

**CITY OF OAKLAND
COUNCIL AGENDA REPORT**

OFFICE OF THE CITY CLERK
CITY OF OAKLAND

2005 SEP 15 PM 12:19

TO: Office of the City Administrator
ATTN: Deborah A. Edgerly
FROM: CEDA, Commercial Lending
DATE: September 27, 2005

**SUBJECT: RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO
NEGOTIATE LOAN RESTRUCTURING WITH STANTON D.
BLUIETT DBA PILL HILL PRINTING FOR OUTSTANDING
PRINCIPAL NOTES TOTALING \$240,000**

SUMMARY

In accordance with City of Oakland policy, and consistent with standard terms and conditions of City of Oakland commercial loan agreements, City staff has negotiated over the past several months for the collection of two separate defaulted loans to Stanton Bluiett dba, Pill Hill Printing. *Monies funding the loans made to Mr. Bluiett were portions of a US Department of Housing and Urban Development (HUD) Enhanced Enterprise Community (EEC) grant awarded the City in 1996. Mr. Bluiett's loans totaling \$240,000 were funded through two loans of \$120,000 of HUD EEC Section 108 and HUD EEC Economic Development Initiative (EDI) funds. The federal guidelines governing the use and administration of the loan funds was incorporated into the City of Oakland loan documents signed by Mr. Bluiett at loan closing, July 2001.*

Pill Hill Printing discontinued making regular and scheduled payments as of June 2003. During the ninety days following the first non-payment, Pill Hill Printing was notified by letter on three separate occasions of their delinquency. *City staff and Mr. Bluiett maintained communication over several months as Pill Hill Printing explored possible solutions that would enable the company to resume payments. In response to the prolonged delinquency, City staff proposed a restructuring plan for the two notes to provide Mr. Bluiett the opportunity to repay his debt over a longer term and with reduced payments. The City's restructuring would be accomplished through Mr. Bluiett refinancing his personal residence, which the City holds as collateral for the notes. Mr. Bluiett has considered the City's proposal and countered with a proposal of his own which includes partial repayment of the \$120,000 Section 108 loan and forgiveness of the \$120,000 EDI loan. Mr. Bluiett presented his restructuring proposal to the Community and Economic Development Committee of City Council in July 2005. The Council Committee directed staff to evaluate Mr. Bluiett's proposal as to the potential fiscal impacts to the City if forgiveness of the EDI note was granted, especially as any forgiveness of the borrower would require repayment of the HUD notes by the City.*

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Staff has prepared the attached resolution for City Council's consideration and approval, outlining proposed terms of the restructured loan agreements, including terms for immediate partial loan payoff and conditions by which the City would accept a reinstatement of payments for any balances remaining.

FISCAL IMPACT

Fiscal impacts to the City through the staff proposed restructuring

Staff recommended restructurings of the Pill Hill Printing loans will serve the following purposes: 1) provide immediate repayment of outstanding HUD EEC Section 108 loan balance of \$148,915.71, 2) defer for up to one year HUD EDI loan payments to provide borrower necessary time to execute restructuring plans for greatest opportunity of resuming regular payment; 3) retain Pill Hill Printing as an Oakland based business, and 4) prevent an escalation of City's cost for collection of defaulted loans.

This loan repayment revenue has not been anticipated in the FY2005-07 budget.

Fiscal impacts to the City through the Pill Hill Printing restructuring proposal

Pill Hill Printing has proposed an alternate restructuring plan to satisfy outstanding debt to the City. The Pill Hill Printing proposed loan restructurings will have the following fiscal impact to the City: 1) provide immediate repayment of outstanding HUD EEC Section 108 loan principal and interest balance totaling \$134,928.21; 2) forgiveness of late fees and penalties associated with the HUD EEC Section 108 loan totaling \$13,987.50; 3) full forgiveness of the HUD EDI loan principal, interest and fees totaling \$128,773.56; and 4) retention of Pill Hill Printing as an Oakland based business and the annual business tax revenue it contributes.

