

**Mayor**  
William Siegel  
**Mayor Pro Tem**  
Lois Wynne  
**Council Members**  
John Gordon  
Eddie Neal  
Willard Rodarmel



**Office of the  
City Manager**

119 Fox Street  
Lemoore • CA 93245  
Phone • (559) 924-6704  
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## Staff Report

ITEM 7

**To:** Lemoore City Council / Successor Agency Board  
**From:** Judy Holwell, Project Manager   
**Date:** September 12, 2013  
**Subject:** Gary V. Burrows, Inc. – Amendment to Loan Agreement and Subordination Agreement

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### 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 August 20, 2013, the Lemoore City Council approved the subordination in concept by unanimous vote. The Subordination Agreement is now being presented for final approval by the Successor Agency and direction to present the Subordination to the Oversight Board at the September 26, 2013 meeting.

As consideration for the subordination, the City requested certain changes to the Loan Agreement related to sales tax revenues. Attached is the Amendment to Loan Agreement, executed by Mr. Brian Castadio, President of Burrows. This item is being presented for formal approval by both the Lemoore City Council and the City Council acting as the Board of the Lemoore Successor Agency to the former Lemoore Redevelopment Agency.

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). Since the property continues to hold the same value, there is enough equity in the property to pay off the Successor

Agency loan in second position in the event of a default requiring sale of the property. The proposed line of credit will allow Burrows to expand its business operations in the City of Lemoore resulting in increased revenues to the City in the form of sales tax revenue

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:**

1. It is recommended that the Lemoore City Council and the Lemoore Successor Agency to the former Lemoore Redevelopment Agency approve the Amendment to Loan Agreement.
2. It is recommended that the Lemoore Successor Agency approve the Subordination Agreement and present it to the Oversight Board for approval as outlined above.



KAHN, SOARES & CONWAY, LLP  
ATTORNEYS AT LAW

RICHARD C. CONWAY  
HANFORD OFFICE  
rconway@kschanford.com

July 17, 2013

**Via US Mail and Fax (559) 924-9003**

Jeff Laws, Acting City Manager  
City of Lemoore  
119 Fox Street  
Lemoore, CA 93245

Re: Gary V. Burrow, Inc. and related entities

Dear Mr. Laws:

This letter will serve as a follow up to the conversation we had on July 16, 2013. At that time I advised that my client, Gary V. Burrows, Inc. ("Burrows") would respectfully request the City agree to subordinate the First Deed of Trust they currently hold on the Burrows' business property with a street address of 1600 Enterprise Drive, Lemoore, California.

As you are aware, the City and its former Redevelopment Agency has a Deed of Trust in its favor encumbering the property in the amount of \$1.2 million. Burrows is requesting the City agree to subordinate this Deed of Trust with the understanding Burrows could borrow up to \$1 million and have the same secured by a deed of trust in front of the City's current position.

As discussed, it is Burrows intention to utilize these monies to primarily expand its business base and, concomitantly, generate additional tax revenue for the City of Lemoore. Assuming the City consents to this request, Burrows will agree that it will report to the California State Board of Equalization a minimum of 90% of the local sales tax revenue created by Burrows' as being derived from their operations in the City of Lemoore, irrespective as to how large that amount actually is. This obligation will continue through July 1, 2036 which, of course, is the time frame identified in the original loan agreement between Burrows and the City of Lemoore.

You graciously agreed to place this matter on the council's agenda for August 6, 2013. Mr. Castadio and I will both appear at that time to answer any questions you or the council may have.

Jeff Laws, Acting City Manager  
City of Lemoore  
July 17, 2013  
Page 2

I do wish to thank you and the City Council for their consideration of this request.

Very truly yours,

KAHN, SOARES & CONWAY, LLP

Richard C. Conway, Esq.

RCC/kd  
Cc: Brian Castadio  
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**LOAN AGREEMENT FOR PROPERTY ACQUISITION**  
**(1600 Enterprise Drive, City of Lemoore)**

This Loan Agreement for Property Acquisition ("Agreement") is entered into effective this 3rd day of May, 2011 ("Effective Date") by and between the City of Lemoore ("City" or "Lemoore"), the Redevelopment Agency of the City of Lemoore ("Agency" or "RDA") and Gary V. Burrows, Inc. ("Burrows") (collectively, the "Parties") on the terms and conditions which follow.

**RECITALS**

**WHEREAS**, Burrows operates a substantial portion of its petroleum products business ("business") at the present time in central Lemoore close to residential areas, including churches and schools, and retail uses, which is incompatible with those uses and creates a potential danger to those uses; and

**WHEREAS**, it is in the best interests of the Agency and the citizens who live and work in close proximity to the Burrows' business that the relocation of the business be accomplished in order to reduce the risks arising from this incompatibility; and

**WHEREAS**, the relocation of Burrows' business is consistent with the Five Year Implementation Plan of the Agency in that it will eliminate the blighting influences in the project area arising from this incompatibility while at the same time retaining valuable jobs and the tax base of the City of Lemoore ("City") and the Agency; and

**WHEREAS**, Burrows has entered into a purchase agreement ("purchase agreement") to acquire property identified as Parcel A of Parcel Map No. 2010-01 located at a street address currently known as 1600 Enterprise Drive in the City (referred

to herein as the "Western RV site" or the "site") in order to relocate a substantial portion of its business with the remainder of its business in close proximity to the site; and

