



Staff Report

File #: TMP-1436, **Version:** 1

MEETING DATE:

September 22, 2020

SUBJECT:

RESOLUTION NO. 2020-8818 - AUTHORIZATION TO TAKE THE NECESSARY ACTIONS AND TO FORECLOSE ON DELINQUENT SPECIAL TAX LIENS

Recommendation

ADOPT a resolution authorizing the City Manager and City Attorney to take the necessary actions and to foreclosure on property owners that are delinquent in the payment of Community Facilities District (CFD) special taxes.

Board or Commission Action

Not applicable.

Relevant Council Strategic Themes

Good Governance

Relevant Department Goal

Not applicable

Executive Summary

Property owners in the City's CFD 88-1 (Paloma/Santa Fe Hills), CFD 99-01 (San Elijo Hills), and CFD 2002-01 (University Commons) are taxed annually via the County property tax bill for their share of the debt service on bonds that their respective CFD has issued. The City has covenanted to the bondholders of these CFDs that judicial foreclosure proceedings will be initiated against property owners that are delinquent in the payment of their CFD special tax if certain requirements are met. For FY 2019-20 there is one such property owner that has not paid their County property tax bill and meets the bonded CFD foreclosure requirements for delinquent CFD special tax.

To fulfill the City's covenant to the bondholders, attached is a resolution that, when approved and adopted by the City Council, will authorize the City Manager to 1) have the delinquent CFD special taxes removed from the County property tax roll and relieve the County Treasurer/Tax Collector of further duty to collect on said delinquencies as they relate to all CFDs presently in existence that have outstanding bonded indebtedness; and 2) order foreclosure action to foreclose on the properties with delinquent FY 2019-20 CFD special taxes. However, due to the COVID-19 pandemic and as permitted by the CFD bond covenants, foreclosure proceedings will be deferred until the state and local emergency regarding COVID-19 is terminated or rescinded, as applicable.

Discussion

Update on FY 2016-17 Delinquencies: Currently, all delinquencies, except for one, have been cured, no foreclosures have been necessary.

Update on FY 2017-18 Delinquencies: Currently, all delinquencies, except for one, have been cured, no foreclosures have been necessary.

Update on FY 2018-19 Delinquencies: Between January 2019 and October 2019, the City mailed three different letters to each of the delinquent property owners (excluding property owners known to be in bankruptcy) requesting said delinquencies be paid. Two properties still have outstanding delinquent taxes from FY 2018-19.

FY 2019-20 Delinquencies: Between January 2020 and July 2020, the City mailed two different letters for each installment to each of the delinquent property owners requesting said delinquencies be paid. One property still has outstanding delinquent taxes from FY 2019-20 that meets the bonded CFD foreclosure requirements for delinquent CFD special tax. The attached resolution authorizes foreclosure action against the parcel. The parcel in the attached resolution is delinquent for both the December 10, 2019 and April 10, 2020 installments of property taxes.

However, due to the COVID-19 pandemic and as permitted by the CFD bond covenants, foreclosure proceedings will be deferred until the state and local emergency regarding COVID-19 is terminated or rescinded, as applicable.

Historically, the City has not had to foreclose on many individual property owners. Typically, once the City Council has authorized foreclosure, the City sends "last chance" letters to the delinquent property owners indicating that foreclosure proceedings have been authorized and they should take action to cure the delinquencies. Those property owners who respond to the letters are typically encouraged to, at the very least, pay their delinquent special tax directly to the City. Once the delinquency is paid in full to the City, the County is notified of said payment. The County then issues a revised tax bill and the delinquent property owner is encouraged to work out a payment plan with the County for the balance of any delinquent property taxes.

For those property owners who do not respond to the City's "last chance" letters, the City Attorney's Office contacts the mortgage lenders for each of the properties and notifies them of the pending foreclosure action. To date, the mortgage lenders, in an effort to secure their financial interest in the property, have paid the City on behalf of the delinquent property owners. For the few situations where such efforts have been unavailing, the delinquent amount is stripped from the property tax rolls and the City has initiated litigation. Prior cases of this nature have been resolved while they are pending, and dismissed.

Environmental Review

Not applicable.

Fiscal Impact

Approval of the attached resolution will have no fiscal impact on the City's General Fund.

Attachments

Resolution 2020-XXXX

Exhibit A to Resolution 2020-XXXX

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Approved by: Jack Griffin, City Manager