

**OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE  
SAN FERNANDO REDEVELOPMENT AGENCY**

**MEMORANDUM**

**TO:** Chairperson Judith N. Frank and Oversight Board Members

**FROM:** Don Penman, Interim City Manager

**DATE:** September 3, 2013

**SUBJECT:** Discussion, Consideration, and Possible Adoption of Resolution No. 12  
Approving a Subordination Agreement for Library Plaza

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**RECOMMENDATION:**

It is recommended that the Oversight Board of the Successor Agency to the San Fernando Redevelopment Agency adopt Resolution No. 12 (Attachment "A") approving a Subordination Agreement with Library Plaza Partners for the Library Plaza development.

**BACKGROUND:**

1. The San Fernando Redevelopment Agency entered into a Disposition and Development Agreement (DDA) with Aszkenazy Development (as Library Plaza Partners) in June 2000. The development included the San Fernando Branch of the Los Angeles County Library (8,600 square feet) as well as retail of 10,175 square feet, and restaurant and common areas totaling 4,000 square feet. The Redevelopment Agency provided financing of \$751,000 for the project with a thirty (30) year loan which consisted of two components; an acquisition portion of \$51,000 and a construction portion of \$700,000.

The acquisition portion of \$51,000 did not accrue interest and no interest will accrue on half of the remaining balance (\$350,000) provided the library occupies the site continuously during the previous twelve (12) months. If the site was fully leased during the previous 12 month period the interest on the remaining \$350,000 would be reduced from 4% to 2% during the period October 1, 2001 through 2003. The developer was required to make annual payments to the Redevelopment Agency based on a schedule in the DDA. At this time the outstanding balance on the loan payable to the Agency is \$648,982.

2. On September 3, 2013, the Successor Agency received and approved the Subordination Agreement with Library Plaza Partners for the Library Plaza development.

## **ANALYSIS:**

The DDA requires the developer obtain Redevelopment Agency approval to sell, transfer, assign or refinance the project (with the dissolution of redevelopment agencies, the Successor Agency is the approval authority). Library Plaza Partners is requesting the Successor Agency subordinate our loan to the primary financing as part of their refinancing of the project. The Agency has always been in a subordinate position and Agency staff has previously approved three (3) Subordination Agreements, the most recent in 2010.

As a result of the dissolution of redevelopment, dealing with and processing requests such as this require more steps and actions than prior to the elimination of redevelopment. Under redevelopment law, the discretion to approve or deny was up to the Redevelopment Agency. In the post redevelopment world, the Successor Agency of the Redevelopment Agency must approve this type of agreement as well as the Oversight Board.

With this particular Subordination Agreement, the developer is proposing to consolidate three loans into one. The interest rate on the new loan will be 4.75%, down from 5.5%. The Agency loan, which is in the fourth position, will be in the second position if approval is granted. The new loan the developer has secured is \$3.69 million and the property has been appraised at \$5.275 million. The developer is proposing to pull funds out of the property totaling \$273,783. From this amount \$27,017 will be paid to the Successor Agency in advance of the required October payment; \$9,124 in prepaid interest; and various fees of \$10,470, resulting in a net cash out of \$226,172. This \$226,172 is proposed by the developer to be used on predevelopment costs for two projects that are in the planning stage in San Fernando. After the refinancing is completed there will be a loan to value (LTV) ratio of .8188% including both the primary and Agency loans; the original LTV on the project was .95%. After the Agency payment is made the Agency loan to the project will be \$628,965.

If the Oversight Board does not approve the Subordination Agreement, the developer would be required to pay the balance of the former Redevelopment Agency loan to the Successor Agency of the Redevelopment Agency. It is important to note, however, the Successor Agency would not be permitted to retain the entire proceeds from the loan payoff; it would be able to keep that portion of the funds that represent what the City would receive as part of a property tax disbursement. That would amount to about 15% of the proceeds; the balance would go to the County, school district, community college district and other entities that receive property tax. As a result, if there was a payoff the Successor Agency would receive approximately \$97,347 of the \$648,983 balance. Though one can never predict, there may be an advantage to not receiving the payoff at this point as there is always the possibility that State law may change in the future and allow successor agencies to retain more of these types of funds that could be applied to economic development or some other public purpose.