**WHEREAS**, to facilitate the relocation and to retain Burrows, and Burrows & Castadio, Inc.'s (also collectively referred to herein as the "Burrows Corporations") business in the City, the RDA is prepared to loan the principal sum of \$1.2 million pursuant to the terms of this Agreement ("the loan") to Burrows on condition that escrow is opened, for the purpose of acquiring the site, and closes on the transfer of title of the site from Premier Valley Bank to Burrows and for other consideration as stated herein; and

**WHEREAS**, the Agreement sets forth the terms, conditions and covenants for the loan to Burrows.

### **TERMS, CONDITIONS & COVENANTS**

**NOW, THEREFORE**, the Parties agree as follows:

1. **The Loan**. The principal amount of the loan shall be \$1.2 million payable over a 25 year term at an interest rate of 5.85% per annum. The loan amortization and payment schedule is set forth in Exhibit A and incorporated herein by this reference (the "schedule").
2. **Purpose of the Loan**. The loan shall be used by Burrows to acquire title to the Western RV site which will also facilitate the complete relocation of the business outside of the central area of the City.
3. **Funding of the Loan**. The RDA agrees to fund the loan by depositing the full loan amount into escrow prior to the close of escrow for the acquisition of the site consistent with the escrow time requirements of the purchase agreement.

4. **Security for the Loan; Escrow and Title Company.** As a condition to funding of the loan, payment of the loan and performance by Burrows of the provisions of this Agreement shall be secured by a first deed of trust on the Western RV site. The title and escrow company, Chicago Title Company located at 7330 N. Palm Avenue, Suite 101, Fresno, California 93711, used for the purpose of transferring title to the site to Burrows, shall be prepared to issue, pursuant to the RDA and City's lender escrow instructions at their cost, a lender's policy of title insurance insuring that the City and the RDA are in a first deed of trust position recorded on the site. The escrow officer, designated below, shall prepare a pro forma lender's policy of title insurance for review by the City and the RDA before close of escrow for the purchase agreement. The RDA and the City may, at their election, prepare a promissory note secured by the first deed of trust. The RDA and the City may, in the alternative, secure the Agreement by the first deed of trust in lieu of preparation of a promissory note. The escrow officer is Judy M. Pezoldt (phone: 559-451-3730; fax: 559-431-8906; email: pezoldtj@ctt.com) and the escrow number is 45033199-JP.

5. **Loan Forgiveness; Acceleration if Burrows Relocates.** Provided that Burrows performs its obligations under the Agreement and there is no default or breach of the Agreement, the Disposition and Development Agreement Joint Escrow Instructions and Covenants Running with the Land ("DDA") separately executed by Burrows & Castadio, Inc. and the Agency, the Purchase Agreement for Improvements separately executed by Burrows and the Agency, or the Agreement of Covenants Running with the Land recorded on the property located at 416 N. Lemoore Avenue separately executed by Burrows, the City and the Agency (collectively, the

"Agreements"). an annual amount of \$100,000, including principal and interest as set forth in the schedule, shall be forgiven on an annual basis commencing on the first scheduled payment date of July 1, 2013. If the Burrows Corporations are in default or breach of the Agreements as described in section 11, Burrows shall be obligated to make payments pursuant to the schedule, on an annual or pro rated basis thereof, until the default is cured or the breach is remedied. If Burrows, including Burrows & Castadio, Inc., relocates its business from the site without the written consent of the RDA and the City to another suitable location in the City, there shall be no additional loan forgiveness and Burrows shall be in breach of the Agreement. In the event of such breach, the City and the RDA, at their election, may accelerate payment of the balance of the principal of the loan, together with accrued interest after thirty (30) calendar days notice to Burrows of the accelerated principal amount due with accrued interest thereon, and the City and the RDA may pursue any and all judicial and nonjudicial remedies including recovery of liquidated damages as set forth in section 8 below.

6. **Consideration for the Loan.** In consideration for the loan and other consideration accruing to the Burrows Corporations under the Agreements, the Burrows Corporations (and their successors in interest) agree, for a period of 25 years commencing on the close of escrow for the purchase agreement or on July 1, 2012, whichever is earlier, and ending on July 1, 2036, not to relocate their respective businesses, as currently conducted in the City, outside of the City, and further agree that the Burrows Corporations will report to the California State Board of Equalization a minimum of 90% of the local sales tax revenue created by the Burrows Corporations operations during said time frame as being derived from their operations in the City of

Lemoore. The remaining local sales tax revenue, not to exceed 10%, may be generated by sales and reported to the California State Board of Equalization in the City of Corcoran due to sales by the Burrows Corporations to its Corcoran based clients. All sales taxes shall be delivered to the California State Board of Equalization as required by law. If the Burrows Corporations desire to expand their customer base resulting in less than the minimum of 90% of the sales tax revenue being derived in the City, such expansion may reduce the sales tax revenue anticipated to accrue to the City over the 25 year period (see Exhibit B). If the Burrows Corporations, through their individual or collective operations, decide to expand their operations resulting in less than 90% of sales tax revenue being generated in the City, Burrows agrees to pay to the City the difference (if less than the anticipated sum) between the actual annual sales tax revenue generated for the City and the anticipated sum for the applicable agreement year as described in the column entitled "Annual Sales Tax Revenue" set forth in Exhibit B.