Staff's forgiveness of late fees and penalties associated with the HUD EEC Section 108 loan and loan principal, interest, fees and penalties associated with the HUD EDI loan would not require City expenditures from other funding sources for repayment of forgiven debt.

BACKGROUND

Pill Hill Printing is a West Oakland based company, which has been in business 13 years. The business is a full-service printing firm, which provides offset printing, full color printing, binding, cutting and copying service. Pill Hill Printing has a full darkroom and computerized graphic design equipment. In early 2002 the borrower began leasing a 3,000 sq. ft. warehouse space at 1357-5th Street in West Oakland and currently conducts all business from that address.

In July, 2001, the City extended two (2) loans totaling \$240,000 to Mr. Bluiett to purchase printing equipment and provide working capital to assist the expansion of his existing Oakland business. The City collateralized the two loans by recording a senior UCC-1 filing on all existing and new business equipment, 2nd and 3rd Deeds of Trust on the personal residence of Stanton and

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Laquita Bluiett, a required key man life insurance policy in the amount of \$250,000 with the City named as primary beneficiary, and an executed personal guarantee of Mr. Bluiett. The loans are in arrears in the approximate amount of \$60,689.25. Structural changes in the printing industry significantly reduce the market demand for his services. The proliferation and increasing sophistication of desktop publishing software has enabled many former printing clients to effectively perform print work formerly contracted with Pill Hill Printing.

Pill Hill's second application to the City for a loan was recommended by City staff, a citizen loan review committee and approved by City Council in an effort to expand employment opportunities for low-to-moderate income residents in distressed communities and broaden opportunities for these residents to obtain capital for expansion of business ventures. These goals are consistent with program guidelines established by HUD, the revolving loan program's funding entity. Staff's recommendation to fund these loans was based partially on the probability that the borrower possessed the ability to execute his business plan and through the execution of that business plan, generate sufficient revenue to repay the loan debt.

In working with City staff, Mr. Bluiett, owner of Pill Hill Printing has proposed various scenarios to restructure his respective notes. Staff reviewed and evaluated these proposed term revisions and has discussed with the borrowers those term revisions which could be supported by staff based on local and federal program guidelines and the City's underlying obligation with HUD for the Section 108 and EDI notes.

In addition to the financial default caused by non-payment of the loans, the loans are also classified as being in "technical default" as a result of the businesses not meeting designated HUD requirements for hiring EEC and low to moderate income residents. The HUD hiring ratio for EEC loans is one (1) job per \$35,000 loaned. Pill Hill Printing committed to hiring seven employees from Oakland's low/mod and EEC communities. Staff's hiring records of Pill Hill Printing reflect the hiring of two qualified low/mod or EEC employees.

KEY ISSUES AND IMPACT

Specific loan information provided in this section is a summary of loan status as of August 2005 for each of the two loans and a framework of possible restructuring scenarios.

In mid-2003, staff reviewed Mr. Bluiett's business financials and had concerns regarding the ability of his business to service restructured debt while experiencing declining sales and operational difficulties.

Since mid-2003 staff has worked diligently with Mr. Bluiett to assist with the development of a proposal to restructure the loans and bring the loan payments to a current status. Mr. Bluiett was unable to sustain regular payments as arranged and his initial request to restructure his notes was denied by staff due to Mr. Bluiett's inability to supply staff with necessary financial

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documentation to evaluate Pill Hill Printing's ability to service restructured debt. Subsequently, City staff pursued collection actions and recorded a Notice of Default on March 22, 2004. The ninety (90) day redemption period to bring the loans current expired on June 22, 2004. Mr. Bluiett filed a Chapter-13 bankruptcy on June 18, 2004 to stop the City's foreclosure action against his residential property located at 1241 Gateway Drive, Vallejo, California.

The summary below outlines loan principal and estimated payoff amounts.

