

AGENDA ITEM 9.01

California Cultural and Historical Endowment Board Meeting

05/31/2012

STAFF REPORT

GRANTEE:	Rural Media Arts and Education Project
PROJECT:	Old Masonic Lodge Interior Renovation
LOCATION:	Mariposa
PROJECT SUMMARY:	Applicant requests to be allowed to use potential Round 4 CCHE grant funding to pay down their mortgage on the historic building they have occupied since 2006.
FUNDING RESERVED:	\$350,000
FUNDING RESERVATION DATE:	Not Applicable: On Wait List
FUNDING APPROVAL DATE:	
IN GRANT AGREEMENT?:	No
GRANT AGREEMENT TERM:	
FUNDING ROUND:	Funding Round 4

BACKGROUND INFORMATION

The mission of the Rural Media Arts and Education Project (RMA) is to open cultural and educational access and build and strengthen community through the media arts. A public cinema builds community by creating dialogue and understanding among a diverse group of people by showcasing local issues and by bringing together a participating audience of every age and socioeconomic background. Programs bring the community together on a regular basis in a shared artistic and cultural experience in which they are encouraged to question the media message and share ideas with each other.

The purpose of the project funded by the CCHE in Round 2 was the stabilization, rehabilitation and renovation of the Old Masonic Hall in the historic district of downtown Mariposa, the new permanent venue for the Rural Media Arts and Education Project.

Renovations originally requested to be funded by CCHE in Round 4 included foundation and structural work, new doors & windows, kitchen & bath, HVAC, paint, flooring & fire sprinkler system. The Round 4 project was to allow further rehabilitation of the building's first floor, enabling it to lease to tenants and provide much-needed rental income for the organization.

REQUEST

The applicant requests to be allowed to use the CCHE Round 4 grant which has not yet been reserved to pay down the mortgage on the historic building which the applicant has occupied since 2006.

BUDGET DETAIL

In 2008 RMA received a Round Two CCHE grant of \$1.3 million to renovate the Old Masonic Lodge in Mariposa, California, which RMA purchased in 2006 for \$375,000. The U.S. Dept. of Agriculture (USDA) is the lender on the 40-year loan on the building.

Due to nonpayment of principal and interest over the life of the loan, the balance due on the mortgage now exceeds \$430,000. The appraised value of the property in 2005 was \$350,000, but RMA believes that the current fair market value is anticipated to be much lower, perhaps as low as \$250,000. RMA has indicated that USDA has advised it that they may

apply for an adjustment to their loan and be allowed to satisfy their debt at a lower amount with a full release from liability for the prior debt if they can come up with the funding. CCHE staff has not been provided with specific details of the proposal.

RMA has requested that it be allowed to use the CCHE grant to completely pay down the reduced mortgage from USDA and use any remaining portion of the \$350,000 to make unspecified improvements to the property. The mortgage reduction would be used to purchase the property and all of the real property purchase requirements articulated in AB716 would apply: review and approval of the purchase agreement, the title report, escrow instructions, and deed; an appraisal from a certified appraiser performed within six months of the close of escrow and reviewed by the state Department of General Services; and language ensuring that if any essential agreement term is violated that the title to the property is vested in the State, among others. CCHE is not in a position to accept a reversionary interest in real property. In previous real property acquisitions where CCHE money has been used, it has been a major challenge to locate a State agency that was willing to accept the responsibility that it might become the owner of the real property in question.

RMA's financial condition would be greatly enhanced by the elimination of the mortgage burden. The organization has been struggling financially for the last several years. Indeed, for each of the four calendar years since 2008, RMA has had program operating losses of approximately \$30,000 per year. And in calendar year 2012, RMA has suspended programming operations in 2012 due to financial difficulties.

The organization has a debt burden of \$30,000 in addition to the outstanding mortgage resulting from the purchase of the Old Masonic Lodge. The unfinished building prevents the organization from being able to derive rental income from the property.

The CCHE's grant could be extremely helpful in alleviating some of the financial hardships for the organization if the funds were made available for the purchase of the building. However, CCHE staff is reluctant to recommend such an action given the history of operating losses the applicant has experienced. The CCHE has a responsibility to ensure that our grants are awarded to entities that have the financial stability to ensure that they will be a going concern for a long enough period for the public to derive benefit from these bond-funded projects. With the track record of programmatic losses of the past four years and the burden of debt that RMA is carrying, it does not appear that RMA meets the criteria of a financially-sound applicant.

CEQA STATUS

CCHE has independently reviewed the Project and finds that the Project is exempt from the California Environmental Quality Act (CEQA) under Section 15303, Class 3, the CEQA Guidelines. The project consists of the purchase and rehabilitation of an existing meeting hall to use as a community space and commercial rental space.

PROPERTY ARRANGEMENT

The applicant purchased the building in 2006 with a 40-year loan from the U.S. Government, Dept. of Agriculture, and is seeking to use CCHE money to pay off the loan.

MATCH REQUIREMENT

Applicant requested a match reduction (from 60% down to 24%) and states that available match consists of In-Kind contributions of services from donors & the general contractor valued at \$83,089.

STAFF RECOMMENDATION

Because of the precariousness of the organization's financial condition, their four-year history of operating with financial losses, and CCHE's longstanding grant requirement that all grant applicants demonstrate financial sustainability, staff recommends that the Board not award funding to this applicant.

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