7. **Reports; Inspection of Records.** Commencing on October 1, 2011, and quarterly thereafter, the Burrows Corporations agree to provide to the City quarterly reports of its sales tax obligations and sales tax expenditures. In addition, the City shall have the right to inspect all relevant books and/or accounts of the Burrows Corporations, including those relating to the other 10% of sales tax revenue generated by the Burrows Corporations outside of the City of Lemoore, after the City provides notice of its intent to review said books and/or accounts. The Burrows Corporations agree to comply within ten (10) business days thereafter with the City's request or at such other time as the City and the Burrows Corporations shall agree in writing. Failure to provide such records and

reports shall constitute a breach of the Agreement and shall entitle the RDA to suspend forgiveness of the loan described in section 5.

8. **Liquidated Damages if Burrows Relocates Outside the City.** A material inducement for the RDA's loan is the continued receipt of sales tax revenue as described in section 6. The Parties agree that in the event of breach by the Burrows Corporations, through relocating their current business operations, in whole or in part, outside the City of Lemoore at any time during the period after the close of escrow and until July 1, 2036, the amount of damages, in the absence of liquidated damages, would be impracticable or extremely difficult to fix as actual damages. Accordingly, the Parties concur that liquidated damages is appropriate under the circumstances existing at the time the Agreement is entered into. The measure of liquidated damages, with an annual declining liquidated damages amount, is set forth in Exhibit B and incorporated herein by this reference ("liquidated damages"). Liquidated damages may be recovered from the Burrows Corporations. The first deed of trust shall serve as partial security for the liquidated damages. At the City or RDA's election, without cost to the Burrows Corporations, the City or RDA may obtain additional security such as a letter of credit. No security shall limit the measure of liquidated damages or any other damages or remedies provided by law.

9. **Representations, Warranties & Covenants.** Burrows, including Gary V. Burrows, Inc., represents and warrants that (1) it is a corporation in good standing; (2) it holds all licenses necessary to conduct its business; (3) has not entered into any agreement to sell its business or to transfer all or substantially all its business assets; (4) is in compliance with all local, state and federal laws in conducting its business; and (5)

shall perform any other contractual agreements and covenants between the Parties referenced as the Agreements in section 5, Burrows further warrants and covenants, during the term of the Agreement, to comply with all local, state and federal laws in conducting its business in the City. Burrows also covenants that it will comply with all federal, state and local laws in effect from time to time prohibiting unlawful discrimination or segregation by reason of race, color, religion, sex, marital status, national origin or ancestry, or other protected classifications from unlawful discrimination. The representations, warranties and covenants described herein shall be continuing throughout the term of the Agreement as defined in section 21.

10. **Relocation of Burrows from Central Lemoore Area.** Within one year of the close of escrow and transfer of title of the site to Burrows, Burrows will commence relocation of its business operations out of the central Lemoore area where it is currently located at 416 N. Lemoore Avenue and 40 E Street. The portion of business operations relocated to the site shall be consistent with any CC&Rs recorded on the site. The remaining business operations will be relocated to adjacent sites in close proximity to the Western RV site including the properties located at 1200 S. 19th Avenue and 1280 S. 19th Avenue. All of the Burrows Corporations' business operations shall be completely relocated and operational at their relocated and expanded sites no later than December 31, 2013. Also, by December 31, 2013, the following relocation activities shall be completed regarding the Burrows site located at 416 N. Lemoore Avenue: (1) removal of all tanks, plumbing and related fueling equipment from the site; (2) removal of all structures except for the warehouse and fencing at the site; (3) storage only of nonhazardous materials in the warehouse at the site; (4) removal of any vehicles and/or equipment from the site; (5)

the cessation of any storage and transportation of oil, grease and other petroleum products and any other hazardous materials at the site; and (6) maintaining the site free of weeds, debris or litter, until developed pursuant to covenants running with the land agreed upon by the Parties in a separate agreement recorded on the 416 N. Lemoore Avenue site.

11. **Breach/Default.** Except in the event of relocation, in whole or in part, of Burrows Corporations' business outside of the City, or Burrows Corporations' failure to comply with section 7 of this Agreement (both of which shall be considered a default hereunder without the need of any written notice of breach as is otherwise provided immediately below), in the event a Party believes that the other Party or Parties are in breach in the performance of the obligations of the Agreements, the non-breaching Party shall give written notice to the other Party specifying the nature of the breach. The Party to whom notice is given shall have five (5) calendar days to respond in writing as to whether it will oppose or contest the alleged breach or to state whether it will diligently cure the alleged breach in an expeditious manner.

In the event Burrows Corporations are deemed in breach hereunder without notice (as provided in the preceding paragraph), or in the event a default is claimed because the noticed Party fails to give a written response to the notice of breach as hereinabove provided, or the noticed Party opposes or contests the alleged breach, or the noticed Party does not diligently begin a cure of the alleged breach, a default shall be deemed to have occurred from the date the default is alleged to have occurred (if without notice), or five (5) days after the required notice of breach was given; and the noticing or non-defaulting Party shall have the right to pursue all remedies at law or in equity available under this Agreement. In the event the defaulting Party is Burrows, then Burrows shall be obligated

to make payments on the loan during the period of default pursuant to section 1 of this Agreement. Once any such default is cured, no further payment under section 1 shall be required for such default and the terms and provisions of section 5 of this Agreement shall be reinstated from the date the default is cured forward.