**BUDGET IMPACT:**

Approval of the Subordination Agreement by the Oversight Board will result in the continuation of annual loan payments. If approval is not given then the outstanding balance of the loan of \$648,982 will be due of which the Successor Agency would receive an estimated \$97,347.

**CONCLUSION:**

The Oversight Board is being asked to approve a Subordination Agreement with Library Plaza Partners so they can refinance their project and consolidate their loans and achieve a lower interest rate. The DDA approved by the former Redevelopment Agency requires, under the current law, Successor Agency approval to refinance the project. After having reviewed the financial information pertinent to this project, including the appraisal and closing statement, Successor Agency staff is comfortable that our interests are secure and therefore recommends approval of the Subordination Agreement.

**ATTACHMENT:**

A. Resolution No. 12

**RESOLUTION NO. 12**

**A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE SAN FERNANDO REDEVELOPMENT AGENCY APPROVING A SUBORDINATION AGREEMENT WITH LIBRARY PLAZA PARTNERS, LLC FOR THE LIBRARY PLAZA DEVELOPMENT**

**RECITALS:**

A. The San Fernando Redevelopment Agency entered into a Disposition and Development Agreement (DDA) with Aszkenazy Development (as Library Plaza Partners) in June 2000. The development included the San Fernando Branch of the Los Angeles County Library (8,600 square feet) as well as retail of 10,175 square feet, and restaurant and common areas totaling 4,000 square feet. The Redevelopment Agency provided financing of \$751,000 for the project with a thirty (30) year loan which consisted of two components; an acquisition portion of \$51,000 and a construction portion of \$700,000.

B. The acquisition portion of \$51,000 did not accrue interest and no interest will accrue on half of the remaining balance (\$350,000) provided the library occupies the site continuously during the previous twelve (12) months. If the site was fully leased during the previous 12 month period the interest on the remaining \$350,000 would be reduced from 4% to 2% during the period October 1, 2001 through 2003. The developer was required to make annual payments to the Redevelopment Agency based on a schedule in the DDA. At this time the outstanding balance on the loan payable to the Agency is \$648,982.

C. The DDA requires the developer obtain Successor Agency approval to sell, transfer, assign or refinance the project. Library Plaza Partners is requesting the Redevelopment Agency subordinate our loan to the primary financing as part of their refinancing of the project. The Agency has always been in a subordinate position and Agency staff has previously approved three (3) Subordination Agreements, the most recent in 2010.

D. As a result of the dissolution of redevelopment, the Successor Agency of the Redevelopment Agency must approve this type of agreement as well as the Oversight Board.

E. On September 3, 2013, the Successor Agency received and approved the Subordination Agreement with Library Plaza Partners for the Library Plaza development.

**NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE SAN FERNANDO REDEVELOPMENT AGENCY DOES HEREBY RESOLVE, FIND, DETERMINE AND ORDER AS FOLLOWS:**

**Section 1.** The above recitals are true and correct and are a substantive part of this Resolution.

**Section 2.** The Oversight Board hereby approves the proposed Subordination of Deed of Trust substantially in the form attached hereto as Exhibit "A".

**Section 3.** The officers of the Oversight Board and the staff of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution.

**PASSED, APPROVED, AND ADOPTED** this 12<sup>th</sup> day of September, 2013.

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Judith N. Frank, Chairperson

**ATTEST:**

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Ivonne Evelyn Umana, Deputy Clerk  
County of Los Angeles, Board of Supervisors  
Acting as Secretary to the  
San Fernando Oversight Board

**STATE OF CALIFORNIA**            )  
**COUNTY OF LOS ANGELES**    ) ss  
**CITY OF SAN FERNANDO**        )

**I HEREBY CERTIFY** that the foregoing Resolution was approved and adopted at a regular meeting of the Oversight Board of the Successor Agency to the San Fernando Redevelopment Agency held on the 12<sup>th</sup> day of September, 2013, by the following vote to wit:

**AYES:**

**NOES:**

**ABSENT:**

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Ivonne Evelyn Umana, Deputy Clerk  
County of Los Angeles, Board of Supervisors  
Acting as Secretary to the  
San Fernando Oversight Board

**RECORDATION REQUESTED BY:**

Los Angeles Firemen's Credit Union, a California Corporation  
815 Colorado Boulevard  
Los Angeles, CA 90041

**WHEN RECORDED MAIL TO:**

Los Angeles Firemen's Credit Union, a California Corporation  
815 Colorado Boulevard  
Los Angeles, CA 90041

**SEND TAX NOTICES TO:**

Library Plaza Partners, LLC  
601 South Brand Boulevard, 3rd Floor  
San Fernando, CA 91340

FOR RECORDER'S USE ONLY

**NOTICE: THIS SUBORDINATION OF DEED OF TRUST RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.**

**SUBORDINATION OF DEED OF TRUST**

**THIS SUBORDINATION OF DEED OF TRUST dated August 27, 2013, is made and executed among Successor Agency to the San Fernando Redevelopment Agency, a public body, corporate and politic ("Beneficiary"); Investors Title Company, a California coporation ("Trustee"); Library Plaza Partners, LLC ("Borrower"); and Los Angeles Firemen's Credit Union, a California Corporation ("Lender").**

**SUBORDINATED INDEBTEDNESS.** Beneficiary has extended the following described financial accommodations, secured by the Real Property (the "Subordinated Indebtedness"):

Loan by Beneficiary to Borrower evidenced by a the Subordinated Deed of Trust described below, and all other obligations and indebtedness of Borrower to Beneficiary related thereto.

**SUBORDINATED DEED OF TRUST.** The Subordinated Indebtedness is or will be secured by the Real Property and evidenced by a deed of trust dated June 30, 2000 from Library Plaza Partners, LLC ("Trustor") to Investors Title Company, a California coporation ("Trustee") in favor of Successor Agency to the San Fernando Redevelopment Agency, a public body, corporate and politic ("Beneficiary") (the "Subordinated Deed of Trust") and recorded in Los Angeles County, State of California as follows:

Recorded July 6, 2000 in Official Records as Instrument No. 00-1025922.

**REAL PROPERTY DESCRIPTION.** The Subordinated Deed of Trust covers the following described real property (the "Real Property") located in Los Angeles County, State of California:

Parcel 1:

Lot 20 in Block Q of Maclay's Addition to the Town of San Fernando, in the City of San Fernando, County of Los Angeles, State of California, as per map recorded in Book 17 Pages 11 and 12 of Miscellaneous Records, in the office of the County Recorder of said County.  
EXCEPT the Southeasterly 10 feet of said Lot deeded for street purposes.

Parcel 2:

Lots 21 and 22 in Block Q of Maclay's Addition to the Town of San Fernando, in the City of San Fernando, County of Los Angeles, State of California, as per map recorded in Book 17 Pages 11 and 12 of Miscellaneous Records, in the office of the County Recorder of said County.  
EXCEPT the Southeasterly 10 feet of said Lot deeded for street purposes.

Parcel 3:

Lots 23 and 24 in Block Q of Maclay's Addition to the Town of San Fernando, in the City of San Fernando, County of Los Angeles, State of California, as per map recorded in Book 17 Pages 11 and 12 of Miscellaneous Records, in the office of the County Recorder of said County.  
EXCEPT the Southeasterly 10 feet of said Lot deeded for street purposes.

Parcel 4:

Lots 25, 26, 27 and 28 in Block Q of Maclay's Addition to the Town of San Fernando, in the City of San Fernando, County of Los Angeles, State of California, as per map recorded in Book 17 Pages 11 and 12 of Miscellaneous Records, in the office of the County Recorder of said County.  
EXCEPT the Southeasterly 10 feet of said Lot deeded for street purposes.

Parcel 5:

Lots 13 and 14 in Block Q of Maclay's Addition to the Town of San Fernando, in the City of San Fernando, County of Los Angeles, State of California, as per map recorded in Book 17 Pages 11 and 12 of Miscellaneous Records, in the office of the County Recorder of said County.

