

HOUSING RP 12/23/87

The TECHO story

Agency still fighting to survive bankruptcy

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Seven months after filing for bankruptcy, TECHO, a non-profit group organized to help low-income people build their own houses, has paid back 21 low-income investors for down payments on houses that never got built.

But Santa Cruz County is still owed \$210,773 on a loan it made to The Environmental Community Housing Organization in 1980.

Kathleen Akao, an attorney in the county counsel's office, said the county will most likely recover its money sooner or later, since the funds went toward the purchase of a piece of property on Green Valley Road that was supposed to be used for affordable housing.

The county will get its money back if a federal bankruptcy court judge decides the property should be sold to repay creditors, Akao said.

Planner Dave Laughlin summarized the county position succinctly: "We want our money back, or the land."

But the bankruptcy court will not decide what should be done with the Green Valley Road property until TECHO files a plan showing how creditors would be repaid out of any project built there or sale of the property.

TECHO director Jose Ruiz said he still hopes to build at least 120 single-family homes on the site at Green Valley Road and Dalton Lane. He even talks of getting the county Planning Department to approve plans to build 150 houses there.

According to the county, however, TECHO is dragging its feet over seeking final approval for the originally proposed 120-house development, and Ruiz' dream of approval to build 150 houses on the site would delay any construction there for at least a year.

County officials say that while TECHO dawdles over the planning and permit process, it defers the day when it must file its creditor-payback plan for the property — the day when the county will get its money back, or at least begin collecting interest on it again. The county has not been able to collect interest payments since last May when TECHO filed for protection from its creditors under Chapter 11 of the bankruptcy law, said Planner Mark Deming.

Meanwhile, TECHO claims the county has placed the Green Valley property in a bureaucratic limbo. TECHO's bankruptcy attorney maintains

she cannot file a payback plan with the bankruptcy court until the Planning Department rules on TECHO's plans to build on the Green Valley site, while the Planning Department says TECHO is not responding to department directives and queries that might get the project moving.

Carolyn Bobb, TECHO's bankruptcy attorney, said she has not yet filed a plan in bankruptcy court for disposition of the Green Valley Road property because TECHO is still hoping to build a project on it.

"(TECHO) is working on getting county approval for that property," Bobb said.

TECHO director Ruiz said eight families had recently received preliminary approval for home loans by Gibraltar Savings for the Green Valley project.

Ruiz said a "private investor," whom he refused to name, had put \$500,000 into the project.

On a tentative map for the property that TECHO submitted several years ago, the Planning Department approved 120 single-family homes on lots slightly larger than 6,000 square feet, Ruiz said. But he thinks the county should let TECHO reduce the minimum permissible lot size to 6,000 square feet exactly, and build 150 houses on the property.

Planner Mark Deming snorted in response, "(Ruiz) can dream on."

Such an expansion of the project would require a brand-new application for a permit, and would delay any building by at least a year, Deming said.

"He's talking through his hat, and the county is getting pretty sick of it," Deming said.

Deming said that on Nov. 4 he had sent a letter to Ruiz detailing what TECHO would have to do to get an extension for its tentative map of the 120-house

project. The Planning Department wants more information about a riparian corridor on the land and some soil analyses.

Deming said TECHO had yet to respond to the letter.

Deming said he had been assigned as the planner for the TECHO project at the beginning of 1987, and had "never, ever been contacted by a TECHO representative."

The fact that he has received no response to his November letter, Deming said, "indicates TECHO has no interest in the project."

"(Ruiz) is playing every end toward the middle," Deming said.

In addition to the Green Valley Road project, TECHO was also involved in plans to build an affordable-housing project in the city of Watsonville when it went into "Chapter 11" last May.

That project, to be known as Victorian Village, was to be built off East Lake Avenue, at Lake Village and Brentwood drives.

In 1983, 21 low-income families with hopes of buying their own homes had together paid TECHO nearly \$120,000 in down payments on houses they were supposed to help build themselves, to keep construction costs down.

But the project was delayed year after year. At one point, Ruiz persuaded some of the family members to help build houses in another TECHO project in Hollister to "practice" for building their own.

The Victorian Village property was sold for \$800,000 the month after TECHO went broke, and the low-income investors recovered much of their money, as did several other creditors.

The families, who banded together for legal purposes as the Self-Help Investment Association, were eventually paid back \$118,000 collectively.

But Tom House, an attorney for the group, said five low-income investors were still trying to recover \$2,000 each for unsecured down payments, and the group as a whole was owed another \$4,000 it paid to have underground cable installed at the site.

House said six to eight of the families, after recovering their money, were able to buy housing in the area, though none of them ended up at the Victorian Village site, where houses were recently built by developers Ted Lemerond and Barbara Griffin. House said despite a 5 percent discount offered to TECHO families, none of them could afford houses in the development.

Bobb, TECHO's bankruptcy attorney, said in addition to having to pay back the county's loan, TECHO still owes about \$70,000 in unsecured debt to various creditors. According to documents filed in federal bankruptcy court in San Jose, TECHO also owes \$62,401 in back wages to employees and \$76,184 in contributions to employee benefit plans.

Ruiz himself put in claims for back wages and "trade debt" totaling \$87,014.30. Ruiz said yesterday, however, that the bankruptcy judge had awarded him only \$2,000 thus far, and that with three other TECHO administrators, he had "lowest priority" on the bankruptcy payback schedule.

Ruiz declined to say what his current salary is for directing TECHO.

"I won't disclose that kind of information," he said.

Ruiz said TECHO is currently building a 25-unit development of prefabricated houses in Hollister. He said 11 of the 25 houses are "in different stages of completion," and 12 families have so far bought into the development.

Bobb, the bankruptcy attorney, emphasized that TECHO is "conducting business as usual."