



Item Number: 8

**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 Residential Rehabilitation Program case number 22-11-03 (15654 Condor Rd., Victorville, CA 92394); as well as acceptance and reallocation of associated Program Income Funds

**Recommendation:**

That City Council take the following actions regarding Residential Rehabilitation Program Case No. 22-11-03:

1. Approve the Substitution of Trustee and Deed of Reconveyance;
2. Confirm the required Termination and Release of the original Covenants, Conditions and Restrictions (CC&Rs);
3. Authorize the execution of the 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 Residential Rehabilitation Program Income Account; and
5. Adopt Resolution No. 24-074, amending the annual budget for fiscal year 2024-2025 reallocating the subject \$13,119.92 Residential Rehabilitation Program – Program Income funds to the Residential Rehabilitation Program.

**Fiscal Impact:**

Approval of the item will allow for the acceptance and reallocation of \$13,119.92 in program income from the Residential Rehabilitation Program (RRP), which will be used to benefit another participant in the RRP 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 \$13,119.92 to the appropriate RRP accounts.

## Budget Account Numbers:

2853025-47520-20733 – Residential Rehabilitation Program Income (Revenue)
2853025-52300-20733 – Residential Rehabilitation Program Income (Expenditure)

Per the Department of Housing and Urban Development (HUD) rules, program income must be spent before yearly Community Development Block Grant (CDBG) allocations can be spent. Therefore, this reallocation request of \$13,119.92 in RRP Program Income into the current Fiscal Year 2024-2025 budget will benefit additional RRP participants, as outlined in the 2024-2025 Annual Action Plan. The RRP maintains a waiting list of over 120 residents, which would utilize over a year's worth of future funding dedicated to this program. Due to the popularity of the program and an expanding wait list, approval of this request to reallocate the subject program income will allow the City to assist a greater number of residents in accordance with the adopted 2022-2026 Consolidated Plan and the 2024-2025 Annual Action Plan.

### **Strategic Plan Goal:**

Approval of this acceptance and reallocation of RRP program income will enable the City to further fulfill the following Goals outlined in the 2024-2026 Strategic Plan:

- Goal A: Financial Sustainability – Reallocating program income from a completed Residential Rehabilitation Program project 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 Residential Rehabilitation Program help maintain the City's existing housing stock, thereby supporting the preservation of the community.

### **Background:**

The Residential Rehabilitation Program (RRP) is designed to promote local beautification, increase property values, boost curb appeal, and correct any Health and Safety Code, Building Code or Victorville Municipal Code violations. The RRP is provided through Community Development Block Grant (CDBG) funding as a deferred payment loan at 3% interest in amounts ranging from \$1,000 to \$20,000. Loans provided are secured against the property for the term of ten (10) years. The loan can be forgiven should participants remain as the property owner and occupy the dwelling as their principal residence for no less than the program's 10-year term.

### **Discussion:**

On November 3, 2022, the RRP Participant (the "Participant") received a loan in the amount of \$12,525 to aid in the rehabilitation of the home at 15654 Condor Rd., Victorville, CA, 92394. Rehabilitation included: painting the exterior, replacement of damaged drywall, replacement of damaged sheathing at the patio, installation of a new security screen door, and a new kitchen skylight. All items were completed using an RRP loan. Subsequently, the Participant requested that the City reconvey the Deed of Trust that

secured the RRP loan. This request was made due to the terms of the Promissory Note, Deed of Trust, and Covenants, Conditions and Restrictions (CC&Rs) being satisfied with the repayment of associated RRP loan funds and the associated simple interest on July 18, 2024.

According to the Promissory Note, the repayment of the RRP loan required the Participant to pay an amount of the principal loan of \$12,525, plus 3% simple interest, calculated at \$594.92 based on a final loan term of 1 year and 7 months ( $[\$375.75 \text{ simple interest} - \text{Year 1}] + [\$219.17 \text{ simple interest} - 7 \text{ months}] = \$594.92$ ). The Participant has since paid the principal and simple interest balance totaling \$13,119.92.

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 V" of the original CC&Rs, which also necessitates a Substitution of Trustee and Deed of Reconveyance.

- Attachments:**
- A. Resolution No. 24-074
  - 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