Further, if the City or Agency alleges a default by Burrows that is later determined or stipulated by adjudication, arbitration or settlement not to have been a default, the City or Agency (as applicable) shall reimburse Burrows for all payments made on the loan pursuant to this section 11 and section 1 above during the period beginning with the date of the alleged breach through and until such time as it is adjudicated, determined or stipulated that a breach had not occurred.

12. **Alternative Dispute Resolution (ADR)**. The Parties may, but shall not be obligated as a condition to pursuing judicial and non-judicial remedies as provided by law, engage in alternative dispute resolution.

13. **Relationship of the Parties**. The Parties, as between Burrows, including Burrows & Castadio, Inc., and the RDA and the City, are independent entities. There is no business partnership, joint venture, or other entrepreneurial relationship between and among the Parties. Although separate corporations, for the purpose of the Agreement, and other agreements to facilitate the relocation and expansion of the business referenced herein between the City, RDA, Gary V. Burrows, Inc. and Burrows & Castadio, Inc., as the Burrows Corporations, they shall be considered as agents for one another regarding their rights, duties and obligations as described in the Agreements.

14. **Indemnity**. Burrows agrees to indemnify, defend and hold harmless the RDA and the City, its officers, representatives, agents and assigns, from any and all

claims or liability arising out of relocation activities, including construction and renovation of new facilities, or any business activities conducted by Burrows whether conducted by Burrows at the Western RV site or any other relocated sites where Burrows conducts its business operations.

15. **Non-Assignability.** This Agreement may not be assigned without the express written consent of the Parties.

16. **Modification.** No modification to the Agreement may be made except in writing executed by the Parties.

17. **Notice.** Written notices may be sent to Burrows at its business office in the City. Notices to the City and the RDA may be sent care of the City Manager at City Hall. Notices may be personally delivered, mailed with certified return receipt requested, or faxed with proof of facsimile transmission, or by express mail with tracking information verifying delivery.

18. **Enurement.** The Agreement is binding upon the heirs, successors and assigns of the Parties which shall include the Burrows Corporations.

19. **Enforceability.** The Agreement is deemed fully executed and enforceable, in accordance with its terms, upon the effective date and ratification as set forth in section 25.

20. **Conditions Precedent.** The conditions precedent for the funding of the loan are (1) the execution of the Agreement; (2) the close of escrow and transfer of title of the Western RV site to Burrows; (3) the recordation, upon close of escrow, of a first deed of trust on the Western RV site securing the Agreement as verified by a lender's policy of title insurance; (4) the execution of the Disposition and Development

Agreement Joint Escrow Instructions and Covenants Running with the Land; and (5) the execution of the Agreement of Covenants Running with the Land (416 N. Lemoore Avenue).

21. **Waiver.** Any party's waiver of a breach of any provision herein will not be a continuing waiver or a waiver of any subsequent breach of that or any other provision of this Agreement.

22. **Severability.** The provisions of this Agreement are severable. The invalidity or unenforceability of any provision in this Agreement will not affect the other provisions.

23. **Interpretation.** This Agreement is the result of the combined efforts of the Parties. If any provision of this Agreement is found to be ambiguous whether or not a defined term, the ambiguity will not be resolved by construing this Agreement in favor or against any Party, but by construing the terms according to their generally accepted meaning.

24. **Complete Agreement; Term.** The Parties recognize that there are other agreements relating to other properties which are not part of this Agreement. Upon execution by the Parties, this Agreement supersedes any and all previous oral understandings or written communications, letters of intent, or previous agreements relating to the subject matter of this Agreement and shall not affect the other Agreements between the Parties. The term of the Agreement shall be from the Effective Date to July 1, 2036.

25. **Release and Termination of Recorded DDA.** Upon execution of the Agreement and ratification, the Agency agrees to release and terminate the agreement

entitled "Lemoore Redevelopment Agency Disposition and Development Agreement (Western RV Center Project)" which was recorded on January 14, 2005 as Instrument No. 0501627 in the records of the County of Kings and is described as exception 9 to the Chicago Title Company preliminary title report dated April 6, 2011 for the Western RV Site. The Executive Director is authorized to execute any and all documents in order to terminate said agreement and to remove from the policy of title issued to Burrows on the close of escrow for the Western RV Site.

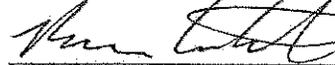
26. **Ratification.** This Agreement shall be ratified, as required by law, by the City and the RDA. Subsequent to ratification, the City Manager/Executive Director shall have the authority, but not the obligation, to make non-substantive modifications to the Agreement with the concurrence of Burrows.

27. **Execution in Counterparts.** This Agreement may be executed in counterparts by the Parties. Copies of signatures shall have the same force and effect as original signatures.

WHEREFORE, the Parties hereto, by their signatures below, enter into this Agreement effective on the date set forth above.

