

CITY OF LAGUNA BEACH

UTILITY UNDERGROUND ASSESSMENT DEFERMENT LOAN PROGRAM

PROGRAM GUIDELINES AND TASKS

The Utility Underground Assessment Deferral Loan Program is designed to assist individuals in meeting their obligations to pay assessments for underground utilities assessed against a qualifying property owner's parcel ("Program"). To qualify for the Program, property owners within the assessment district must meet certain criteria, as 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 55 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, which is located within the assessment district.
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 20% above the amount corresponding to Orange County Moderate Income Limit, as determined by California's Department of Housing and Community Development and adjusted for household size, for the year in which the applicant applies for the Program. For 2023, for example, the Program limit (i.e., 20% above the Orange County Moderate Income Limit) for a 1-person household is \$128,820, a 2-person household is \$147,240, a 3-person household is \$165,600, and a 4-person household is \$184,020.
5. Excluding the applicant's primary residence (which is subject to the assessment), the market value of cash, investments, real property, and interest(s) in LLP, LLC, S Corps Trust, and Partnerships held by the applicant cannot exceed \$1 million in aggregate.
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 1% on the balance owed by the applicant for the annual assessment and utility connection cost paid by the City, including accrued interest. Additionally, interest will apply in the first year to the amount paid for the utility connection cost at the same interest rate as that for assessment district bonds.
8. The loan amount, and accumulated interest, is due and payable upon sale, assignment, or transfer of the property, whether voluntarily or involuntarily, of any ownership or possessory interest in the property or any portion thereof, including but not limited to a default of a senior loan or any new mortgage or refinancing that creates a loan to value ratio that is greater than 4:1 on the property ("Transfer"). Exempt from the definition of a Transfer, however, is any transfer: (i) resulting from the death of an owner of the property by operation of law, or pursuant to any will or trust, to a spouse, child, parent, or grandchild of the owner ("Beneficiary"); provided, however, the loan shall be paid off within five (5) years of such Transfer in the event that either (a) the respective Beneficiary cannot demonstrate the property is now the primary residence of the Beneficiary, or (b) the respective Beneficiary does not meet the income qualification of the Program; (ii) resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree, by which a spouse who was a co-owner becomes the sole owner of the property and the property remains the primary residence of the sole owner; or (iii) resulting by an inter vivos trust in which the owner is the named trustee and beneficiary.

Utility Underground Assessment Deferment Loan Program Program Guidelines and Tasks

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Page 2

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 up to the end of 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 exceeds \$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. The Promissory Note will have a maximum duration equal to the bond maturity plus five years.
5. Remove assessment from the annual tax levy.
6. Pay connection costs, if included in the Promissory Note.
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.