Borrower Loan Summary			
	Funding Source	Loan Amount	Estimated Payoff Amt.
1	HUD EEC Section 108	\$120,000	\$148,915.71
2	HUD EEC EDI	\$120,000	\$128,773.56
	Totals	\$240,000	\$277,689.27

The two loans were funded through separate funding sources. The funding sources and loan terms were as follows:

- (1) \$120,000 HUD EEC Section 108 Loan - 8% interest rate, 10-year term. Principal payments to be deferred for initial 12 months; Beginning month 13, principal and interest to be fully amortized over the remaining 9-year term, due and payable monthly.

- (2) \$120,000 HUD EEC EDI Loan - 3.5% interest rate, 7-year term. Principal payments will be deferred and no interest will be charged for the initial 12 months; beginning month 13, principal and 3.5% interest to be fully amortized over the remaining 6-year term, due and payable monthly.

Below is a summary of loan payments during the fiscal years 2002 through 2004.

Pill Hill Loan Repayment History (Calendar Year 2002 thru 2004)					
Payment Due Date	Amount Paid		Amount Due		Date Paid
	(both loans)		(both loans)		
	HUD EEC 108	HUD EEC EDI	HUD EEC 108	HUD EEC EDI	
July 2002	\$828.25	\$411.75	\$828.25	\$411.75	July 10, 2002
Aug. 2002	864.63	432.34	864.63	432.34	Sept 16, 2002
Sept 2002	784.74	418.39	784.74	418.39	Sept 16, 2002
Oct 2002	862.81	431.57	862.81	431.57	Jan. 13, 2003
Nov 2002	836.23	418.20	836.23	418.20	Jan. 13, 2003
Dec 2002	836.24	419.95	836.24	419.95	Jan. 13, 2003
Jan 2003	1,656.76	771.17	1,656.76	771.17	Feb. 24, 2003
Feb 2003	1,656.76	771.17	1,656.76	771.17	May 5, 2003
Mar 2003	1,656.76	771.17	1,656.76	771.17	May 5, 2003
Apr 2003	1,656.76	771.17	1,656.76	771.17	May 5, 2003
May 2003	1,577.87	734.45	1,577.87	734.45	May 5, 2003
June 2003	0.00	0.00	1,656.76	771.17	No payment
July 2003	0.00	0.00	1,656.76	771.17	No payment
Aug 2003	0.00	0.00	1,656.76	771.17	No payment
Sept 2003	0.00	0.00	1,656.76	771.17	No payment
Oct 2003	0.00	0.00	1,656.76	771.17	No payment
Nov 2003	0.00	0.00	1,656.76	771.17	No payment
Dec 2003	0.00	0.00	1,656.76	771.17	No payment
Jan 2004	0.00	0.00	1,656.76	771.17	No payment
Feb 2004	0.00	0.00	1,656.76	771.17	No payment
Mar 2004	0.00	0.00	1,656.76	771.17	No payment
Apr 2004	0.00	0.00	1,656.76	771.17	No payment
May 2004	0.00	0.00	1,656.76	771.17	No payment
June 2004	0.00	0.00	1,656.76	771.17	No payment
Totals	\$13,217.81	\$6,351.33	\$34,755.69	\$16,376.54	

Staff truncated the Pill Hill Printing Payment Summary table as of June 2004, which is consistent with Mr. Bluiett's bankruptcy filing. Although Mr. Bluiett filed for Chapter 13 bankruptcy on June 18, 2004, that does not relieve him of his obligation to fully satisfy the repayment terms of the City's secured debt. Mr. Bluiett's proposed restructured loan terms are as follows:

(1) HUD EEC Section 108 Loan

- a. Full pay-off of delinquent interest and remaining principal balance totaling \$134,928.21 full pay-off of this note would be achieved through Mr. Bluiett's refinance of his Vallejo property
- b. Forgiveness of late fees (\$1,893.36) and servicing fees (\$390.50)
- c. Full repayment of HUD Pre-payment penalty, totaling (\$10,103.64)
- d. Full payment of foreclosure fees (\$1,600)

(2) HUD EEC EDI Loan

- a. Forgiveness of HUD EDI loan principal, interest and fees

The City of Oakland's Real Estate division has completed an appraisal of the residential property held as collateral (2nd and 3rd Deeds of Trust) for the two loans. On February 17, 2005, we received a limited restricted appraisal report determining the market value of the subject collateralized residential property to be approximately \$500,000. Mr. Bluiett's mortgage company has report an outstanding principal balance of approximately \$160,000.