Dated: 5-6, 2011

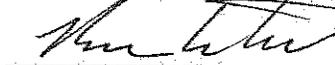
GARY V. BURROWS, INC



By: Brian Castadio  
Its: President

Dated: 5-6, 2011

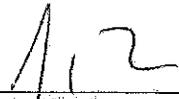
BURROWS & CASTADIO, INC



By: Brian Castadio  
Its: President

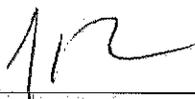
Dated: 5-13, 2011

THE CITY OF LEMOORE

  
\_\_\_\_\_  
By: Jeff Britz  
Its: City Manager

Dated: 5-13, 2011

REDEVELOPMENT AGENCY OF  
THE CITY OF LEMOORE

  
\_\_\_\_\_  
By: Jeff Britz  
Its: Executive Director

# Loan Amortization Schedule

## EXHIBIT A

**Enter values**  
 Loan amount \$ 1,200,000.00  
 Annual interest rate 5.85 %  
 Loan period in years 25  
 Number of payments per year 12  
 Start date of loan 7/1/2011  
 Optional extra payments \$ 100,000.00

Lender name:

**Loan summary**  
 Scheduled payment \$ 70,200.00  
 Scheduled number of payments 25  
 Actual number of payments 25  
 Total equity payments \$ 1,190,522.03  
 Total interest \$ 109,477.97

| Prnt | Payment No. | Payment Date | Beginning Balance | Scheduled Payment | Extra Payment | Total Payment | Principal   | Interest  | Ending Balance  | Cumulative Interest |
|------|-------------|--------------|-------------------|-------------------|---------------|---------------|-------------|-----------|-----------------|---------------------|
|      | 1           | 7/1/2012     | \$ 1,200,000.00   | 0.00              |               | \$ 100,000.00 | (70,200.00) | 70,200.00 | \$ 1,270,200.00 | \$ 70,200.00        |
|      | 2           | 7/1/2013     | 1,270,200.00      | 0.00              |               | 100,000.00    | 25,693.30   | 74,306.70 | 1,244,506.70    | 144,506.70          |
|      | 3           | 7/1/2014     | 1,244,506.70      | 0.00              |               | 100,000.00    | 27,196.36   | 72,803.64 | 1,217,310.34    | 217,310.34          |
|      | 4           | 7/1/2015     | 1,217,310.34      | 0.00              |               | 100,000.00    | 28,787.34   | 71,212.66 | 1,188,523.00    | 288,523.00          |
|      | 5           | 7/1/2016     | 1,188,523.00      | 0.00              |               | 100,000.00    | 30,471.40   | 69,528.60 | 1,158,051.59    | 358,051.59          |
|      | 6           | 7/1/2017     | 1,158,051.59      | 0.00              |               | 100,000.00    | 32,253.98   | 67,746.02 | 1,125,797.61    | 425,797.61          |
|      | 7           | 7/1/2018     | 1,125,797.61      | 0.00              |               | 100,000.00    | 34,140.84   | 65,859.16 | 1,091,656.77    | 491,656.77          |
|      | 8           | 7/1/2019     | 1,091,656.77      | 0.00              |               | 100,000.00    | 36,138.08   | 63,861.92 | 1,055,518.69    | 555,518.69          |
|      | 9           | 7/1/2020     | 1,055,518.69      | 0.00              |               | 100,000.00    | 38,252.16   | 61,747.84 | 1,017,266.54    | 617,266.54          |
|      | 10          | 7/1/2021     | 1,017,266.54      | 0.00              |               | 100,000.00    | 40,489.91   | 59,510.09 | 976,776.63      | 676,776.63          |
|      | 11          | 7/1/2022     | 976,776.63        | 0.00              |               | 100,000.00    | 42,858.57   | 57,141.43 | 933,918.06      | 733,918.06          |
|      | 12          | 7/1/2023     | 933,918.06        | 0.00              |               | 100,000.00    | 45,365.79   | 54,634.21 | 888,552.27      | 788,552.27          |
|      | 13          | 7/1/2024     | 888,552.27        | 0.00              |               | 100,000.00    | 48,019.69   | 51,980.31 | 840,532.57      | 840,532.57          |
|      | 14          | 7/1/2025     | 840,532.57        | 0.00              |               | 100,000.00    | 50,828.84   | 49,171.16 | 789,703.73      | 889,703.73          |
|      | 15          | 7/1/2026     | 789,703.73        | 0.00              |               | 100,000.00    | 53,802.33   | 46,197.67 | 735,901.40      | 935,901.40          |
|      | 16          | 7/1/2027     | 735,901.40        | 0.00              |               | 100,000.00    | 56,949.77   | 43,050.23 | 678,951.63      | 978,951.63          |
|      | 17          | 7/1/2028     | 678,951.63        | 0.00              |               | 100,000.00    | 60,281.33   | 39,718.67 | 618,670.30      | 1,018,670.30        |
|      | 18          | 7/1/2029     | 618,670.30        | 0.00              |               | 100,000.00    | 63,807.79   | 36,192.21 | 554,862.51      | 1,054,862.51        |
|      | 19          | 7/1/2030     | 554,862.51        | 0.00              |               | 100,000.00    | 67,540.54   | 32,459.46 | 487,321.97      | 1,087,321.97        |
|      | 20          | 7/1/2031     | 487,321.97        | 0.00              |               | 100,000.00    | 71,491.66   | 28,508.34 | 415,830.31      | 1,115,830.31        |
|      | 21          | 7/1/2032     | 415,830.31        | 0.00              |               | 100,000.00    | 75,673.93   | 24,326.07 | 340,156.38      | 1,140,156.38        |
|      | 22          | 7/1/2033     | 340,156.38        | 0.00              |               | 100,000.00    | 80,100.85   | 19,899.15 | 260,055.53      | 1,160,055.53        |
|      | 23          | 7/1/2034     | 260,055.53        | 0.00              |               | 100,000.00    | 84,786.75   | 15,213.25 | 175,268.77      | 1,175,268.77        |
|      | 24          | 7/1/2035     | 175,268.77        | 0.00              |               | 100,000.00    | 89,746.78   | 10,253.22 | 85,522.00       | 1,185,522.00        |
|      | 25          | 7/1/2036     | 85,522.00         | 0.00              |               | 85,522.00     | 80,518.96   | 5,003.04  | 0.00            | 1,190,522.03        |

