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Staff Report

ITEM 11

To: Lemoore City Council
From: Judy Holwell, Project Manager 
Date: July 31, 2013
Subject: Gary V. Burrows, Inc. – Loan Subordination

Discussion:

Attached is a letter dated July 17, 2013, from Richard C. Conway, Esq. of Kahn, Soares & Conway, LLP on behalf of his client Gary V. Burrows, Inc. (Burrows) requesting subordination of the Deed of Trust currently encumbering the property located at 1600 Enterprise Drive in Lemoore. Burrows desires to obtain a line of credit against the property for up to \$1,000,000.

On May 3, 2011, the Lemoore Redevelopment Agency (RDA) Board approved a forgivable loan to Burrows in the amount of \$1.2 million to purchase the property vacated by Western RV. The investment was and continues to be good for the community because the business has grown substantially; providing additional local jobs and sales tax revenue. To protect the RDA's interest, the loan was amortized over a 25 year period at an interest rate of 5.85% per year (Agreement with Loan Amortization Schedule attached), during which time Burrows agreed to report 90 percent of his sales tax to Lemoore.

At the time Burrows negotiated the purchase of the property, information was provided to us listing the value of the property when Western RV possessed it at \$2,575,077 (undated document from Zengel & Associates attached). It is likely that this property continues to hold the same value.

Because the loan agreement is with the RDA, the Lemoore Oversight Board will need to approve its subordination. Additionally, actions of the Oversight Board are not final until they are approved by the State of California Department of Finance. Council, acting as the Successor Agency to the former Lemoore Redevelopment Agency, should recommend that this item be presented to the Oversight Board for approval.

Budget Impact:

None.

Recommendation:

It is recommended that Council direct staff to present the request to subordinate on Burrows \$1,200,000 loan to the Oversight Board for approval as outlined above.