

W. S. B. I.

AGENDA COVER MEMO

DATE: October 5, 2004

TO: Lane County Board of Commissioners

DEPT.: Public Works Department

PRESENTED BY: Frank Simas
Right of Way Manager

AGENDA ITEM TITLE: In the Matter of Modifying the Terms of the Installment Sale of the Property Formerly Known as the Dexter Shop Site, to Dexter Library, a Non-Profit Corporation.

I. MOTION

THAT THE RESOLUTION AND ORDER BE ADOPTED AUTHORIZING THE MODIFICATION OF THE TERMS OF THE INSTALLMENT SALE OF THE PROPERTY FORMERLY KNOWN AS THE DEXTER SHOP SITE TO DEXTER LIBRARY, A NON-PROFIT CORPORATION.

II. ISSUE OR PROBLEM

By Order No. 00-4-26-1, dated April 26, 2000, the Board authorized the sale of T. L. 19-01-16-42-00201 to Dexter Library, now known as Cascade Foothills Library. The library is asking for a reduction in the interest rate and modification of the note to allow quarterly payments rather than annual payments.

III. DISCUSSION

A. Background

The terms of this sale, pursuant to ORS 275.190, specified a sale price of \$46,500.00 for the property, with 10% down, and the balance payable over 20 years with annual payments of \$4,260.00, at an interest rate of 8% per year. The current balance owing on the note is \$38,438.31.

The library has fallen behind in the payments at times in the recent past due to difficulties in their fundraising efforts, but they have now brought the account up to date. They conduct fundraising activities throughout the year and have requested that they be allowed to make quarterly payments rather than annual payments in order to better budget for the mortgage payments as well as other recurring expenses.

Over the past two years, fixed rate mortgages have been in the range between 5.5% and 6.5%. ORS 275.010 provides that all deferred payments shall bear interest "from the date of sale at a rate set by the county court, payable annually". ORS 275.190(2) further states that "the purchaser shall have the privilege of prepayment without penalty".

Reducing the interest rate to 6% for the remaining balance of \$38,438.31 over the remaining term of the note would reduce the annual payments to \$3,803.55, a reduction of approximately \$496.45.

B. Analysis

Because the existing terms pursuant to ORS 275.190 allow prepayment without penalty, the library could prepay all or any of the annual payment without penalty. And to make payments at any intervals during the year and have them applied to principal and interest as they are paid.

The Board may set the rate of interest for installment sales, and therefore has the discretion to change an installment sale interest rate on a previous sale. Cascade Foothills Library provides a valuable service for residents of the Dexter/Lowell area, and a reduction in the interest rate payable on the promissory note to 6% is consistent with current long-term market interest rates. This reduction will provide a public benefit in that it will allow more money to be used for the library's other expenses, including utilities and the purchase of additional library materials.

C. Alternatives/Options

1. Approve the Order and authorize Public Works staff to obtain the authorized signatures for Cascade Foothills Library, successor to Dexter Library, on a new note to refinance the remaining balance amortized over the remaining term of the original note at an interest rate of 6 percent per year with annual payments and to return the original note to Cascade Foothills Library when the new note has been signed.

2. Do nothing.

C. Recommendations

Option 1

D. Timing

Upon approval of the order Public Works staff will contact Cascade Foothills Library to obtain the authorized signatures on a new promissory note at the specified interest rate.

II. IMPLEMENTATION/FOLLOW-UP

The new note, if any, will be held in Public Works' files until the debt has been satisfied.

III. ATTACHMENTS

None.

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY
STATE OF OREGON

ORDER NO.

(IN THE MATTER OF MODIFYING THE TERMS OF
(OF THE INSTALLMENT SALE OF THE PROPERTY
(FORMERLY KNOWN AS THE DEXTER SHOP SITE
(TO DEXTER LIBRARY, A NON-PROFIT
(CORPORATION.

WHEREAS, by Order 00-4-26-1, dated April 26, 2000, the Board Authorized the sale of T.L. 19-01-16-42-00201 to Dexter Library, now known as Cascade Foothills Library, a non-Profit corporation; on an installment sale secured with a Promissory Note and Deed of Trust; and

WHEREAS, Cascade Foothills Library has requested to refinance the balance remaining on the original Promissory Note at a lower rate of interest in order that they may have additional funds to meet other expenses in connection with keeping the library open; and

WHEREAS, pursuant to ORS 275.190 the Board may set the rate under which deferred payments under installment sale contracts shall bear interest; and

WHEREAS, the present rate of interest is 8 percent, and long term interest rates for mortgages are currently in the range between 5.5 percent and 6.5 percent; and

WHEREAS, Cascade Foothills Library provides a valuable service and public benefit for residents of the Dexter/Lowell area of Lane County;

IT IS HEREBY ORDERED that the rate of interest for the remaining indebtedness under the original Promissory Note and Deed of Trust dated May 11, 2000, be adjusted to 6 percent per year, but with all other terms of the note to remain unchanged.

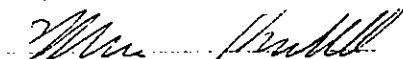
IT IS FURTHER ORDERED that Public Works Staff obtain the authorized signatures for Cascade Foothills Library on a new note bearing an interest rate of 6 percent per year, and to return the existing note to the Library once the new note has been signed.

DATED this _____ day of _____, 2004.

Chair,
Lane County Board of Commissioners

APPROVED AS TO FORM

Date 10-15-04 lane county



COUNTY COUNSEL