Parcel 6:

Lots 11 and 12 in Block Q of Maclay's Addition to the Town of San Fernando, in the City of San Fernando, County of Los Angeles, State of California, as per map recorded in Book 17 Pages 11 and 12 of Miscellaneous

**SUBORDINATION OF DEED OF TRUST  
(Continued)**

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Records, in the office of the County Recorder of said County.

The Real Property or its address is commonly known as 217-241 North Maclay Avenue & 226-234 North Hagar Street, San Fernando, CA 91340. The Assessor's Parcel Number for the Real Property is 2520-026-012; 2520-026-013; 2520-026-014; 2520-026-015; 2520-026-007; 2520-026-019.

**SUPERIOR INDEBTEDNESS.** Lender has extended or has agreed to extend the following described financial accommodations to Borrower, secured by the Real Property (the "Superior Indebtedness"):

Loan by Lender to Borrower evidenced by promissory noted dated August 14, 2013, executed by Borrower in favor of Lender, which note is secured by the Lender's Lien described below, and all other obligations and indebtedness of Borrower to Lender related thereto.

**LENDER'S LIEN.** The Superior Indebtedness is or will be secured by the Real Property and evidenced by a mortgage, deed of trust, or other lien instrument, dated August 27, 2013, from Borrower to Lender (the "Lender's Lien") and recorded in Los Angeles County, State of California as follows:

A Deed of Trust to secure an original indebtedness of \$751,000.00 recorded in the Los Angeles County Recorder's Office on July 6, 2000 as Instrument No. 00-1025922 of Official Records.

As a condition to the granting of the requested financial accommodations, Lender has required that the Lender's Lien be and remain superior to the Subordinated Deed of Trust.

**REQUESTED FINANCIAL ACCOMMODATIONS.** Trustor, who may or may not be the same person or entity as Borrower, and Beneficiary each want Lender to provide financial accommodations to Borrower in the form of the Superior Indebtedness. Trustor and Beneficiary each represent and acknowledge to Lender that Beneficiary will benefit as a result of these financial accommodations from Lender to Borrower, and Beneficiary acknowledges receipt of valuable consideration for entering into this Subordination.

**NOW THEREFORE THE PARTIES TO THIS SUBORDINATION HEREBY AGREE AS FOLLOWS:**

**SUBORDINATION.** The Subordinated Deed of Trust and the Subordinated Indebtedness secured by the Subordinated Deed of Trust is and shall be subordinated in all respects to Lender's Lien and the Superior Indebtedness, and it is agreed that Lender's Lien shall be and remain, at all times, prior and superior to the lien of the Subordinated Deed of Trust. Beneficiary also subordinates to Lender's Lien all other Security Interests in the Real Property held by Beneficiary, whether now existing or hereafter acquired. The words "Security Interest" mean and include without limitation any type of collateral security, whether in the form of a lien, charge, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

**BENEFICIARY'S REPRESENTATIONS AND WARRANTIES.** Beneficiary represents and warrants to Lender that: (A) no representations or agreements of any kind have been made to Beneficiary which would limit or qualify in any way the terms of this Subordination; (B) this Subordination is executed at Borrower's request and not at the request of Lender; (C) Lender has made no representation to Beneficiary as to the creditworthiness of Borrower; and (D) Beneficiary has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Beneficiary agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Beneficiary's risks under this Subordination, and Beneficiary further agrees that Lender shall have no obligation to disclose to Beneficiary information or material acquired by Lender in the course of its relationship with Beneficiary.

**BENEFICIARY WAIVERS.** Beneficiary waives any right to require Lender: (A) to make, extend, renew, or modify any loan to Borrower or to grant any other financial accommodations to Borrower whatsoever; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any Superior Indebtedness secured by Lender's Lien, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Superior Indebtedness, or in connection with the creation of new or additional indebtedness; (C) to resort for payment or to proceed directly or at once against any person, including Borrower; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) to pursue any other remedy within Lender's power; or (F) to commit any act or omission of any kind, at any time, with respect to any matter whatsoever.

