,147,000
Proposed VRLF Loan	<u>5,000,000</u>
<u>Total Loans</u>	<u>\$94,690,000</u>

Value 1200 N. Mill Road	\$64,850,000	(includes proposed loan above in VRLF Loans with no value increase in appraisal values for office building and any increased values for expansion completed).
<u>Value 396 N. Mill Road</u>	<u>37,550,000</u>	
<u>Total Value</u>	<u>\$102,400,000</u>	

- LTV = 92% Based on appraisals performed in 11/2021. Does not include final addition at 1200 N. Mill Road nor does it include value of office building at 396 N. Mill Road.
- LTV = 83% Assumes value of \$114,400,000 including final addition value of \$10,000,000 at 1200 N. Mill Road and \$2,000,000 for office building addition at 396 N. Mill Road.
- LTV = 71% Assumes value of \$134,400,000 increase of \$20,000,000 (discounted) for new location facility (cost is approximately \$29,500,000 with contingency).

Note: Although VRLF is filing an abundance of caution lien on W. Garden Road property, no consideration is given to the value of this property for the Loan-to-Value ("LTV") calculation at the 83% figure. LTV would improve to 71% assuming a \$20,000,000 added value for the global approach.

10. FINANCIAL:

11. SUBSTANTIATION: LTV = 83%, DSCR = 1.22x

- Real estate tax ratable growth as new project creates real estate ratable.
- Increase in employment (upon completion of construction and commencement of operations at new project, several jobs anticipated).
- Construction jobs during the construction period.
- Use of local contractors and vendors for certain construction jobs and materials.
- Over 3 generations of Levari Family involved in day-to-day operations with expertise in family cold storage business operation.
- Investment into a business operation in Vineland demonstrates long-term commitment.

12. RECOMMENDATION: