TO:        Chairperson and Members of the Stockton Redevelopment Agency

FROM:    J. Gordon Palmer, Jr., Executive Director
         Stockton Redevelopment Agency

SUBJECT: APPROVE A $600,000 LOAN TO VISIONARY HOME BUILDERS OF
          CALIFORNIA FOR THE MARIPOSA ROAD PROJECT

RECOMMENDATION

It is recommended that the Redevelopment Agency adopt a resolution approving a $600,000 loan to Visionary Home Builders of California to refinance a portion of the cost of acquiring 12.2 acres located in the South Stockton Redevelopment Area at 2404 Mariposa Road, and authorize the Executive Director to execute documents and take appropriate actions to carry out the purpose and intent of the resolution.

SUMMARY

In November 2006, the Redevelopment Agency approved a loan of $2,484,000 to assist Visionary Home Builders of California (Visionary) purchase the subject property and to fund predevelopment costs. The total purchase price was $3,965,000 with the other funding coming from a private bank loan and a short-term seller carry-back loan of $600,000. The short-term seller carry-back loan is due in December 2008. Visionary has requested financial assistance to pay off this loan which is carrying a seven percent interest rate. Staff recommends if this loan request is approved that it be funded with Low and Moderate Income Housing Set-Aside funds.

DISCUSSION

Background

In November 2006, the Redevelopment Agency approved a loan of $2,484,000 to assist Visionary Home Builders purchase the subject property and to fund predevelopment costs. The total purchase price was $3,965,000 with the other funding coming from a $600,000 short-term seller carry-back loan and a private bank loan. The carry-back loan from the seller, which has a seven percent interest rate, was originally due in December 2007, but a one-year extension was approved making it now due in December 2008. Visionary has been paying the interest, so the total amount due on the note remains at $600,000.

Visionary originally intended to use an increase in the loan amount from the private bank to repay the loan from the seller. At the time Visionary acquired the property, the bank approved a loan for up to 65 percent of the appraised value of the property. The property was, and still is, designated on the General Plan for commercial development and zoned CL (Commercial, Large Scale). Because of various development issues,
such as the shape of the lot and the limited frontage on Mariposa Road, it is not well suited for commercial development. Therefore, the appraisal of the property indicated a lower value under the existing commercial designation than under the proposed residential designation. The bank indicated that when the General Plan and zoning is changed to residential, they would loan on the increased value of the property which would have provided sufficient funds for Visionary to pay off the $600,000 loan to the seller. However, Visionary has not been able to proceed with the General Plan Amendment and rezoning because the environmental review of the proposed project, which is needed before the General Plan Amendment and rezoning can be considered, has not been completed. The project is still in the design phase, so the environmental review can not move forward.

Present Situation

Visionary has now requested an additional loan from the Agency to allow them to pay off the loan from the seller. It is being recommended that the loan be funded with Low and Moderate Income Housing Set-Aside funds.

Visionary will continue their efforts to complete the development plan, cost projections, and to obtain the approvals necessary for the project. A variety of funding sources will be required for construction and permanent financing, including additional City and/or Agency funds. Visionary will request those additional funds after the development plan and costs are finalized. Construction of the project could commence in eighteen to twenty-four months.

ENVIRONMENTAL CLEARANCE

At the time of the original loan approval, staff determined that the acquisition of the property was exempt from California Environmental Quality Act (CEQA) per Section 15061(b)(3). This determination is also appropriate for this loan which will assist with funding the acquisition of the property.

FINANCIAL SUMMARY

The $600,000 will be funded with Redevelopment Low and Moderate Income Housing Set-Aside funds. Sufficient funds are available in the Low and Moderate Income Housing Fund 339. Agency Housing loans are typically transferred and set up in the Special Purpose Loans 021 Fund for tracking. Therefore, the following actions must be completed to set up this loan: