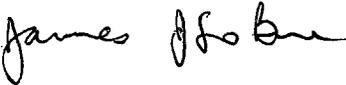


PLACER COUNTY
REDEVELOPMENT AGENCY

MEMORANDUM

TO: Honorable Members of the Redevelopment Agency Board
FROM: Thomas M. Miller, Director
James LoBue, Deputy Director 
DATE: November 23, 2010
SUBJECT: Loan Purchase Agreement with Umpqua Bank of \$2,800,000 Plus Closing Costs not to Exceed \$10,000 for Properties at 229, 245 Fox Street, 8616, 8666, 8673, 8679, 8684, 8685 Salmon Avenue, and 8635, 8645, 8675, 8693, 8697 North Lake Boulevard in Kings Beach

ACTION REQUESTED

Adopt a resolution authorizing the Redevelopment Agency (Agency) Director or designee to execute a Loan Purchase Agreement with Umpqua Bank of \$2,800,000 plus closing costs not to exceed \$10,000 for a first mortgage loan on properties owned by BB, LLC at 229, 245 Fox Street, 8616, 8666, 8673, 8679, 8684, 8685 Salmon Avenue, and 8635, 8645, 8675, 8693, 8697 North Lake Boulevard, Kings Beach, CA, APN's 090-126-021, 022, 024, 039, and 040, 090-133-003, 005, 006, 007, 008, 009, 010, 011, and 015, and authorizing the Agency Director or designee to execute other related documents necessary to complete the transaction.

BACKGROUND

On October 19, 2010, your Board approved a resolution authorizing the execution of a Loan Purchase Agreement for \$1,450,000 with Central Pacific Bank for two first mortgage loans on properties owned by BB, LLC at 8611 and 8623 North Lake Boulevard, Kings Beach, within the North Lake Tahoe Redevelopment Project Area. The agreement was subsequently executed and the transaction completed for the Agency purchase of the loans. These loans are secured by a portion of the BB, LLC property that is proposed to be redeveloped by BB, LLC as a new mixed-use development commonly referred to as the 'Kings Beach Town Center Project'. The Agency and another private party each own one other parcel within the footprint of the proposed project, but the remainder of the property is owned by BB, LLC and has a first mortgage loan with Umpqua Bank (see attached site map). As described in the report for the October 19, 2010 Board action, Umpqua Bank is proposing to sell its loan to the Agency in a transaction similar to the Central Pacific Bank loan purchase.

On July 24, 2007, your Board authorized the execution of an Exclusive Negotiating Rights Agreement with BB, LLC for the implementation of a proposed mixed-use redevelopment project. Project plans were submitted to the County and Tahoe Regional Planning Agency (TRPA) for entitlements review, and on February 28, 2008, the TRPA Governing Board designated the project for its Community Enhancement Program. Your Board authorized a Predevelopment Loan Agreement with BB, LLC for \$500,000 on June 10, 2008 and the

developer has drawn most of those funds for design, engineering, and environmental review costs of the project.

BB, LLC acquired its portion of the project site with the help of mortgage loans from Central Pacific Bank and Umpqua Bank. The original Umpqua Bank loan was for \$2,750,000, but was subsequently amended and increased to \$4,600,000. In March of 2010, the Agency acquired from BB, LLC property on Trout Avenue in Kings Beach which has subsequently been included in the Kings Beach Scattered Sites Housing Project. As a result of that transaction, \$360,145.06 was paid by BB, LLC against the Umpqua Bank loan and the total principal amount stands at \$4,239,854.94. An additional approximately \$310,000 of accumulated interest is also due to the bank.

The original Umpqua Bank Loan Agreement was previously renewed. However, when the loan was most recently due to expire on February 25, 2010, BB, LLC requested another extension of the loan, but the bank did not agree to the request. Umpqua Bank expressed interest in having the loan paid off or sold as soon as possible. Agency staff has held discussions with the bank and learned that the bank is willing to sell the loans with a total face value of approximately \$4,550,000 for \$2,800,000. Umpqua Bank has indicated that they filed a Notice of Determination for Foreclosure on October 18, 2010.

DISCUSSION

BB, LLC has requested that the Agency acquire the bank loans in order to avoid foreclosure and allow the project to continue to proceed through design review and construction. If the bank foreclosed on the loan, there is a likelihood that the property would be divided among multiple new owners and the currently proposed mixed-use town center proposal could not be realized. In addition, TRPA's Community Enhancement Program designation and its accompanying code allowances and reserved commodities of commercial floor area and residential units would be withdrawn.

Umpqua Bank has expressed an interest in selling its loan at a significantly discounted price. The sale would have the Agency replace the bank as the first mortgage holder with a lien on approximately three acres of property owned by BB, LLC. The Agency would assume the current loan at face value and with all the current terms and documents. The loan includes a personal guarantee from Steven and Candace Brown.