EXHIBIT B

| Agreement Year | Annual Sales Tax Revenue | Business Growth Assumption | Discount Rate Factor 2% | Net Present Value | Liquidated Damages |
|----------------|--------------------------|----------------------------|-------------------------|-------------------|--------------------|
| 1              | \$360,000                | 0.03                       | 0.98039                 | \$352,940         | \$9,944,005        |
| 2              | \$370,800                | 0.03                       | 0.96117                 | \$356,402         | \$9,591,064        |
| 3              | \$381,924                | 0.03                       | 0.94232                 | \$359,895         | \$9,234,663        |
| 4              | \$393,382                | 0.03                       | 0.92385                 | \$363,426         | \$8,874,768        |
| 5              | \$405,183                | 0.03                       | 0.90573                 | \$366,987         | \$8,511,342        |
| 6              | \$417,339                | 0.03                       | 0.88797                 | \$370,584         | \$8,144,356        |
| 7              | \$429,859                | 0.03                       | 0.87056                 | \$374,218         | \$7,773,771        |
| 8              | \$442,755                | 0.03                       | 0.85349                 | \$377,887         | \$7,399,554        |
| 9              | \$456,037                | 0.03                       | 0.83676                 | \$381,594         | \$7,021,667        |
| 10             | \$469,718                | 0.03                       | 0.82035                 | \$385,333         | \$6,640,073        |
| 11             | \$483,810                | 0.03                       | 0.80426                 | \$389,109         | \$6,254,740        |
| 12             | \$498,324                | 0.03                       | 0.78849                 | \$392,924         | \$5,865,631        |
| 13             | \$513,274                | 0.03                       | 0.77303                 | \$396,776         | \$5,472,707        |
| 14             | \$528,672                | 0.03                       | 0.75788                 | \$400,670         | \$5,075,931        |
| 15             | \$544,532                | 0.03                       | 0.74301                 | \$404,593         | \$4,675,261        |
| 16             | \$560,868                | 0.03                       | 0.72845                 | \$408,564         | \$4,270,668        |
| 17             | \$577,694                | 0.03                       | 0.71416                 | \$412,566         | \$3,862,104        |
| 18             | \$595,025                | 0.03                       | 0.70016                 | \$416,613         | \$3,449,537        |
| 19             | \$612,876                | 0.03                       | 0.68643                 | \$420,696         | \$3,032,925        |
| 20             | \$631,262                | 0.03                       | 0.67297                 | \$424,821         | \$2,612,228        |
| 21             | \$650,200                | 0.03                       | 0.65978                 | \$428,989         | \$2,187,408        |
| 22             | \$669,706                | 0.03                       | 0.64684                 | \$433,193         | \$1,758,419        |
| 23             | \$689,797                | 0.03                       | 0.63416                 | \$437,442         | \$1,325,226        |
| 24             | \$710,491                | 0.03                       | 0.62172                 | \$441,727         | \$887,784          |
| 25             | \$731,806                | 0.03                       | 0.60953                 | \$446,058         | \$446,058          |
|                | \$13,125,335             |                            |                         | \$9,944,005       |                    |

NPV of 90% of 25 years worth of sales tax revenue (\$360k)

## Site Description

**Location:** The subject property is located at 1600 Enterprise Drive, on the northeast corner of Enterprise Avenue and Commerce Way in Lemoore, CA at the southeast quadrant of Highway 198 and 41.

**APN:** 024-051-016

**Thomas Brothers Map/Grid:** 14 B1/4.02

**Land Area:**

|             |                 |
|-------------|-----------------|
| RV Site     | 7.15 Ac.        |
| Excess Site | <u>5.39 Ac.</u> |
| Total       | 12.54 Ac.       |

**Shape:** Rectangular

**Topography:** Basically level and 8" to 10" above street grade

**Soil:** A soils report was not provided for review in connection with this appraisal assignment. It is an assumption of this appraisal that the soil is of adequate load bearing capacity to support the existing improvements.

**Offsite Improvements:** Curb and gutter

**Drainage:** Drainage to the surrounding streets and storm drains appears adequate.

**Utilities & Services:**

|                           |                 |
|---------------------------|-----------------|
| <i>Water :</i>            | City of Lemoore |
| <i>Sewer :</i>            | City of Lemoore |
| <i>Electricity:</i>       | PG&E            |
| <i>Gas:</i>               | PG&E            |
| <i>Telephone:</i>         | AT&T            |
| <i>Fire Protection:</i>   | City of Lemoore |
| <i>Police Protection:</i> | City of Lemoore |

**Flood Zone:** Zone X, defined as areas outside of the 100 and 500 year floodplains; FEMA Community Panel No. 060089-0170C, dated June 16, 2009.

**Earthquake Zone:** The subject property is not located within an Alquist-Priolo special studies zone.

**Wetlands:** The subject is not located within a wetlands area.

**Easements & Encroachments:** A preliminary title report was provided in connection with this appraisal. It is assumed that the previously mentioned easements do not have an adverse impact on the utility, marketability or value of the subject site.

**Zoning/General Plan:** The subject site is zoned ML, according to City of Lemoore. The ML zone is intended to reserve appropriately located areas for various types of industrial plants and related activities; protect areas appropriate for industrial use from intrusion by residences and other inharmonious uses; protect residential and

commercial properties from noise, odor, and other hazardous and objectionable influences incidental to certain industrial uses; provide opportunities for certain types of industrial lands to concentrate in mutually beneficial relationships to each other; provide adequate space to meet the needs of modern industrial development; and to provide industrial employment for residents of the City.. The property is designated for industrial development by the City of Lemoore General Plan. The existing use of the subject property reflects an appropriate use.

**Taxes and Assessments:**

The subject property is presently identified on the tax roll of Kings County, as parcel number 024-051-016. The assessed value and property taxes for the 2009-tax year are summarized below.

| Parcel Number | Assessed Value |             |       | Total       | Property Taxes |
|---------------|----------------|-------------|-------|-------------|----------------|
|               | Land           | Structure   | Other |             |                |
| 024-051-016   | \$191,017      | \$2,384,060 | \$0   | \$2,575,077 | \$26,492.64    |

**Property History:**

The subject property has been under the same ownership in excess of three years.

**Frontage/Visibility/Access:**

The subject site has approximately 600' of frontage along Enterprise Avenue with approximately 436' of frontage along Commerce Way. There are 2 commercial access points on Enterprise Avenue that provide adequate ingress and egress access to the property.

The nearest freeway access (Freeways 198) is approximately 1 mile northeast of the subject property via 19<sup>th</sup> Street.

**Streets/Parking:**

Parking is permitted along the street frontage.

**Adjacent Land Uses:**

*North:*

*South:*

*East:*

*West:*

Valley Cycle and Marine Dealership  
 SK Foods – Excess Land Parcel  
 Vacant Industrial Land  
 Freeway 41

**Comments/Conclusion**

The subject property consists of one parcel containing a total area of 13.17 acres. After a street dedication for Enterprise Avenue, the subject has a net acreage of 12.54 acres or 546,242 SF. Approximately 7.15 acres are developed to the Western RV Dealership/Service Center. The RV site is fully developed with perimeter chain link fencing, gates, outdoor yard lighting parking areas, asphalt and/or gravel paving with two access points to the facility.

The parcel has good frontage and access along Enterprise Avenue and Commerce Way and good access to both Freeways 41 and 198. Both Enterprise Avenue and Commerce Way are improved streets with asphalt paving, concrete curbs and gutters. All typical public utilities are available to the site. Overall, the subject site is considered functional, and capable of supporting a variety of light industrial or commercial uses.

The remainder 5.39 acre excess land site is at the immediate northwest corner of Enterprise and Commerce Way. It has curbs and gutters but the site is vacant and raw land and is ready for development.



## Improvement Description

**Building Area:** The subject improvements consist of 1 building containing 23,000 SF. There are no other buildings on site. The building areas are based on measurements that were determined from plans provided to the appraiser and verified during the property inspection. A site plan of the subject property is provided at the end of this section.

**Rentable Area:** 23,000 SF

**Building to Land Ratio:** 7.4% (23,000/311,454 or 7.15 acres)

**Building Occupant:** 100% owner occupied

### Exterior Description

**Foundation:** Concrete

**Exterior Walls:** Metal

**Roof Structure:** Metal

**Windows:** Tinted or clear glass set in anodized aluminum frames..

**Doors:** Office entrance doors are tinted or clear glass set in anodized aluminum frames; interior man doors are primarily of solid core interior doors construction. There are 11 (12' x 14') metal roll-up doors at grade level.

### Interior Description

**Floor Coverings:** Cut and dyed concrete in the sales and office areas, concrete in the shop and repair areas.

**Walls:** Taped, textured and painted drywall in the sales and office areas, metal siding with exposed insulation in the RV service/warehouse areas.

**Ceilings:** Open beam ceilings with exposed insulation in the RV sales and service/warehouse areas, with taped and textured drywall in the office and restroom areas.

**Lighting:** Lighting in the office areas is provided by recessed fluorescent light fixtures, with sky lights and high/low bay metal halide fixtures in the sales and service/warehouse areas.

**Electrical:** 800 Amp, three phase service. Electrical supply appears to be adequate for the subject usage.

**Plumbing:** All plumbing is located within the walls and/or foundation and is assumed to be adequate and in working order.

**Restrooms** There are separate men's and women's restrooms in the office portion of the building, as well as in the RV service area.

**Utilities:** All utilities are available and connected to the improvements.

**Fire Protection:** There is a sprinkler system throughout the building.



***Heating & Air Conditioning:***

There are 7 ground mounted HVAC units that provide climate control to the sales and office areas. There is no HVAC in the warehouse area. There is radiant heating and cooling imbedded in the flooring in the service/warehouse areas.

