R-0507C-1986

RESOLUTION TO APPROVE RENTAL REHABILITATION
DEFERRED LOAN FOR TORINO INDUSTRIES, INC.
CADILLAC ARMS PROJECT

WHEREAS, on December 4, 1984, the City Council passed a Resolution establishing its participation in the U. S. Department of Housing and Urban Development's Rental Rehabilitation Program; and

WHEREAS, the City of Las Vegas authorized the administration of its HUD Rental Rehabilitation Program through the Department of Economic and Urban Development's Developmental Programs Division; and

WHEREAS, the City of Las vegas has developed a Housing Assistance Plan (HAP) which has been submitted to and approved by HUD; and

WHEREAS, the City of Las Vegas Housing Assistance Plan includes an inventory and condition of the City's housing stock; and

WHEREAS, the Housing Assistance Plan further addresses the City's needs for expanding and improving its housing stock with special emphasis on the housing needs of low to moderate income persons; and

WHEREAS, this proposed Cadillac Arms rehabilitation project ideally embraces the City of Las Vegas' continued efforts to improve its housing stock on both a quanitative and qualitative basis; and

WHEREAS, this program is designed to provide standard housing units for low to moderate income families, specifically in neighborhoods where the median income does not exceed 80 percent of the median income of the area and where the rents are likely to remain affordable to lower income families for a period of seven years after rehab (Fair Market Rents under 24 CFR Part 888 for the Section 8 Existing Housing 21 CFR, Part 882, Subparts A and B); and

WHEREAS, HUD has encouraged the leveraging of public dollars with private dollars; and

WHEREAS, this program provides for investors to participate with the City by providing low interest loans to accomplish the goal; and

WHEREAS, Cadillac Arms was purchased from Ms. Edna Crane by Francis

P. Torino; and

WHEREAS, escrow closed on Decmber 17, 1985, vesting title in Francis P. Torino, as Trustee for the "Torino Living Trust", (hereinafter referred to as "Owner"); and

WHEREAS,the City of Las Vegas, (hereinafter referred to as "City") received an application for assistance through the Developmental Programs Division Rental Rehabilitation Deferred Loan Program for Cadillac Arms from the owner; and

WHEREAS, the purchase price was $500,000 for 20 lots, 19 duplexes (38 units) to be rehabilitated. The cash down payment was $150,000 with $350,000 balance carried by Ms. Crane under a Deed of Trust; and

WHEREAS, the cost of rehabilitation activities is $474,413.60 with the City's 50% share being $237,206.80 and the Owner providing the same amount; and

WHEREAS, the HUD Rental Rehab Regulations require a Regulatory Agreement be executed between the City and the Owner. And, if the owner complies with the terms of the agreement, 10% of the City's loan is "forgiven" each year; and

WHEREAS, the City will allocate 38 Section 8 Voucher/Certificates, supplied by HUD to the City, to assure 100% occupancy by low income tenants for at least one year; and

WHEREAS, there exists a need to engage in a construction control contract to allow minority and small contractors an opportunity to bid on this project; and

WHEREAS, employing a construction control company, will eliminate the need to adhere to a rigid progress payment schedule;
will eliminate the need for payment and performance bonds; will certify all work is done in conformance to contract; assure a "lien free" project; assure building inspections have been performed; provide more expeditious payment to sub-contractors and vendors, thus allowing minority and small contractors to participate; and

WHEREAS, employing the services of a construction control company, would necessitate that the City and the Owner deposit their 50% shares of the contract amount, into an escrow account for disbursement by the construction control company; and

WHEREAS, the Owner cannot obtain the necessary long term financing until after the rehab work is completed; and

WHEREAS, the HUD program encourages the City to subordinate its Trust Deed to allow for refinancing of existing debt upon the condition that the total indebtedness, including the City's loan, will not exceed 80% of the after rehabilitation value of the project; and

WHEREAS, the after rehabilitation appraisal on the Cadillac Arms project is $1,270,000; and

WHEREAS, 80% of the after rehabilitation approval is $1,016,000 which is the maximum indebtedness allowed on this project, including all mortgages and rehabilitation cost; and

WHEREAS, the City will only subordinate its Trust Deed behind $779,000.00 of permanent financing; and

WHEREAS, since the existing indebtedness is $350,000, the balance of $666,000 is the maximum amount of rehab cost that can be charged against this project; and

WHEREAS, current policy allows the City to commit up to 50% of the maximum rehabilitation contract which is $333,000, and the Owner providing the balance; and

WHEREAS, current policy requires the Owner to use "other sources" available to cover any cost over the maximum allowable rehabilitation contract cost of $666,000 and must not use the project property as collateral.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LAS VEGAS THAT:

1. The City does hereby approve this Rental Rehabilitation Deferred Loan to Francis P. Torino, as Trustee for the "Torino Living Trust", in the amount of $237,206.80 for rehabilitation activities. The Owner will execute a Promissory Note secured by a Deed of Trust on this project in the amount of the Deferred Loan.

2. The City does further approve the execution of a 10 year

Regulatory Agreement with the Owner, which will allow for 10% of the City's loan to be forgiven each year, contingent upon compliance with the terms of this Agreement.

3. The City does hereby approve the allocation of the 38 Section 8 Voucher/Certificates from HUD to this project.

4. The City does hereby authorize the execution of a Contract between the City, Construction Control Corporation, and Francis P. Torino for this project.

5. The City does hereby further approve the issuance of a check in the amount of $237,206.80, (50% of the rehabilitation contract cost) to be deposited in an interest bearing (with HUD's approval) escrow account with the Owner depositing the same amount for disbursement by Construction Control Corporation.

6. The City does hereby approve the subordination of its Trust Deed in the amount of $237,206.80 behind permanent financing not to exceed $779,000.00 and thus the total financing will not exceed $1,016,000 including the City's loan to allow refinancing on this project.

7. A Declaration of Subordination will be prepared to effect the subordination when the Owner obtains such permanent financing.

8. The City Council does hereby authorize the Mayor to execute:

a. A contract with Construction Control Corporation and Francis P. Torino at a cost of 1/2 of 1% of the rehab contract, with the cost shared equally by the City and the Owner.

b. A 10 year Regulatory Agreement with the Owner of the Cadillac Arms Project.

c. A Declaration of Subordination allowing the long term financing lendor's lien position in an amount not to exceed $779,000.00 to be superior to the City's lien position.

PASSED, ADOPTED AND APPROVED this 7th day of May, 1986.

CITY OF LAS VEGAS

Ron Lurie

RON LURIE, MAYOR PRO TEM

Approved
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5-20-86

ATTEST:

Carol Ann Hawley

CAROL ANN HAWLEY, CITY CLERK