

DATE: JULY 13, 1998

TO: COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, ACTING CHIEF EXECUTIVE OFFICER

**SUBJECT: ARMENIAN CULTURAL FOUNDATION PROMISSORY NOTE FOR
PROPERTY LOCATED AT 740 EAST WASHINGTON BOULEVARD**

RECOMMENDATION

It is recommended that the Community Development Commission amend the Promissory Note between the Foundation and the Commission and that the new note be established in the amount of \$45,000. It is further recommended that the revised note will be paid by the Foundation in cash.

BACKGROUND

The Armenian Cultural Foundation ("Foundation") has requested that the Community Development Commission ("Commission") restructure a promissory note for land that the Foundation acquired from the Commission at 740 East Washington Boulevard. The land was acquired to provide parking to serve the Armenian Cultural Center. The original purchase price for the subject property was approximately \$122,000. Due to a decline in rental and other revenues the Foundation is currently in default of the Promissory Note. The amount currently owed to the Commission is approximately \$114,640 (Principal \$104,695 and interest in the amount of \$9,945).

For months staff and representatives of the Foundation have met and discussed various workout options to resolve the default. During these discussions Foundation representatives raised considerable concern related to the value of the property and their perception that the Foundation acquired the property at a higher than market price. Out of this concern staff and Foundation representatives agreed to proceed and have independent appraisals of the subject property to determine its current fair market value. The appraiser hired by the Commission has determined that the fair market value of the subject property is \$60,000. The fair market as established by the Foundation's appraiser is \$35,000.

After several meetings with Foundation representatives the parties have agreed to split the difference between the two appraisals and that the value of the property be established at 45,000. Having established the fair market value of the property the Foundation is proposing to pay the Commission the current fair market value of the property in cash and is requesting that the Commission forgive the balance of the loan that is in default.

COMMUNITY DEVELOPMENT COMMITTEE

The Community Development Committee approved staff recommendation on June 11, 1998.

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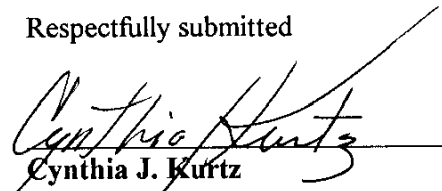
HOUSING IMPACT

There is no housing impact should the Commission approve staff recommendation.

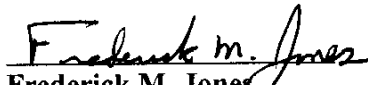
FISCAL IMPACT

There will be a fiscal impact on the Community Development Commission. Initially, the Foundation had two (2) loans with the City/Commission related to the subject property. The first loan was in the amount of \$32,279 and was used to complete parking improvements on the subject property. This loan has been paid in full. The second loan is a Promissory Note in the amount of \$122,000 and is for the acquisition of the subject property by the Foundation. Currently, there is a remaining balance of approximately \$115,000. Should the Commission approve the workout plan in the amount of \$45,000 the Commission in effect will be forgiving \$70,000 of the Promissory Note.

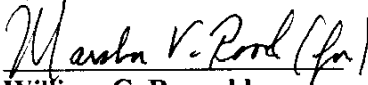
Respectfully submitted


Cynthia J. Kurtz
Acting Chief Executive Officer

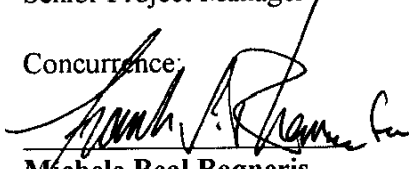
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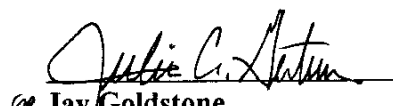

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