**Building Age and Condition**

The subject improvements are constructed of average quality building materials and are considered to be in good condition. The building is of Class S type heavy steel frame construction built in 2006/2007. According to Marshall Valuation Service, the typical life expectancy is 45 years. Considering the overall quality and condition of the improvements, the remaining economic life is concluded at 43 years.

**Deferred Maintenance**

As noted in the **Hypothetical Conditions and Extraordinary Assumptions** section of this report, the appraisers were informed that there are various defects in construction that are being disputed by the property owner; however, the appraisers were instructed by Randy Kammerer, of Premier Valley Bank to assume that the building is sound, and was constructed as specified in the original plans.

Respective of the above noted Hypothetical Conditions, the property inspection revealed no signs of deferred maintenance.

**Functional Utility**

Based on my inspection of the subject property, the overall design and configuration of the subject property is adequate to serve the functional needs of RV sales and service facility.

**Site Improvements**

***Landscaping:***

The landscaping consists of various types of shrubs and trees. All landscaped areas are watered via automatic sprinkler system.

***Parking:***

The subject property is improved with 37 stalls plus 2 handicap accessible stalls with ramps, for customer parking, which is assumed to be adequate.

***Other:***

The entire subject site is paved with asphalt and/or gravel with the exception of landscaped portions along the street frontage and planter areas. There is chain link perimeter fencing with entry gates to the yard sales and service areas.

**Conclusion**

The quality and design of the existing improvements is considered good with no functional obsolescence. The subject property represents a functional RV dealership/service center.



**AMENDMENT NO. 1 TO LOAN AGREEMENT  
FOR PROPERTY ACQUISITION  
(1600 Enterprise Drive, City of Lemoore)**

This Amendment No. 1 to Loan Agreement (“Amendment”) is entered into effective this \_\_\_\_\_ day of \_\_\_\_\_, 2013 (“Effective Date”) by and between the City of Lemoore (“City”), the Successor Agency to the Redevelopment Agency of the City of Lemoore (“Agency”) and Gary V. Burrows, Inc. (“Burrows”) (collectively, the “Parties”) to amend that certain Loan Agreement between the Parties dated May 3, 2011 (the “Agreement”).

**RECITALS**

WHEREAS, Burrows has requested that the City and Agency subordinate the original loan which is described in the Agreement in order for Burrows to obtain new financing which would allow Burrows to expand its existing business operations; and

WHEREAS, said business expansion will result in increased sales tax revenue generated in the City over and above the Annual Sales Tax Revenue estimates set forth in Exhibit B to the Agreement.

**AGREEMENT**

NOW, THEREFORE, the Parties agree as follows:

1. Amendment. Section 6 of the Agreement is amended and restated in its entirety, as follows:

“6. Consideration for the Loan. In consideration for the loan and other consideration accruing to the Burrows Corporations under the Agreements, the Burrows Corporations (and their successors in interest) agree , for a period of 25 years commencing on the close of escrow for the purchase agreement or on July 1, 2012, whichever is earlier, and ending on July 1, 2036, agree not to relocate their respective businesses, as currently conducted in the City, to a location outside of the City, and further agree that the Burrows Corporations will report to the California State Board of Equalization a minimum of 90% of the local sales tax revenue created by the Burrows Corporations operations during said time frame as being derived from their operations in the City of Lemoore. The remaining local sales tax revenue, not to exceed 10%, may be generated by sales and reported to the California State Board of Equalization outside of the City due to sales by the Burrows Corporations to its clients outside of the City. All sales taxes shall be delivered to the California State Board of Equalization as required by law. If the Burrows Corporations desire to expand their customer base

resulting in less than the minimum of 90% of the sales tax revenue being derived in the City, such expansion could reduce the sales tax revenue anticipated to accrue to the City over the 25 year period of the Agreement as set forth on Exhibit B to the Agreement. Accordingly, if the Burrows Corporations, through their individual or collective operations, decide to expand their operations resulting in less than 90% of sales tax revenue being generated in the City, Burrows agrees to pay to the City the greater of (i) 90% of the actual annual sales tax revenue generated by the Burrows Corporations, or (ii) the anticipated sum for the applicable agreement year as described in the column entitled "Annual Sales Tax Revenue" set forth in Exhibit B, less any sales tax revenue paid which is attributable to the City for that agreement year. The amounts listed under "Annual Sales Tax Revenue" set forth in Exhibit B are intended as estimates and not limitations on the amounts receivable by the City."

2. All Other Terms Remain in Effect. Except as expressly set forth herein, all other terms of the Agreement shall remain unchanged and in full force and effect, including all terms defined in the Agreement unless otherwise defined in this Amendment, and the Agreement shall be interpreted so as to give full force and effect to this Amendment.

3. Counterparts. This Amendment may be executed in counterparts and a facsimile signature shall be sufficient to bind each of the Parties, subject to the terms set forth herein.

IN WITNESS WHEREOF, the have executed this First Amendment as of the date set forth above.

CITY OF LEMOORE

LEMOORE SUCCESSOR  
AGENCY

By: \_\_\_\_\_  
Jeff Laws, Acting City Manager

By: \_\_\_\_\_  
Jeff Laws, Acting City Manager

ATTEST:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
City Clerk

GARY V. BURROWS, INC.

BURROWS & CASTADIO, INC.

By: \_\_\_\_\_  
Brian Castadio, President

By: \_\_\_\_\_  
Brian Castadio, President