Due Diligence

Preliminary title reports and appraisals have been obtained for all of the BB, LLC properties involved in the bank loans. The reports show no additional liens or encroachments other than utilities easements on the properties. An appraisal conducted in May 2010 estimated the value for the parcels encumbered by the Umpqua Bank loans at \$3,900,000, which is a larger amount than the proposed loan purchase price.

Phase I environmental studies conducted for the entire site indicate no evidence of underground storage tanks or site contamination. BB, LLC removed underground storage tanks and completed soil remediation at a previous gas station site located at 8697 North Lake Boulevard. The

Agency has received copies of clearances from regulatory agencies accepting the remediation work as successfully completed.

The Agency has received a schedule of the tenant leases and recent rent collections for the BB, LLC property. The Agency has also received a breakdown of recent operating expenses for the property. The schedules indicate that the overall project site has recently been generating income in excess of operating expenses (short of debt service and taxes) by approximately \$14,000 per month. This amount was reportedly higher in 2008 and 2009, but the recent economic recession has resulted in additional vacancies and some reduced rent payments.

ENVIRONMENTAL STATUS

The action requested is an activity taken in furtherance of the Redevelopment Plan for the North Lake Tahoe Redevelopment Project Area for which an environmental impact report was prepared and certified pursuant to the California Environmental Quality Act (CEQA). Therefore, no further environmental review is required for these actions (CEQA Guidelines Section 15180). The project proposed to be implemented on the property covered in the mortgage loan is undergoing separate environmental review and that environmental review will be completed, reviewed, and considered by the County and other regulatory bodies prior to the consideration of the project or a disposition and development agreement.

FISCAL IMPACT

The proposed loan acquisition from Umpqua Bank will cost \$2,800,000 plus closing costs not to exceed \$10,000. Funding is proposed to come from three sources: \$462,000 plus closing costs from North Lake Tahoe Redevelopment Project Area (North Tahoe) tax increment, \$788,000 from North Tahoe Commercial Tax Allocation Bond proceeds, and \$1,550,000 from Sunset Industrial Redevelopment Project Area (Sunset) tax increment provided as a loan to North Tahoe. A separate companion item on this meeting agenda addresses the loan from Sunset to North Tahoe. There will be no impact on the County General Fund.

Attachments: Resolution
Site Map
Loan Purchase Agreement

CONTRACT/AGREEMENT
FOR REVIEW ONLY AT
THE CLERK OF THE BOARD

cc: Karin Schwab, Agency Counsel

WHEREAS, the Redevelopment Agency (Agency) is responsible for administering the Redevelopment Plan to effectuate redevelopment efforts within the Project Area;

WHEREAS, BB, LLC is the owner of certain real property located within the Project Area at 229, 245 Fox Street, 8616, 8666, 8673, 8679, 8684, 8685 Salmon Avenue, and 8635, 8645, 8675, 8693, and 8697 North Lake Boulevard, Kings Beach, CA, APN's 090-126-021, 022, 024, 039, and 040, 090-133-003, 005, 006, 007, 008, 009, 010, 011, and 015 (the Property);

WHEREAS, the Agency and BB, LLC entered into an Exclusive Negotiating Rights Agreement to assess the feasibility of development of a mixed-use project located within the Property;

WHEREAS, Umpqua Bank holds first mortgage loan for BB, LLC, secured by the Property;

WHEREAS, Umpqua Bank and the Agency are mutually desirous of the Agency acquiring the first mortgage loan;

WHEREAS, the Agency is seeking authorization to execute a Loan Purchase Agreement with Umpqua Bank for the first mortgage loan secured by the Property for a purchase price of \$2,800,000 plus closing costs not to exceed \$10,000;

WHEREAS, the Agency is seeking authorization to use five percent (5%) of the Placer County Redevelopment Agency Tax Allocation Bonds, 2006 Series A proceeds allowed in Section 5.11 of the Indenture of Trust in the amount of \$788,000; and

WHEREAS, the proposed actions are taken in furtherance of the Redevelopment Plan, for which an environmental impact report was prepared and certified pursuant to the California Environmental Quality Act (CEQA) and, pursuant to CEQA Guidelines Section 15180, no further environmental review is required for these actions.

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the County of Placer that the Redevelopment Director or designee is authorized to execute a Loan Purchase Agreement with Umpqua Bank for \$2,800,000 plus closing costs not to exceed \$10,000 and the Redevelopment Director or designee is authorized to execute other related documents necessary to complete the Loan Purchase Agreement.



Attachment - Area Map

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B.B., LLC
Mixed Use Residential/Office Development

 **BB, LLC Properties**