The City of Oakland's past practice of debt forgiveness has been restricted to forgiveness of partial loan balances during negotiated debt settlement, where insufficient collateral existed to cover total debt balance. This practice has been applied to three commercial loans, all having sufficient EDI Loan Loss Reserve to off-set repayment deficits.

City of Oakland Contracts

Mr. Bluiett contends that his ability to repay his debt to the City is in part related to his ability to secure City of Oakland printing contracts and has requested that his record of contracting with the City be included in this report to City Council.

The summary below provides a brief history of the City of Oakland printing contracts and Purchase Orders to Pill Hill Printing issued through Purchasing for the years indicated. The information contained in this report was provided by the City's Purchasing Division.

Summary of City of Oakland Term Contracts and Individual Bid Contracts/Purchase Orders			
	Contract Year	Amount	Number of Contracts/PO's
1	1999	\$13,354.66	8
2	2000	27,924.71	11
3	2001	134,341.09	36
4	2002	66,765.42	29
5	2003	31,273.40	27
6	2004	15,986.27	22
7	2005	33,964.95	11
	Totals	\$323,610.50	144

The table below provides a summary of current Purchasing approved contracts between the City of Oakland and Pill Hill printing.

Summary of Current Open Term Contracts					
	PO#	Contract Term	Description	Contract Limit	Paid To Date
1	72836	4/05 - 6/06	Misc. Envelopes	\$49,999	\$ 2,952.57
2	68662	3/05 - 2/06	Stock Envelopes	77,926	24,582.95
3	57289	2/04 - 6/05	Business Cards	30,000	11,071.37
			Totals	\$157,925	\$38,606.89

City of Oakland obligation to HUD

The US Department of Housing and Urban Development awarded the City of Oakland Enhanced Enterprise Community status in 1996. As an EEC recipient, the City of Oakland received \$22 million in HUD EEC Section 108 lending authority, \$22 million of HUD EEC EDI loan loss reserve and \$4 million for use in community capacity building. HUD secured the City's EEC

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Section 108 award with the City's annual CDBG allocation, allowing HUD to recover any unrepaid balances of EEC Section 108 loans from the City's CDBG allocation. The \$22 million HUD EDI was provided to the City as a grant, intended to serve as a loan loss reserve for any defaulted EEC Section 108 loan. HUD also provided the City the option of utilizing the HUD EDI portion as a loan pool for higher risk loans. EDI funds provided as direct loans decreases the availability of loan loss reserve funds for use should defaults occur in the City's EEC loan portfolio.

City staff recently consulted with representatives of the HUD regional office to confirm the City's obligation related to EEC EDI loan loss reserves. HUD maintains that the City would not be required to repay unrecoverable portions of the EDI grant.

EEC EDI loan summary

A summary of EDI commitments is included in Attachment #2 of this report. The summary identifies loan recipients of direct EDI loans and loan loss reserve obligations. Additionally, the summary identifies those EDI commitments that have paid-off and those that have outstanding balances.

SUSTAINABLE OPPORTUNITIES

The City would retain Pill Hill Printing as a local business and continue to receive business taxes from revenue generated by this business as well as maintaining Pill Hill Printing as a potential employer in West Oakland.

DISABILITY AND SENIOR CITIZEN ACCESS

Not applicable.

RECOMMENDATIONS/CONCLUSION

Staff recommends a restructuring of the borrower's outstanding loan balances consistent with one of the following options.

