



Item Number: {{item.number}}

City Council / Board of Directors

Consent Calendar

Meeting of: August 20, 2024

Submitted By:

Alex Jauregui, City Planner

Subject:

Substitution of Trustee and Deed of Reconveyance, and Termination and Release of Covenants, Conditions and Restrictions for Mortgage Assistance Program case number 09-10-04 (13221 Petaluma Rd., Victorville, CA 92392); as well as acceptance and reallocation of associated Program Income funds.

Recommendation:

That City Council take the following actions regarding Mortgage Assistance Program Case No. 09-10-04:

1. Approve the Substitution of Trustee and Deed of Reconveyance;
2. Confirm the requested Termination and Release of the original Covenants, Conditions and Restrictions (CC&Rs);
3. Authorize the execution of Substitution of Trustee and Deed of Reconveyance as well as the Termination and Release of the original CC&Rs by the Deputy City Manager;
4. Accept the payoff of the loan receivable to the HOME Program Income Account;
5. Adopt Resolution No. 24-041, amending the annual budget for fiscal year 2024-2025 reallocating the subject \$76,739.03 to HOME Program Income funds to the Senior Home Repair Program.

Fiscal Impact:

Approval of the item will allow for the acceptance and reallocation of \$76,739.03 in HOME Program Income, which will be used to fund Senior Home Rehabilitation Program (SHRP) in accordance with the City's adopted Annual Action Plan. This proposal would cause the following revenue and expenditure budget accounts to be updated to reflect the acceptance and reallocation of the subject \$76,739.03 to the appropriate SHRP accounts.

Budget Account Number:

2823027-47520-20940 - HOME Program Income (Revenue)
2823027-52300-2094 - HOME Program Income (Expenditure)

Per the Department of Housing and Urban Development (HUD) rules, program income must be spent before original allocations can be spent. Therefore, this reallocation request of \$76,739.03 HOME Program Income into the current Fiscal Year 2024-2025 budget will benefit additional Senior Home Rehabilitation Program participants, as outlined in the 2024-2025 Annual Action Plan. The Senior Home Rehabilitation Program maintains a waiting list of over 154 residents, which would utilize approximately two years' worth of future funding dedicated to senior home rehabilitation. Due to the popularity of the program and an expanding wait list, the City will be able to assist a great number of residents in accordance with the adopted 2022-2026 Consolidated Plan and 2024-2025 Annual Action Plan with Program Income funds provided to the Senior Home Rehabilitation Program.

Strategic Plan Goal:

The subject request will comply with the City of Victorville 2024-2025 Strategic Plan by addressing "Goal A. Financial Sustainability" and "Goal C. Community and Economic Development" as follows:

- Goal A (Financial Sustainability) – Reallocating program income from a MAP payoff provides funds to assist additional residents of the City of Victorville while utilizing a revenue opportunity that does not impact the General Fund.
- Goal C (Community and Economic Development) – Utilizing available funds for ongoing projects such as the Senior Home Rehabilitation Program to help maintain the City's existing housing stock, thereby supporting the preservation of the community.

Background:

Annually since 2003, the City of Victorville receives Home Investment Partnership Program (HOME) funding through a consortium with the Town of Apple Valley. Although current HOME funds are dedicated to the Senior Home Rehabilitation Program (SHRP) and housing projects, previous funding cycles have directed funding toward the Mortgage Assistance Program (MAP) such as the subject case. When MAP loans are repaid, they can periodically create program income that can be used to fund other programs such as the SHRP. Inasmuch as the MAP program is no longer funded by HOME allocations, income originating from HOME programs is required to be utilized by current HOME funded programs, such as the SHRP.

Although the subject MAP case was originally funded by the HOME program, MAP loans are currently funded through CalHome Program Income and provide assistance to very low, low, and moderate income homebuyers purchasing a home within the City of Victorville. The current MAP Program makes available deferred payments loans up a maximum of \$55,000. This Program is designed to provide income eligible households

the financial assistance necessary to secure the purchase of a single-family home. The MAP Program provides the needed amount to very low, low and moderate income families by bridging the gap between purchase price and affordability. Currently, a total of \$448,000 of CalHome Program Income is available for the Mortgage Assistance Program.

Discussion:

On October 28, 2009, the MAP Participant (the "Participant") received a MAP loan in the amount of \$20,000 to aid in the purchase of a home at 13221 Petaluma Rd., Victorville, CA 92392. The Participant has now requested to City reconvey the Deed of Trust that secured the MAP loan and remove the associated Declaration of Covenants, Conditions, and Restrictions (CC&Rs). This request has been made due to the terms of the Promissory Note and Deed of Trust and CC&Rs being satisfied with the sale of the subject home. The repayment of associated MAP loan funds occurred on July 1, 2024.

According to the Promissory Note, the repayment of the MAP loan required the Participant to pay the principal loan of \$20,000 plus a 19% portion of equity, known as the "Equity Share", calculated at \$57,190. The 19% Equity Share percentage is calculated by the original MAP loan or adjusted MAP loan (original MAP loan amount less credit at time of purchase) amount relative to the Property Acquisition Price (\$19,549.03 adjusted MAP loan/\$102,000 Property acquisition = 19% Equity Share). The 19% is then multiplied by the actual equity (\$301,000), resulting in the \$57,190 "Equity Share". The Participant has paid off the principal and equity share totaling \$76,739.03, which included a credit of \$450.97 from escrow at time of purchase (\$20,000 total due, less \$450.97 credit, equals \$19,549.03 MAP loan amount plus equity share balance).

Since the Participant has satisfied the terms of the Promissory Note, Deed of Trust, and CC&Rs (e.g. occupancy requirements, maintenance standards, affordability covenants, etc.), the Participant has requested a release of the encumbrance of the CC&Rs per "Article III" of the original CC&Rs, which also necessitates a Substitution of Trustee and Deed of Reconveyance.

Attachments:

- A. Resolution No. 24-041
- B. Substitution of Trustee and Deed of Reconveyance
- C. Termination and Release of CC&Rs
- D. Original Promissory Note, Deed of Trust, CC&Rs and Notice of Affordability Restrictions.