



Staff Reports Details (With Text)

File #: 2174-2019 **Version:** 1

Type: Consent Calendar **Status:** Passed

File created: 12/16/2019 **In control:** CITY COUNCIL OF THE CITY OF NAPA

On agenda: 2/4/2020 **Final action:** 2/4/2020

Title: Forgiveness of Housing Loan

Sponsors:

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Code sections:

Attachments: 1. ATCH 1 - Resolution

Date	Ver.	Action By	Action	Result
2/4/2020	1	CITY COUNCIL OF THE CITY OF NAPA		

To: Honorable Mayor and Members of City Council

From: Vincent Smith, Community Development Director

Prepared By: Hernando Guillem, Housing Rehabilitation Program Supervisor

TITLE:
Forgiveness of Housing Loan

RECOMMENDED ACTION:

Adopt a resolution authorizing the City Manager to forgive an unsecured CDBG Housing Rehabilitation Loan for improvements to a mobile home located at 770 Lincoln Avenue, #46 in the amount of \$9,975 and accrued interest of \$2,511.66 due to the death of the borrower.

DISCUSSION:

The City operates a Housing Rehabilitation Loan and Emergency Grant Program (the "Program"). This Program is funded with Community Development Block Grant (CDBG) funds from the United States Department of Housing and Urban Development (HUD). The Program provides low-income homeowners zero and low interest loans and emergency grants to make repairs on their homes. Eligible properties include single family homes, townhomes, and mobile homes.

The Program loans are typically secured by deeds of trust recorded against the properties. However, in the case of mobile homes, which are considered personal property rather than real property, liens must be filed with the State of California similar to how automobile loans are secured. Until 2017, the Program's policy was not to require liens on mobile homes. This has resulted in some mobile homes being sold without repayment of the loans.

During recent loan monitoring, staff discovered the Program's loan portfolio included one loan for a mobile home that had been sold. This unsecured loan was made in September 2011 to an elderly

mobile homeowner. The borrower died in 2012. The new owner who purchased this mobile home did not know about the City's loan, and the City's loan was not repaid through escrow.

Because this loan is not collectable from the new owner and the borrower is deceased, staff recommends writing off this loan. This will reduce the Program's loan portfolio by \$12,486.66, which includes \$9,975 in loan receivable and \$2,511.66 in accrued interest receivable.

It is now the City's policy to record liens with the State of California for Program loans made to mobile homes. This should minimize the risk of mobile homes being transferred without the City being notified and initiating loan repayment.

FINANCIAL IMPACTS:

The proposed action has no impact on the City's General Fund. It would reduce the CDBG Rehabilitation Loan Program portfolio by approximately \$12,486.66. The current expenditure budget in the fund has capacity to absorb the loan forgiveness expense.

CEQA:

The Community Development Director has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

DOCUMENTS ATTACHED:

ATCH 1 - Resolution to forgive housing loan

NOTIFICATION:

This item was placed on an agenda and circulated for public review at least 72 hours in advance of the meeting.