

CITY OF LAGUNA BEACH
UTILITY UNDERGROUND ASSESSMENT DEFERMENT LOAN PROGRAM

PROGRAM GUIDELINES AND TASKS

The Utility Underground Assessment Deferralment Loan Program is designed to assist individuals to meet their obligations to the pay assessments for the underground utilities. To qualify for the program property owners within the assessment district must meet certain criteria outlined below. Also below is a summary of the process that would be required by City staff.

Applicant Criteria:

1. Property owners or their spouse must be at least 62 years old, or blind, or disabled in accordance with standards used by the Internal Revenue Service for tax return purposes.
2. The property must be applicant's primary residence.
3. The property must be owned by the applicant or the applicant's spouse or is held in a revocable trust controlled by the applicant.
4. The applicant's household income cannot exceed the amount corresponding to moderate income households in Orange County. For 2015, for example, the limit for a 1-person household is \$73,250, a 2-person household is \$83,700, a 3-person household is \$94,200 and a 4-person household is \$104,650.
5. Excluding the applicant's primary residence (which is subject to the assessment), the market value of cash, investments, cash value of insurance policies, and interest(s) in LLP, LLC, S Corps Trust and Partnerships held by the applicant cannot exceed \$1 million.
6. Any assessment loan amount from the City, plus residential debt senior to the assessment loan, may not exceed 80% of the value of the property.
7. The interest rate on the loan will be set at the time the bonds are sold. The loan rate will be equal to the rate paid for those assessment district bonds plus 1%.
8. The loan amount, and accumulated interest, is due upon sale or transfer of the property.

Process and Tasks:

1. City Council approves program for each new assessment district based on resident interest in the program and funding.
2. Applicants must submit a preliminary application during the 30-day collection period to determine interest in the program. Information remains confidential and unverified until funding for the program is approved by the City Council.

3. City staff verifies age, income, home equity (loan to value), and ownership rights.
 - a. Income verification would require submittal of statements of sources of income, possible tax returns.
 - b. Assessing equity (loan-to-value) may require residents to submit documentation including statements showing the balance of 1st and 2nd mortgage and other notes or liens. Appraisals will be required if total secured debt exceed \$750,000 (paid by applicant).
 - c. Title search will be required (paid by applicant)
4. Enter into Promissory Note with property owner and record deed of trust.
5. Remove assessment from the annual tax levy.
6. Pay connection costs, if included in loan agreement.
7. Make principal and interest payments on the property due to the bond holders.
8. Regularly monitor the property for sale or transfer.
9. Update promissory note as payments to bond holds are made by the City.
10. Respond to questions from property owners or other interested parties (real estate agents).
11. Provide any other necessary documents such as payoff notices.