**LENDER'S RIGHTS.** Lender may take or omit any and all actions with respect to Lender's Lien without affecting whatsoever any of Lender's rights under this Subordination. In particular, without limitation, Lender may, without notice of any kind to Beneficiary, (A) make one or more additional secured or unsecured loans to Borrower; (B) repeatedly alter, compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Superior Indebtedness or any part of it, including increases and decreases of the rate of interest on the Superior Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) take and hold collateral for the payment of the Superior Indebtedness, and exchange, enforce, waive, and release any such collateral, with or without the substitution of new collateral; (D) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or guarantors on any terms or manner Lender chooses; (E) determine how, when and what application of payments and credits, shall be made on the Superior Indebtedness; (F) apply such security and direct the order or manner of sale of the security, as Lender in its discretion may determine; and (G) transfer this Subordination to another party.

**DEFAULT BY BORROWER.** If Borrower becomes insolvent or bankrupt, this Subordination shall remain in full force and effect. In the event of a corporate reorganization or corporate arrangement of Borrower under the provisions of the Bankruptcy Code, as amended, this Subordination shall remain in full force and effect and the court having jurisdiction over the reorganization or arrangement is hereby authorized to preserve such priority and subordination provided under this Subordination in approving any such plan of reorganization or arrangement.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Subordination:

**Amendments.** This Subordination constitutes the entire understanding and agreement of the parties as to the matters set forth in this

**SUBORDINATION OF DEED OF TRUST  
(Continued)**

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Subordination. No alteration of or amendment to this Subordination shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** If Lender institutes any suit or action to enforce any of the terms of this Subordination, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees, title insurance, and fees for the Trustee, to the extent permitted by applicable law. Beneficiary also will pay any court costs, in addition to all other sums provided by law.

**Authority.** The person who signs this Subordination as or on behalf of Beneficiary represents and warrants that he or she has authority to execute this Subordination and to subordinate the Subordinated Indebtedness and the Beneficiary's security interests in Beneficiary's property, if any.

**Caption Headings.** Caption headings in this Subordination are for convenience purposes only and are not to be used to interpret or define the provisions of this Subordination.

**Governing Law.** This Subordination will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Subordination has been accepted by Lender in the State of California.

**Choice of Venue.** If there is a lawsuit, Beneficiary agrees upon Lender's request to submit to the jurisdiction of the courts of Los Angeles County, State of California.

**Successors.** This Subordination shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Subordination, and the covenants of Beneficiary herein in favor of Lender shall extend to, include, and be enforceable by any transferee or endorsee to whom Lender may transfer any or all of the Superior Indebtedness.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Subordination unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Subordination shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Subordination. No prior waiver by Lender, nor any course of dealing between Lender and Beneficiary, shall constitute a waiver of any of Lender's rights or of any of Beneficiary's obligations as to any future transactions. Whenever the consent of Lender is required under this Subordination, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN, A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.**

EACH PARTY TO THIS SUBORDINATION ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS SUBORDINATION, AND EACH PARTY AGREES TO ITS TERMS. THIS SUBORDINATION IS DATED AUGUST 27, 2013.

BORROWER:

LIBRARY PLAZA PARTNERS, LLC

By: \_\_\_\_\_  
Severyn I. Aszkenazy, Member of Library Plaza Partners, LLC

By: \_\_\_\_\_  
Martha Aszkenazy, Member of Library Plaza Partners, LLC

**SUBORDINATION OF DEED OF TRUST  
(Continued)**

Loan No: 10001005136

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**BENEFICIARY:**

SUCCESSOR AGENCY TO THE SAN FERNANDO REDEVELOPMENT AGENCY, A PUBLIC BODY, CORPORATE AND POLITIC

By: \_\_\_\_\_  
Authorized Signer for Successor Agency to the San Fernando Redevelopment Agency, a public body, corporate and politic

By: \_\_\_\_\_  
Authorized Signer for Successor Agency to the San Fernando Redevelopment Agency, a public body, corporate and politic

**TRUSTEE:**

INVESTORS TITLE COMPANY, A CALIFORNIA COPORATION

By: \_\_\_\_\_  
Authorized Signer for Investors Title Company, a California coporation

By: \_\_\_\_\_  
Authorized Signer for Investors Title Company, a California coporation

**LENDER:**

LOS ANGELES FIREMEN'S CREDIT UNION, A CALIFORNIA CORPORATION

X \_\_\_\_\_  
Ceasar Del Toro, Business Loan Officer



