

Lompoc Redevelopment Agency

Agenda Item



Meeting Date: May 18, 2010

TO: Laurel M. Barcelona, Executive Director

FROM: Linda R. Wertman, Redevelopment Program Coordinator
e-mail: L_Wertman @ci.lompoc.ca.us

SUBJECT: LOAN EXTENSION REQUEST FROM LOMPOC HOUSING AND COMMUNITY DEVELOPMENT CORPORATION (LHCDC) FOR A \$375,000 CALHFA HELP II LOAN FOR PROPERTY LOCATED AT 114 SOUTH "K" STREET (APN 091-102-18, 19)

RECOMMENDATION:

Staff recommends the Redevelopment Agency Board take the following action:

1. Approve or deny a two-year loan extension request from the Lompoc Housing and Community Development Corporation (LHCDC) for the \$375,000 CalHFA Help II Loan.
2. If approved, authorize the Executive Director, or her designee, to execute a Second Amendment to the Promissory Note to further extend the maturity of the loan from June 1, 2010 to June 1, 2012. If denied, provide staff with direction for alternative action.

BACKGROUND:

The Redevelopment Agency loaned LHCDC \$375,000 in CalHFA Help II funds to assist with the purchase of property located at 114 South "K" Street. The project to be constructed on this site was identified as Casa Del Desarrollo by LHCDC. The project was to consist of 19 units of affordable housing for young adults and youth exiting the foster care system.

The Agency's CalHFA HELP loan to LHCDC was executed on January 30, 2006, for a term of 48 months, with a maturity of February 1, 2010. The loan was originally to be repaid by permanent financing at the time the project was completed. However, that project was unable to move forward in a timely manner due to project financing and market conditions. State programs originally identified to construct the project are no longer available nor is State support for operating subsidy due to the current State budgetary crisis. Those two conditions make the project infeasible to move forward at this time.

Agency staff issued letters to LHCDC on December 23, 2009, and again on January 20, 2010, notifying the organization of the February 1, 2010, maturity date of this loan. On January 25, 2010, LHCDC submitted their first extension request in order to provide additional time to negotiate an agreement with Peoples' Self-Help Housing Corporation, or other housing non-profit to joint venture with LHCDC on the project. On March 2, 2010, the Agency Board approved the first request, which extended the maturity date to June 1, 2010.

The Agency received a second loan extension request from LHCDC on April 29, 2010. The request states LHCDC was not successful in obtaining alternative financing for this property or partnering with another non-profit to develop a project for the site. LHCDC believes the only possible way for complete repayment of this loan is to amend the maturity date to June 1, 2012, to provide additional time to develop an alternative housing project, refinance the property, or given a market upswing, sell the property to repay the \$375,000 loan to the Agency. LHCDC's request is attached to this report, for Board consideration.

ALTERNATIVE ACTION:

If the Board does not approve LHCDC's extension request, then staff has outlined the following as possible alternative actions which the Board may wish to consider with the Agency's general counsel:

1. Demand payment of the loan on the maturity date of June 1, 2010. If repayment is not received within the required time, then the Board can issue a Notice of Default which will give LHCDC 15 days to cure the default, pursuant to the Loan Agreement. If the default is not cured within that time, then this issue would be turned over to the Agency's general counsel to pursue foreclosure and damages against LHCDC caused by the default.
2. Request LHCDC provide the Agency with a Deed in Lieu of Foreclosure and take ownership of the property, and release LHCDC's obligation to the Agency.
3. The Loan Agreement for this loan does not contain a non-recourse stipulation, therefore, would allow the Agency to obtain interest in other collateral. The Agency could acquire a current appraisal of the property at 114 South K Street and take a Deed in Lieu for the current land value amount in addition to requiring LHCDC to provide the Agency with a promissory note secured by a Deed of Trust on another LHCDC property that has sufficient available equity to cover the difference. The Agency would also have the option to accept other reasonable security or allow the promissory note be held unsecured while requiring monthly or annual payments.

4. The Agency could acquire a current appraisal of the property at 114 South K Street and take a Deed in Lieu for the current land value amount and require LHCDC repay the remaining balance of the loan less the current property value.

CONCLUSION:

If approved, then the requested two-year extension would possibly enable LHCDC to repay the loan at some future date, avoid the Agency's cost of pursuing foreclosure proceedings, and also enable LHCDC to continue to operate the organization as an affordable housing organization in the community, without the blemish of a foreclosure on its track record.

However, the project originally proposed on the subject site will more than likely remain infeasible for development by LHCDC within the two-year extension period given their current financial condition, non-compliance with other affordable housing properties, and their inability to attract other financing.

It is likely no other project could be developed and financed by LHCDC on the site during the extension period for the reasons stated above. Approval of the extension would hinder the Agency from recycling those CalHFA HELP II funds prior to the Agency CalHFA loan repayment in April 2013, thus making it unlikely the Agency would be able to meet its production goals under the CalHFA Help II Loan Agreement. LHCDC has provided no accomplishment of housing units with those funds over the last four years.

The Board does have the authority to allocate the replacement of those loan funds with the Agency's Housing Reserve Funds which were set aside to be used in the event of a housing loan default or foreclosure to meet the Agency's repayment of the CalHFA Help II Loan. The loan from the State was secured by Agency Set-Aside Loan funds. That transfer, while important to obtaining production goals, has no impact on the direction the Board wishes to pursue with LHCDC on remediating their inability to repay this loan.

Linda R. Wertman
Redevelopment Program Coordinator

APPROVED FOR SUBMITTAL TO THE EXECUTIVE DIRECTOR:

Arleen T. Pelster, AICP
Deputy Director

APPROVED FOR SUBMITTAL TO THE REDEVELOPMENT AGENCY BOARD:

Laurel M. Barcelona
Executive Director

Attach: [LHCDC Extension Request dated April 29, 2010](#)