



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



Agency Report
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CITY MANAGER'S OFFICE
RECEIVED
APR 9 1985

CITY MANAGER'S OFFICE
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APR 3 1985

April 1, 1985

City Council of the
City of Sacramento
Sacramento, California

APPROVED
BY THE CITY COUNCIL

APR 16 1985

OFFICE OF THE
CITY CLERK

Honorable Members in Session:

SUBJECT: FOLLOWUP KANPAI RESTAURANT/UDAG LOAN

RECEIVED
CITY CLERKS OFFICE
CITY OF SACRAMENTO
APR 1 8 50 AM '85

SUMMARY

The attached resolution authorizes the Executive Director to reconvey the City's third deed of trust in a condominium which provided part of the security for the Kanpai Restaurant UDAG loan. Also included is a status report on partial repayment of the loan.

BACKGROUND

On March 27, 1981, the City agreed to loan the amount of \$217,000 to Kanpai Corporation, Inc. to cover the cost of tenant improvements and equipment for the Kanpai Restaurant in Old Sacramento. Funds for the loan came from an Urban Development Action Grant. An additional loan of \$270,000 was made by the Small Business Administration.

The City and SBA loans were secured by trust deeds on two homes belonging to the Kanpai owners. SBA took second trust deeds and the City has third trust deeds. The City and SBA also received security interests in the restaurant equipment and tenant improvements. The City had a first lien on specific restaurant equipment listed in its security agreement and the SBA had a first lien on all unlisted equipment. No other security was provided for these loans. The value of this security was substantially lower than the total amount of the two loans.

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In May 1984, Kanpai restaurant went out of business. On September 19, 1984, the City Council authorized the Executive Director to conduct an auction sale of the Kanpai Restaurant equipment in order to obtain partial repayment of the loan. The sale was conducted on October 24. After payment of the auctioneer's fees and costs, the net proceeds of the sale were \$52,057.60. These proceeds were divided ninety percent (90%) to the Agency and ten percent (10%) to SBA. The net proceeds to the Agency were \$46,851.84.

Appraiser Richard Lotspeich completed an appraisal of the two homes pledged as security for the Agency and SBA loans in September 1984. He found the condominium owned by Kanpai owner Dan Nishio to have a value of \$45,000.00. He concluded the home owned by Kanpai owners, the Matsueda's, had a value of \$145,000.00. Each of these properties have outstanding balances of \$30,000.00 on their first trust deeds (total \$60,000). The unpaid balance due on the SBA loan is approximately \$190,000.00 and is secured by second trust deeds on both properties. Therefore, the total value of the first and second trust deeds, \$250,000, far exceeds the total appraised value of both these residences, \$190,000.

Dan Nishio has written the Agency requesting that we reconvey our third trust deed on his condominium. He has negotiated a settlement agreement with SBA in order to avoid losing his property. SBA has agreed to reconvey their second trust deed upon payment of \$10,000.00 from Nishio. Of course, the settlement is not possible unless the Agency agrees not to foreclose under our third. Because there is not sufficient value in the residence to cover our third trust deed in the event of foreclosure, there is no advantage to the Agency for force SBA to foreclose on the property. Therefore, staff recommends that the City Council authorize the Executive Director to reconvey the third trust deed on the condominium.

The Matsueda's have not requested such an arrangement. They have filed bankruptcy. No further action is recommended in connection with their home, since there is not sufficient equity in the home to completely repay the balance on the first and second trust deeds.

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The one remaining asset of Kanpai Corporation, its liquor license, is now the sole asset in the corporation's bankruptcy action. The bankruptcy trustee is attempting to sell the license and the Agency will receive a share of the sales proceeds along with other creditors. State law prohibits conveyance of the security interest in a liquor license, so the license was not pledged to secure the Agency loan. The Agency will be treated as an unsecured creditor in the bankruptcy, so only minimal reimbursement is expected.

FINANCIAL DATA

The recommended action will have no fiscal impact on the City, since the trust deed to be reconveyed has no value. The remaining unpaid balance on the Kanpai loan is approximately \$170,000. Only minimal additional repayment of this loan is expected when the bankruptcy trustee distributes proceeds from sale of the liquor license.

POLICY IMPLICATIONS

The actions proposed in this staff report are consistent with previously approved policy, and there are no policy changes being recommended.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of April 1, 1985, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES: Amundson, Lopez, Luttrell, Moose, Pettit, Sanchez,
Wooley, Angelides

NOES: Ose

ABSENT: Teramoto, Walton

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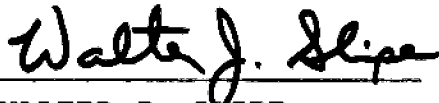
RECOMMENDATION

The staff recommends adoption of the attached resolution which authorizes the Executive Director of the Redevelopment Agency of the City of Sacramento to reconvey, on behalf of the City of Sacramento, a third deed of trust recorded against a condominium owned by Dan Nishio, located in the City of Oakland.

Respectfully submitted,


ANDREW J. PLESCIA
ACTING EXECUTIVE DIRECTOR

TRANSMITTAL TO COUNCIL:


WALTER J. SLIPE
City Manager

Contact Person: Jennifer Soloway

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RESOLUTION NO.

85-293

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

April 9, 1985

APPROVED
BY THE CITY COUNCIL

APR 16 1985

KANPAI RESTAURANT DEED OF TRUST

OFFICE OF THE
CITY CLERK

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

Section 1: The Executive Director of the Sacramento Housing and Redevelopment Agency is authorized and directed, on behalf of the City of Sacramento, to request reconveyance of a Deed of Trust dated June 24, 1981, and executed by Dan R. Nishio, as trustor naming the City of Sacramento beneficiary and encumbering real property commonly known as 455 Crescent, Unit 311, Oakland, California.

CHAIR

ATTEST:

SECRETARY