

Sale of TECHO property wins tentative approval

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It looks like the families that invested in TECHO in hopes of getting their own homes will finally be getting some of their money back.

They will also be given a chance to buy a new house, but their attorney said it is not likely any of them will be able to.

The Watsonville City Council last night approved in concept the sale of TECHO's property in the city, at the request of Thomas House, the attorney representing families that invested money in TECHO.

TECHO — The Environmental Community Housing Organization — has reached an

agreement to sell two acres it owns at Lake Village and Brentwood drives to Ted Lemerond and Barbara Griffin. The proceeds from that sale will go in part to repay the families.

Lemerond and Griffin have agreed to build TECHO's Victorian Village project of 24 townhouses exactly as approved by the city, but the buyers said they would not go through with the purchase unless the city gave some assurance it would not rezone the property. The City Council all but promised not to do so last night.

Had TECHO built the project, its "sweat equity" program would have allowed the homeowners-to-be to help build their own houses, at considerable savings.

Now, the buyers will be selling the new houses at whatever the market will bear.

The families that have invested in TECHO would be given the first opportunity to buy the new houses and would be given a 5 percent discount off the sale price.

Councilman Tony Campos

said he's sure that none of the families will end up a homebuyer, and attorney House agreed.

TECHO first filed an application with the city seven years ago, but never raised enough money to carry through with its plans.

In the meantime, it was accumulating debts not only on the Victorian Village project but also on a project outside the city on Green Valley Road. That project is known as Alborado.

In the last few months, three of the largest creditors — the state, Santa Cruz County and the Pajaro Valley Bank — began foreclosure proceedings against TECHO.

TECHO's executive director, Jose Ruiz, kept assuring all concerned that he would soon have the financing to move along with the two projects, but he has yet to secure it.

Its back to the wall, the organization sought a buyer for the Victorian Village project, and settled on a deal with Lemerond and Griffin. They are to pay \$800,000, which will retire \$650,000 of TECHO's debts and leave it \$150,000, Ruiz said last week.

TECHO threw a monkey wrench into everything last week by filing for protection from creditors under Chapter 11 of the Federal Bankruptcy Act.

Carolyn Bobb, a Santa Cruz attorney representing TECHO in the bankruptcy proceedings, said TECHO filed under Chapter 11 actually to protect its creditors. Had it not filed, the few large creditors would have been able to take title to the land TECHO owns, and the smaller creditors — particularly the families involved — would have been left with nothing, she said.

Bobb said the bankruptcy court will probably approve the sale of the Victorian Village property because it will bring in money to pay off creditors. The proceeds from that sale would go to repay the families

that invested in TECHO, but only for their secured debt.

Many of the families also put money into TECHO unsecured, as a way to hold their place in the project. Whether any or all of that will be repaid depends on how much money TECHO comes up with and how a bankruptcy judge decides to distribute it.

Although Bobb urged the City Council last night to approve a resolution supporting the sale to Lemerond and Griffin, City Attorney Don Haile at first recommended against it. Haile said he believed everything was frozen by bankruptcy proceedings.

Haile later changed his mind and recommended the council approve the sale, based on attorney House's presentation. Haile said he didn't trust TECHO, but did trust House's recommendation because he represents the families the city is trying to protect.

Haile said he could support the sale if House supports it.

Councilman Vido Deretich was disturbed that TECHO may get more money from the sale than it needs to repay its debts.

"It would be nice of TECHO if they'd forfeit any profit on this project," Deretich said, "and give it to the families."

He suggested that profit go to the families even if it is more than the families are owed, because the city has made many concessions on the project and the families have been waiting for a long time and still haven't gotten their houses.

Bobb told Deretich such a distribution of TECHO's money would be up to the bankruptcy court.

Although a couple of City Council members were concerned about the proceedings, the council voted unanimously to approve the sale "in concept." The action does not legally prevent the council from rezoning the property, but is an indication the city does not intend to do that.