Option I - Staff proposal

- 1) Provide immediate and full repayment of outstanding HUD EEC Section 108 loan balance totaling \$148,915.71
- 2) Defer for up to one year HUD EDI loan payments to provide borrower necessary time to execute restructuring plans for greatest opportunity of resuming regular payment
- 3) Cancel Key Life Insurance policy requirement
- 4) Reduce opportunity for an escalation of City's cost related to required collection actions for defaulted loans
- 5) Retain Pill Hill Printing as an Oakland based business

Option 2 – Pill Hill Printing proposal

- 1) Full pay-off of delinquent interest and remaining principal balance totaling \$134,928.21, full pay-off of this note would be achieved through Mr. Bluiett's refinance of his Vallejo property
- 2) Forgiveness of late fees (\$1,893.36) and servicing fees (\$390.50)
- 3) Full repayment of HUD Pre-payment penalty totaling (\$10,103.64)
- 4) Full payment of foreclosure fees (\$1,600)
- 5) Full forgiveness of EDI loan principal, interest and fees totaling \$128,773.56

Staff seeks City Council's authorization of the City Administrator to execute the City Council selected restructuring of the Pill Hill Printing notes in a fashion that is consistent with existing City policy, current practices and HUD program guidelines.

A summary of commercial loans has been attached as additional information for City Council's consideration (Attachment #1).

ACTION REQUESTED OF THE CITY COUNCIL


It is staff's recommendation that the City Council approve the attached resolution that authorizes the City Administrator to execute the selected and agreed upon loan restructuring plan for Stanton D. Bluiett dba Pill Hill Printing for outstanding principal notes totaling \$240,000.

Respectfully Submitted


Daniel Vanderpriem, Director
Redevelopment, Economic Development, and
Housing and Community Development

Reviewed and Co-Prepared by:
Gregory Hunter, Manager
Lisa Brown, Project Manager
Commercial Lending

**APPROVED FOR FORWARDING TO
THE COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE:**


Office of the City Administrator

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CITY OF OAKLAND

COMMERCIAL LOAN PORTFOLIO SUMMARY
CURRENT VS. DELINQUENT/DEFAULTED

CURRENT ACCOUNTS		DELINQUENT/DEFAULTED ACCOUNTS			
Borrower	Loan Amount	Borrower	Loan Amount	Collection Initiated	Collection Action
1 Fruitvale Development Corporation	\$3,300,000	1 Just Real Estate, LLC	\$1,450,000	Y	Collections
2 ORA-Jack London (Acorn) Gateway	\$2,100,000	2 EMHS	\$1,100,000	Y	Collections/ Judgment '01
3 Negherbon Auto Center	\$1,000,000	3 3J's & BH Enterprises	\$500,000	Y	Collections
4 Lake Merritt Hotel Associates	\$800,000	4 Gregory Truck Body	\$350,000	Y	Collections
5 Sunrise Specialty	\$796,000	5 Blackboard Entertainment	\$250,000	Y	Settlement
6 Connell Auto Center	\$700,000	6 Pill Hill Printng	\$240,000	Y	Collections/ Bankruptcy
7 Niman Ranch Properties	\$600,000	7 Technical Leasing	\$240,000	Y	Collections
8 Niman McConnell	\$600,000	8 Comet Skateboards	\$225,000	Y	Collections
9 Lamumba Corp. dba Geoffrey's Inner	\$271,200	9 Ken Mitchell (Stone's Easy Stop)	\$205,000	Y	Paid in Full
10 United Market	\$250,000	10 Athlete's Foot	\$150,000	Y	Litigation
11 Ahmed Dobashi dba Kwikway Laundry	\$249,500	11 Carrie's Landing	\$150,000	Y	Closed
12 Tri Dot Enter. dba Domino's Pizza	\$125,000	12 Mercury Computer Corp.	\$100,000	Y	Collections
13 Frankie's Inc. dba It's a Grind	\$100,000	13 Just Dessert, Inc.	\$100,000	Y	Litigation
14 Upland Sports Group	\$99,900	14 Brew's Vision Unlimited	\$95,000	Y	Settlement
15 J. Malnick	\$99,500	15 All About Hair	\$77,000	Y	Closed
16 Luka's LLC	\$99,500	16 Uniforms of America	\$55,700	Y	Collections/ Judgment '01
17 Acapulco Records	\$99,000	17 TP School Supplies	\$55,000	Y	Delinquent

