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Staff Report

ITEM 4

To: Lemoore Oversight Board
From: Judy Holwell, Project Manager 
Date: September 20, 2013
Subject: Resolution No. 2013-07 Amendment to Loan Agreement and Subordination of Deed of Trust – Gary V. Burrows, Inc.

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 now desires to obtain a line of credit against the property for up to \$1,000,000. On September 17, 2013, the Lemoore City Council as Successor Agency to the former Lemoore Redevelopment Agency unanimously approved an Amendment to Loan Agreement and a Subordination of Deed of Trust. Before this item can be finalized, however, it must be approved by the Lemoore Oversight Board and then sent to the State of California Department of Finance for final approval.

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 Redevelopment Agency'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. As consideration for subordination of the loan, the City requested certain changes to the Loan Agreement pertaining to the removal of the cap on sales tax revenues. Attached is the Amendment to Loan Agreement, executed by Mr. Brian Castadio, President of Burrows, and the draft Subordination to Deed of Trust.

Budget Impact:

None.

Recommendation:

It is recommended that the Lemoore Oversight Board adopt Resolution No. 2013-07 approving the Amendment to Loan Agreement and Subordination to Deed of Trust.