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City of
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Redevelopment Agency

**Redevelopment
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Staff Report

ITEM NO. 17

To: Lemoore Redevelopment Agency Board
From: Judy Holwell, Redevelopment Project Manager
Date: March 27, 2008
Subject: Agreement with Kings County EDC to Guaranty a
Business Assistance Loan in the amount of \$465,325.74

Discussion:

Kings County Economic Development Corporation (Kings EDC) is considering approving a business assistance loan in the amount of \$250,000 for one of our top 25 sales tax revenue generating businesses – Bob Williams Chevrolet. Kings EDC has the ability to make loans up to the specified amount if the loan is well secured. In this particular instance, the borrower has sufficient equity in his property; however there is a first mortgage in the amount of \$465,325.74. Kings EDC is a small lending institution with limited funds for business assistance. If this loan was to go into default, Kings EDC would want to “buy out” the first mortgage, take control of the property and immediately market it for sale. Upon sale, all loans would be repaid.

Steve Stone, Loan Officer for Kings EDC, is concerned about the size of the first mortgage. If Kings EDC holds this amount in a reserve account, they will be unable to assist additional businesses. Kings EDC has proposed that the Redevelopment Agency (Agency) consider an arrangement whereby the Agency extends a line-of-credit to Kings EDC in the amount of \$465,325.74 to be drawn upon only in the event of foreclosure to buy out the first mortgage. This will protect its interest. Use of Agency funds would only be required during the time it takes to successfully pay off the first mortgage, market and sell the property. At the time of sale, the Agency and Kings EDC would recoup all funds expended. Mr. Stone has verified the current value and mortgage balances and has determined that this meets Kings EDC’s traditional underwriting requirements. He will be in attendance at the meeting and will be able to answer any questions you may have.

This type of arrangement could be an opportunity for other Lemoore businesses as well. Agency funds are safe because we would only back loans that are well secure with ample equity. The Agency only participates in the event of a default and the loan period should be relatively short.

On Tuesday, staff will provide a draft agreement between the Agency and Kings EDC and resolution identifying the findings which allow this type of transaction. We apologize for not having these items available for you to review over the weekend, but not all of the information is available at the time this report is being written.

Budget Impact:

The RDA Capital Projects Fund will hold in reserves \$465,325.74 and will not expend the funds unless a default occurs on the loan between Kings EDC and the borrower.

Recommendation:

That the RDA Board approve the loan agreement with Kings EDC in the amount of \$465,325.74 to guaranty a business assistance loan between Kings EDC and Robert A. Williams, Jr., majority owner of Bob Williams Chevrolet and adopt Resolution No. 2008-02.