

# STAFF REPORT

## Lancaster Redevelopment Agency

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MVB

Date: December 9, 2008

To: Chairman Parris and Agency Board Members

From: Elizabeth Brubaker, Housing and Neighborhood Revitalization Director

Subject: **Second Administrative Amendment to Lease and Option Agreement between the Lancaster Redevelopment Agency and Grace Resources Center for property located at 45134 Sierra Highway**

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### Recommendation:

Approve Second Administrative Amendment to the Lease and Option Agreement between the Lancaster Redevelopment Agency and Grace Resource Center dated November 10, 1998 for property located at 45134 N. Sierra Highway.

### Fiscal Impact:

The Agency will receive a Purchase Money Note secured by a Deed of Trust for \$176,000 payable over 30 years at \$720.37 per month including interest at the rate of 2.77% per annum consistent with the most recent Local Agency Investment Fund (LAIF) rate.

### Background:

Early in 1994, the Agency acquired the old Sierra Toyota Dealership (the Property) as part of an agreement that relocated the dealership to the Lancaster Auto Mall. The Property was purchased by the Agency for \$400,000; however, the Property sat vacant for two years and deteriorated in value due to vandalism. In 1996, the Property appraised for \$240,000; and, subsequently the Agency granted an approximately 4,000 square foot road easement to the City of Lancaster for future street widening of Sierra Highway. The easement, valued at \$20,000, reduced the Property's value to \$220,000. By 1998, the value of the Property had not substantially changed due to the inactive real estate market at that time. Although the Property was marketed by the Agency and investigated by a number of potential buyers, the best offer received by the Agency prior to November 1998 was \$140,000 (the buyer, however, could not ultimately perform).

On November 10, 1998, the Agency approved a Lease and Option Agreement with Grace Resource Center to lease the site and repair/renovate the distressed buildings. The Agreement also granted Grace Resource Center the option to purchase the Property for \$220,000. Grace leased the Property in an "as is" condition and raised the necessary funds, approximately \$200,000, to rehabilitate the Property. The Agreement was amended on April 21, 2005 to clarify the Commencement Date of the Lease, due to the delay in occupancy by Grace Resource Center.

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Additionally, Grace has paid all costs associated with the operation of the Property, such as maintenance, insurance, utility improvements, capital improvements and possessory interest taxes.

Grace Resource Center is a non-profit Emergency Services Center that provides food, clothing, household goods and disaster relief services to local residents in need. Since its inception in 1991, Grace Resource Center has served over one million of the community's more needful individuals. Their services also include counseling, case assessment and referrals. Program funding is provided by donations from local residents and businesses.

Grace Resource Center desires to exercise its Option to Purchase. The Agency will credit \$44,000 in lease payments, which Grace Resources has paid, towards the Option Price of \$220,000. Grace will execute a Promissory Note secured by a Deed of Trust against the Property for the balance of \$176,000. Terms of the Note include 2.77% interest (based on the current LAIF Rate), monthly payments of \$720.37, and a 30-year amortization. If the Property is sold or any interest in it transferred by Grace, the Note and the entire balance will be due and payable immediately.

Due to Grace's substantial investment in the Property (approximately \$200,000), its record of timely lease payments to the Agency, and especially Grace's contributions to the more needful residents of the community, staff is supporting Grace's request to purchase the Property at the price and terms described herein.

Therefore, staff recommends that the Agency grant the request of Grace Resource Center and approve this Second Administrative Amendment to the Lease and Option Agreement.

EB:CS:dle

Attachment: None.