COMMERCIAL LOAN PORTFOLIO SUMMARY
CURRENT VS. DELINQUENT/DEFAULTED

CURRENT ACCOUNTS		DELINQUENT/DEFAULTED ACCOUNTS			
Borrower	Loan Amount	Borrower	Loan Amount	Collection Initiated	Collection Action
18 La Loma Medical Center	\$95,000	18 Wanda's Cofe Barista	\$48,000	Y	Collections/ Court Action
19 FunBath Co.	\$90,000	19 Android Designs	\$47,500	Y	Partially Paid Off
20 Food King Meats Property	\$68,648	20 General Nutrition Center	\$30,000	Y	Partially Paid Off
21 Gazzalli's Supermarket	\$65,000	21 Allan's Ham & Bacon	\$28,000	Y	Partially Paid Off
22 Flex Therapy & Fitness	\$65,000	22 Print Shop	\$28,000	Y	Collections/ Judgment '01
23 Playa Azul Restaurant	\$60,000	23 Steel City Gym	\$25,000	Y	Collections/ Judgment '01
24 McNeill Manufacturing Inc.	\$60,000	24 Black-N-Style	\$20,000	Y	Closed
25 Glacier Bay	\$45,000	25 Breahn Construction	\$10,000	Y	Collections/ Bankruptcy
26 Stump & Sons	\$35,000	26 Piazza Pizzeria	\$10,000	Y	Collections/ Judgment
27 Simco Construction	\$30,000	27 Just for You Janitorial	\$10,000	Y	Bankruptcy
28 Los Medanos Fund	\$12,500	28 Victor's Café	\$9,742	Y	Collections/ Judgment '01
29 Big O Tires	\$10,000	29 R & D Barbecue	\$7,905		
30 Day's Publications	\$10,000				
Total Principal Value	\$11,915,748	Total Principal Value	\$5,616,847		
Percent Current of \$ Loaned	68.0%	Percent Defaulted of \$ Loaned	32.0%		

ECONOMIC DEVELOPMENT INITIATIVE (EDI)
Loans and Loan Loss Reserve
Project H66631

Attachment #2

<u>Borrower's Name</u>	<u>EDI Loan</u>	<u>EDI Loan Loss Reserve</u>	<u>Foreclosed/ Collection Action</u>	<u>Amount Recovered (including other fees)</u>	<u>Pending Outstanding Principal Balance Due from Amount Recovered</u>	<u>Outstanding Principal Balance (including estimated interest)</u>
Defaulted Loans						
3J's & BH Enterprises		\$300,000	Foreclosure			\$662,418
All About Hair		35,000	Judgment/Bankruptcy	25,000	469	---
Allan's Ham & Bacon*	\$67,000	13,000	Foreclosure	\$49,095	\$12,659	---
Android Design		26,000	Judgment	14,000	33,956	---
Athlete's Foot (The)**		120,000	Foreclosure	159,223	0	---
Blackboard Entertainment		250,000	Judgment/Bankruptcy	15,000	6,200	---
Black-N-Style		15,000	Judgment			28,254
Comet Skateboards	65,000		Collection Action			53,474
E M Health Services		1,100,000	Judgment			2,228,824
General Nutrition Center (GNC)*		65,000	Foreclosure	185,719	30,316	---
Gregory Truck Body*		200,000	Collection Action	190,152	273,584	---
Just Real Estate, LLC	650,000		Collection Action			734,595
Just Desserts, Inc.	100,000		Judgment			109,013
Pill Hill Printing	120,000		Foreclosure			130,477
Print Shop (The)*		100,000	Foreclosure	111,841	28,000	---
Steel City Gym		10,900	Judgment			34,582
T P School Supplies*		55,000	Judgment	52,041	26,584	---
United Market	105,000		Collection Action			3,601
Wanda's Café Barista		12,500	Collection Action			13,766
Sub-Total	\$1,107,000	\$2,302,400		\$802,070	\$411,769	\$3,999,004
Current/ Paid Off Loans						
Acapulco Records	\$33,000					\$24,661
Carter Brown Catering**		\$36,027				0
Eastmont Town Center**		850,000				0
FunBath Co.		28,640				36,798
Joseph Co. (The)**	33,000					0
Miramontes Bakery**		25,000				0
La Loma Medical Center		95,000				7,923
Niman McConnell, LLC	600,000					441,260
Sunrise Specialty	396,000					326,929
Flex Therapy & Fitness (Work Rehab)		44,300				30,470
Sub-Total	\$1,062,000	\$1,078,967		\$0	\$0	\$843,379
TOTAL	\$2,169,000	\$3,381,367		\$802,070	\$411,769	\$4,842,384
* Loans Paid Down						
**Loans Paid Off						

