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# TECHO sells property in Watsonville

By NANCY BARR  
and ADRIANA REYNERI  
STAFF WRITERS

TECHO, a non-profit group struggling to build affordable housing, filed for bankruptcy this morning and, in so doing, delayed foreclosure proceedings set to take place today on 27 acres of property it holds outside Watsonville.

On its other local project, called Victorian Village and located in the city of Watsonville, TECHO has made a deal to sell the property. Foreclosure on that property had been scheduled for Monday, and will now be avoided.

The group has filed for protection under Chapter 11 of federal bankruptcy law. Chapter 11 protects an agency or company from its creditors while it is given a chance to reorganize.

It will give TECHO a chance to negotiate a repayment agreement with its creditors, which include the Pajaro Valley Bank, Granite Construction Co., Santa Cruz County, the state, and Self-Help Associates, a group of low-income families who invested savings so they could build their own homes through TECHO's program.

The agreement must be approved by the creditors, as well as a federal bankruptcy judge.

Both foreclosure proceedings have been delayed until June 15, said Cory White, foreclosure officer for Penniman Title Co. in Santa Cruz.

Until TECHO declared bankruptcy, foreclosure proceedings had been scheduled this morning for 27 acres on Green Valley Road next to the Mesa Village subdivision. TECHO bought the property with \$314,-

000 in loans from the state and county more than seven years ago. The group never realized its intention to build 120 affordable homes there, and defaulted on its loans.

TECHO director Jose Ruiz made last-ditch efforts to obtain the financing to pay the debts, but said he fell \$50,000 short. He said today he is fairly confident the group can get the rest of the money next week.

The delay on the foreclosure frustrated plans by the county's Housing Authority to bid for the property. Mary James, executive director of the agency, said she was prepared to make a cash offer this morning on behalf of the agency's Board of Directors.

In case TECHO fails to successfully reorganize its affairs, the Housing Authority will reconsider bidding for the property, James said. She said, however, that interest on the debt was increasing to the tune of \$70 a day.

"Every day is adding to the price of the project," James said.

A deal has been made to sell the Victorian Village project, in which TECHO was to build 24 townhouses on Brentwood and Lake Village drives in the city. The buyer is Vista Del Mar Land Co. Partner Ted Lemerond of Ben Lomond will actually build the project, Ruiz said.

Vista Del Mar has agreed to pay \$800,000 for the property and to build the project exactly as TECHO had planned, Ruiz said. The only difference is that instead of being "affordable" housing units — with sale prices of about \$67,000 — they will be sold at market rate,

which is expected to be upwards of \$100,000, Ruiz said.

Ruiz is pleased with the agreement, because the \$800,000 will cover all the debts TECHO has accumulated on the project.

In addition to getting their investment back, with interest, the families will be given the first right of refusal on the new housing, and will be offered a 5 percent discount on the appraised value, Ruiz said.

TECHO will come out of the deal with \$150,000 to spare, Ruiz said. Once TECHO is relieved of the Victorian Village project, it will be able to concentrate on the county project, Ruiz said.

As of the end of last month, TECHO was still hoping to secure financing from a Scotts Valley firm to build the Victorian Village project as planned. Ruiz said that firm would not give a written commitment until it did its own appraisal. That could have taken another month or two, and in the end TECHO may never have gotten the money, Ruiz said, so the TECHO board of directors decided instead to sell the project outright to a private contractor.

There were seven offers on the property, he said, but Lemerond's offer was chosen because he has a reputation for doing a good job, Ruiz said, and because he could provide the money up front.

One of the other offers was for more money, but the buyer would have paid it off over two years. The TECHO board

wanted to pay back the families right away, so they accepted Lemerond's offer instead, Ruiz said.

The Watsonville City Council will be asked Tuesday to allow Lemerond to build the Victorian Village project as approved. The council had earlier talked about the possibility of reducing the density allowed on the property if TECHO could no longer build the project. Several council members had said they had only allowed a higher density on that property to provide "affordable" housing, and that if the housing units would be sold for market rate they wanted the land to be zoned to match the surrounding neighborhood.

City Manager John Radin said he will recommend the council allow the new owner to build the project as TECHO had planned.

"Anything that would get the people their money back is OK with me," Radin said.