

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY OF SAN JOSE

MEMORANDUM

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| TO: OVERSIGHT BOARD | FROM: DEBRA FIGONE EXECUTIVE OFFICER |
| SUBJECT: ACCOUNTS RECEIVABLES AND COLLECTION PROCESS | DATE: October 5, 2012 |

RECOMMENDATIONS

Accept the status update of the Successor Agency's Account Receivables.

BACKGROUND

The Successor Agency presented the Oversight Board with the Successor Agency's past due accounts receivables at the June 28, 2012 meeting. Attached is the update of the Successor Agency's accounts receivables that are current on their payments and the accounts receivables that are past due as of October 4, 2012.

ANALYSIS

Since the June 28, 2012, the Successor Agency has made strides to collect the past due amounts owed on various loans. Below is a summary of the changes to the past due accounts receivables.

Two Small Business Loans are no longer past due. The Blue Mango has paid all past due amounts and is now current on their loan. Sustra, LLC (Peggy Sue's) agreed to a payment plan to resolve the past due amounts and will be current on their loan in November 2012.

Four Small Business Loans have been turned over to the City of San Jose's Finance Department Collections team to recover the past due amounts. The four loans are House of Siam, Tee Nee Thai Cuisine, Inc., Hally K. Ono Café, and Ngan's Tailoring.

One Small Business Loan, Zanotto's Downtown Market, and one HUD 108 Loan, Isis Properties, LLC-Dr. Eu, have started to pay their monthly payments and Successor Agency staff is working with loan holders on payment plans to bring the loans current.

Three past due accounts receivables have not made any payments or agreed to a payment plan and Successor Agency staff is discussing options with the City Attorney's Office. These past due accounts include a loan with Camera Pavilion Management, a Revenue Participation Agreement with the Montgomery Hotel, and a lease with Two Fish Design.

EVALUATION AND FOLLOW-UP

Staff will update the Oversight Board in December on the progress of the past due Accounts Receivables.

FISCAL IMPACT

All funds collected will provide the Successor Agency with funds to pay enforceable obligations.



DEBRA FIGONE
EXECUTIVE OFFICER

For more information, contact Richard Keit, Managing Director, Successor Agency, at 408-795-1849

Attachment A: Receivables - Entities that are Current as of October 4, 2012
Attachment B: Delinquent Receivables Summary

Attachment A

**Successor Agency to the Redevelopment Agency of the City of San Jose
Receivables - Entities that are Current as of October 4, 2012**

| <u>Borrower</u> | <u>Payment Term</u> | <u>Loan Amount</u> | <u>Loan Balance</u> |
|--|---------------------------|------------------------|-------------------------|
| Small Business Loan Program | | | |
| Westside Group, Inc. (4th St. Pizza) | 2/1/2009- 1/1/2014 | \$ 40,000 | 10,557 |
| Katsuro Enterprises (The Classic Rock) | 3/1/2009- 2/1/2014 | \$ 40,000 | 11,937 |
| The Blue Mango (Coleman Market) | 5/1/2009- 4/30/2014 | \$ 50,000 | 15,725 |
| Sustra, LLC (Peggy Sue's) | 7/1/2009- 6/30/2014 | \$ 40,000 | 15,997 |
| The Oasis Spot (Morocco's Rest.) | 7/1/2009- 1/31/2015 | \$ 50,000 | 21,690 |
| The Poor House Bistro (91 S Autumn St.) | 9/1/2009- 8/31/2014 | \$ 50,000 | 20,844 |
| DTBA, LLC (Downtown Britannia Arms) | 11/1/2009- 10/31/2014 | \$ 50,000 | 20,844 |
| ZPD, Inc. (San Jose Bar & Grill) | 12/01/2009- 11/30/2014 | \$ 50,000 | 21,690 |
| R&J Jewelry & Loan (14-A South First Street) | 12/1/2002- 11/30/2014 | \$ 40,000 | 9,349 |
| HUD 108 Loans | | | |
| Green Valley Enterprises Security Building (84 South First Street) | 11/1/1999- 10/30/2019 | \$2,388,756 | 1,002,623 |
| Farmers Union Partnership Masson Building (161 West Santa Clara Street) | 10/1/1999- 9/30/2018 | \$1,585,099 | 593,229 |
| Other Loans | | | |
| Farmers Union Partnership OPA-Vendome Apartments (151 West Santa Clara Street) | 3/1/2000- 2/28/2019 | \$ 922,497 | 367,331 |
| Joel Wyrick & Judy Pearson Commercial Building Loan (37-39 South First Street) | 3/12/2008- 3/1/2033 | \$ 310,285 | 270,410 |
| Urban Markets LLC Building Rehab & Loan (87 N. San Pedro Street and 196 W. St. John Street) | 2/24/2012- 3/1/2022 | \$2,500,000 | 2,500,000 |