DL

FILED
OFFICE OF THE CITY CLERK
OAKLAND

OAKLAND CITY COUNCIL

2005 SEP 15 PM 12:19
C. M. S.

RESOLUTION No. _____ C. M. S.

INTRODUCED BY COUNCILMEMBER _____

A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO NEGOTIATE A LOAN RESTRUCTURING WITH STANTON D. BLUIETT dba PILL HILL PRINTING FOR OUTSTANDING PRINCIPAL NOTES TOTALING \$240,000.

WHEREAS, THE City Council on July 24, 2001 authorized by Resolution No. 76605 C.M.S., two loans to Stanton D. Bluiett dba Pill Hill Printing totaling \$240,000, which are described as follows:

1. A loan of HUD 108 Enhanced Enterprise Community ("EEC") revolving loan funds in an amount of \$120,000 to finance the acquisition of equipment and working capital;
2. A loan of HUD Economic Development Initiative ("EDI") funds in the amount of \$120,000 to finance the acquisition of equipment and working capital; and

WHEREAS, since Pill Hill Printing has been delinquent in excess of 90 days, the City has begun to pursue collection action to recover re-payment of loan amounts issued by the City of Oakland for \$120,000 in HUD 108 funds and \$120,000 in EDI loan funds, totaling \$240,000 in outstanding principal; and

WHEREAS, the Pill Hill Printing loans are secured by real property and other collateral available for the City to recover delinquent and defaulted loan balances; and

WHEREAS, Pill Hill Printing has requested their loan repayments to be restructured to assist with their compliance with agreed debt structures; and

WHEREAS, Pill Hill Printing has sufficient collateral to effectively repay outstanding balances on both loans; and

WHEREAS, staff reviewed the Pill Hill Printing request to restructure the \$120,000 HUD Section 108 loan and the \$120,000 EEC EDI loan and has evaluated the fiscal impact to the City under multiple restructuring scenarios and recommends the following restructuring of the Pill Hill Printing loans,

- 1) Provide immediate and full repayment of outstanding HUD Section 108 loan balance totaling \$148,915.71
- 2) Defer for up to one year HUD EDI loan payments to provide borrower necessary time to execute restructuring plans for greatest opportunity of resuming regular payment
- 3) Cancel Key Life Insurance policy requirement
- 4) Reduce opportunity for an escalation of City's cost related to required collection actions for defaulted loans
- 5) Retain Pill Hill Printing as an Oakland based business;

NOW, THEREFORE, BE IT

RESOLVED: That the City Administrator is authorized to negotiate, execute, revise, and amend an agreement with terms as specified above associated with the agreed upon restructuring of the Stanton D. Bluiett DBA. Pill Hill Printing loans; and be it

FURTHER RESOLVED: That the restructured terms are intended to continue to protect the City of Oakland's financial interest, as well as the City's interest in maintaining a diverse business base; and be it

FURTHER RESOLVED: That prior to execution, all restructuring loan documents shall be reviewed and approved as to form and legality by the Office of the City Attorney.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, AND CHAIRPERSON DE LA FUENTE,

NOES-

ABSENT-

ABSTENTION-

Attest: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California