



**BOARD OF SUPERVISORS AGENDA ITEM REPORT**

Requested Board Meeting Date: May 15, 2018 Addendum

**Title:** Subordination Agreement; Pima County, Arizona for Ajo Community Health Center (dba Desert Senita Health Center)

**Introduction/Background:**

Over the last few years, Pima County has utilized US Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funds to complete needed improvements to the Ajo Community Health Center, dba Desert Senita Health Center. These federal investments are secured via forgivable liens, specifically, Deed of Trust and Assignment of Rents which are subordinated from time to time.

**Discussion:**

Recently, the Ajo Community Health Center as applied for local private funding totaling \$2M from ZB, N.A. dba National Bank of Arizona to finalize all renovation and remodeling projects at the regional health clinic that serves Pima County's most western and rural communities of Ajo, Why and Lukeville.

**Conclusion:**

CDBG funds are intended to leverage other public grant funds, in addition to, private investment. In this instance, the \$125,660.48 in County CDBG funds is effectively leveraging over \$2 Million in private investment for the public health benefit of Pima County residents in rural communities. Staff and the Deputy County Attorney has reviewed the loan application and finds the terms reasonable. In order for the private loan to be completed, Pima County will subordinate its interests.

**Recommendation:**

CDNC recommends approval of this subordination agreement to allow Ajo Community Health Center Clinic, dba Desert Senita Health Center, to secure needed funds to complete renovation and remodeling of the clinic building consisting of the patient waiting room, pharmacy, and exam rooms. The locked in loan terms will expire 5/16/18 and if a subordination is not approved, Ajo Community Health Center Clinic, dba Desert Senita Health Center will have to resubmit another loan application fees, etc., at possibly less favorable rates.

**Fiscal Impact:**

This is a no cost agreement to subordinate a lien. There is no fiscal impact to the general fund.

**Board of Supervisor District:**

- 1
- 2
- 3
- 4
- 5
- All

MAY 10 10 45 AM '18

Department: CDNC Telephone: 520.724.6754

Contact: Daniel Tylutki, Senior Program Manager Telephone: 520.724.6754

Department Director Signature/Date: *Daniel Tylutki* <sup>for</sup> MARGARET M. KISH 5/10/18

Deputy County Administrator Signature/Date: *[Signature]* 5-10-2018

County Administrator Signature/Date: *[Signature]* 5/10/18

RECORDING REQUESTED BY AND WHEN  
RECORDED RETURN TO:

Lawyers Title of Arizona, Inc.  
450 W. Redondo  
Tucson, AZ 85701

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SPACE ABOVE THIS LINE FOR RECORDER'S USE

**SUBORDINATION AGREEMENT**  
**Pima County, Arizona**

This Subordination Agreement made as of the \_\_\_\_\_ day of May, 2018, by **Pima County** ("County"), a political subdivision of the State of Arizona, whose mailing address is: **Community Development and Neighborhood Conservation Department, Attn: Pima County CDBG Program, 2797 E. Ajo Way, Tucson, Arizona**, and **ZB, N.A. dba National Bank of Arizona** ("Lender"), a corporation organized and existing under the laws of the State of Arizona.

**RECITALS**

- A. County through certain contracts provided Community Development Block Grant ("CDBG") funds for public facility improvements to **Ajo Community Health Center (dba Desert Senita Health Center) of 410 North Malacate Street, Ajo, Pima County, Arizona**, ("Borrower"). These contracts (collectively "the CDBG Contracts") are as follows:

| <b>Pima County Contract No.</b> | <b>Amount of CDBG funds provided</b> |
|---------------------------------|--------------------------------------|
| CT-14*422                       | \$30,000.00                          |
| CT 16*061                       | \$37,303.74                          |
| CT 17*309                       | \$58,629.74                          |

- B. Performance under the CDBG Contracts was secured by certain Deeds of Trust ("the CDBG Performance Deeds") recorded in the Office of the Pima County Recorder. The CDBG Performance Deeds are as follows:

| <b>Pima County Contract No.</b> | <b>Recorder's Sequence No.</b> | <b>Date Recorded</b> |
|---------------------------------|--------------------------------|----------------------|
| CT-14*422                       | 20171200685                    | 04/30/2014           |
| CT 16*061                       | 2015960562                     | 10/23/2015           |
| CT 17*309                       | 20170810559                    | 03/22/2017           |

- C. Borrower has applied to Lender for a loan to be made to Borrower and to be evidenced by a promissory note secured by a mortgage covering certain real property.
- D. The real property offered by Borrower as security to Lender is currently subject to the CDBG Performance Deeds described in Paragraph B above.
- E. Lender will make such loan to Borrower only on the condition precedent that the CDBG Performance Deeds be subordinated to the Lender's mortgage described below.

In consideration of the matters described above, and of the mutual benefits and obligations set forth in this agreement, the parties agree as follows:

### **AGREEMENT**

1. Encumbered Real Property. The CDBG Performance Deeds and the Senior Loan encumber the real property described as:

**New Cornelia Lot 466 NLY PTN**  
**Pima County Tax Parcel No. 401-55-466A**  
**410 N. Malacate Street**  
**Ajo, AZ 85321-2253**

- 2. Subordination.
  - a. County hereby gives its consent to Borrower to enter into a loan from lender for in the amount of Two Million and No/100 Dollars (\$2,000,000.00) to be recorded against the Encumbered Real Property ("the Senior Loan").
  - b. County hereby consents to the recording of a deed of trust against the Encumbered Real Property securing Borrower's obligation to pay the Lend the Senior Loan.
  - c. County agrees that the Senior Loan will be prior and superior to the CDBG Performance Deeds.

3. Entire Agreement. This Agreement is the whole agreement with regard to the priority and subordination of the CDBG Performance Deeds, County's rights under the County Contracts and any other Borrower Documents, to the lien or charge of the Senior Loan.

\_\_\_\_\_  
The undersigned Subordinator has executed this Agreement on the date first appearing herein.

PIMA COUNTY, a body politic and corporate of the State of Arizona

\_\_\_\_\_  
Richard Elias, Chairman, Pima County Board of Supervisors

ATTEST:

\_\_\_\_\_  
Clerk of the Board

State of Arizona        )  
                                  ) ss.  
County of Pima         )

This instrument was acknowledged before me this \_\_\_\_\_ day of May, 2018, for and on behalf of Pima County, a body politic and corporate of the State of Arizona.

\_\_\_\_\_  
Notary Public

Printed Name: \_\_\_\_\_  
My commission expires:

Reviewed as to content: \_\_\_\_\_  
Director, Community Development and  
Neighborhood Conservation

Approved as to Form: \_\_\_\_\_  
Karen S. Friar Deputy County Attorney

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Richard Elias, Chairman, Pima County Board of Supervisors

ATTEST:

\_\_\_\_\_  
Clerk of the Board

State of Arizona        )  
                                  ) ss.  
County of Pima         )

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\_\_\_\_\_  
Notary Public

Printed Name: \_\_\_\_\_

My commission expires:

Reviewed as to content: Daniel Gutz <sup>for</sup> MARGARET M. KISH  
Director, Community Development and  
Neighborhood Conservation

Approved as to Form: Karen S. Friar  
Karen S. Friar Deputy County Attorney