



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of January 28, 2025

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Timothy Rood, Community Development Director

SUBJECT: Loan Administration Plan Policies and Procedures Manual

RECOMMENDED ACTION:

Approve a resolution adopting the City of Hercules Loan Administration Plan Policies and Procedures Manual

BACKGROUND:

In 2011, the California State Legislature adopted Assembly Bill x1 26, which dissolved redevelopment agencies statewide. At that time, the City of Hercules ("City") chose not to become the Housing Successor to the former Hercules Redevelopment Agency ("Former Redevelopment Agency"). The Contra Costa County Housing Authority ("County Housing Authority") became the Housing Successor by operation of law; however, they declined the transfer of housing assets. Consequently, between 2011 and 2024, no party was actively administering the Former Redevelopment Agency's seven loan programs. With the lack of program oversight, borrowers did not receive regular monthly loan statements and delinquencies were not pursued by the City nor the County Housing Authority.

To remedy this situation, the City elected to become the Housing Successor in February 2024 and subsequently reinitiated loan program administration. Loans that are uncollectible due to foreclosure, bankruptcy or business closure are being written off as directed by the City Council.

The Former Redevelopment Agency originated seven loan programs that were provided to borrowers in need of financial assistance:

1. First-Time Home Buyer Program
2. Citywide Employee Incentive Homeownership Program
3. Homeownership Retention and Loss Mitigation Program
4. Inclusionary Housing Homeownership Program
5. Home Emergency Repair Program
6. Revitalization and Beautification Program
7. Business Development Loan Program (Commercial)

The loans, now assumed by the City, have specific requirements by the loan program that articulate such terms as loan restructuring, extended terms, subordination of loan to new debt, collateral substitution, and/or loan pay-off.

Adopting written policies and procedures will ensure consistency and fairness as City staff begins administering and monitoring the approximately 41 collectible outstanding loans issued by the former Redevelopment Agency, which have a collectible loan balance of \$3,724,430 as of June 30, 2024. The City's responsibilities are described below.

ANALYSIS:

The City's consultant RSG has prepared a Loan Administration Plan ("Plan" – Attachment 2) to assist the City with the administration of the former Redevelopment Agency's homeowner and business loans during their lifecycle. Additionally, the Plan addresses how the City will handle matters involving delinquencies that occurred between 2011 and 2024 under prior City program administration and how the City will coordinate with impacted third parties.

The Plan includes descriptions of the loan programs and their terms, as well as policies and procedures for delinquent loan modification, refinance, assignment and assumption, and loan consolidation. The Plan lays out the application process, documentation, and eligibility criteria for homeowner loan modification, as well as underwriting requirements, loan servicing processes, and notices of default and foreclosure. For the business development loans, the Plan includes policies and procedures for loan acceleration, transfers, collateral substitution, and compliance monitoring.

The Plan provides that, in addition to processing hardship requests and other modifications, payoffs, transfers and assignments, the City will also monitor occupancy, prepare a tracking database, send out notification letters outlining the documentation required for the annual monitoring process, mail annual notices, collect all documents, and send out confirmation letters to the homeowners to close the monitoring.

FISCAL IMPACT:

There is no direct impact from adoption of the Plan, but loan administration will increase staff workloads and may require continued consultant assistance, which will be reflected in future annual budgets. Adoption of the Plan will help to ensure timely collection payments to minimize the City's risk from loans going into default.

ATTACHMENTS:

Attach 1- Resolution

Attach 2- Loan Administration Plan Policies and Procedures Manual