Attachment B

**Successor Agency to the Redevelopment Agency of the City of San Jose
Delinquent Receivables Summary as of October 4, 2012**

| Borrower | Payment Term | Loan Amount | Loan Balance | Past-Due Incl. Late Fee | Date of Last Payment | Status |
|---|---------------------------|--------------|--------------|-------------------------|----------------------|--|
| Accounts No Longer in Arrears Small Business Loan Program | | | | | | |
| The Blue Mango (Coleman Market) | 5/1/2009- 4/30/2014 | \$ 50,000 | 15,725 | 0 | | June 2011 payment received No payments in arrears |
| Account with Payment Plan Small Business Loan Program | | | | | | |
| Sustra, LLC (Peggy Sue's) | 7/1/2009- 6/30/2014 | \$ 40,000 | 15,997 | 1,512 | Sept. 2012 | Late - 2 months in arrears Owner has informed SARA of doubling future payments until current |
| Accounts in Arrears Small Business Loan Program | | | | | | |
| House of Siam (150 S. First Street) | 12/01/2009- 11/30/2014 | \$ 50,000 | 38,169 | 17,955 | Feb. 2011 | Partner Bankruptcy Filing - Jan 2012 SARA filed claim 03.08.12 File forwarded to City's Collection staff |
| Tee Nee Thai Cuisine, Inc. (1423 The Alameda) | 12/1/2009- 11/30/2014 | \$ 50,000 | 37,365 | 17,010 | March 2011 | Late notice sent to borrower Received call regarding fire at restaurant File forwarded to City's Collection staff |
| Hally K. Ono Café (312 S. Third Street) | 03/1/2009- 1/31/2019 | \$ 40,000 | 32,389 | 8,936 | Nov. 2010 | Late - forwarded file to City's Collection staff |
| Ngan's Tailoring (105 East Santa Clara St) | 12/1/2002- 1/1/2013 | \$ 20,000 | 3,473 | 2,254 | Feb. 2011 | Hand delivered late notice to borrower File forwarded to City's Collection staff |
| Zanatto's Downtown Market (38 S. Second Street) | 4/1/2010- 2/1/2014 | \$ 15,363 | 15,002 | 9,660 | Oct. 2012 | SARA has had continued discussions with Zanatto's regarding delinquent loan amt. Received one month payment |
| HUD 108 Loans | | | | | | |
| Isis Properties, LLC - Dr. Eu Bassler-Haynes (35-49 East Santa Clara Street) | 12/1/2007- 11/30/2032 | \$ 1,382,933 | 1,382,933 | 25,411 | Sept. 2012 | Late Interest only payments thru November 2012 SARA - continued follow-up with owner |
| Other Loans | | | | | | |
| Camera Pavilion Management Commercial Building Loan (201 South Second Street) | 11/18/2008- 8/1/2017 | \$ 3,499,000 | 2,710,899 | 40,000 | Nov. 2011 | Owner has not made any payments since Nov. 2011. SARA continues follow-up with owner. Staff is discussing options with City Attorney. |
| Participation Agreements | | | | | | |
| Montgomery Hotel (366 South First Street) | 1/1/2006- 12/31/2065 | | | 77,552 | | Hotel Owner has not made any payments to date. SARA continues follow-up with owner. Staff is discussing options with City Attorney. |
| Rents | | | | | | |
| Two Fish Design (366 South First Street) | Month-to- Month | | | 1,500 | Sept. 2012 | Late - 3 months in arrears Tenants have been notified regarding past due rent Staff is discussing options the City Attorney. |