

**RESOLUTION NO. 2026-23**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NEWPORT BEACH, CALIFORNIA, ADOPTING THE UNDERGROUNDING UTILITY ASSESSMENT LOAN PROGRAM**

**WHEREAS**, Section 200 of the City Charter, of the City of Newport Beach (“City”), vests the City Council with the authority to make and enforce all laws, rules and regulations with respect to municipal affairs subject only to the restrictions and limitations contained in the City Charter and the State Constitution, and the power to exercise, or act pursuant to any and all rights, powers, and privileges or procedures granted or prescribed by any law of the State of California;

**WHEREAS**, assessment districts are financing mechanisms that allow property owners to fund local improvements that benefit their properties directly. These districts are property owner-driven and formed through a petition and ballot process;

**WHEREAS**, the City’s assessment districts are predominantly utilized for the purpose of undergrounding overhead utilities;

**WHEREAS**, the costs for undergrounding utility assessment districts are typically financed through the sale of municipal bonds pursuant to the California Streets and Highway Code;

**WHEREAS**, within the City, property owners may either pay their property’s assessment in full during the cash collection period or choose to finance the assessment through bond financing, which allows property owners to pay the assessment as part of their annual property tax over the bond term. In addition to the assessment, property owners are required to pay for the cost of connecting their property to the new underground facilities;

**WHEREAS**, for certain property owners, the combined cost of the assessment and related connection presents a financial hardship, making participation in an assessment district burdensome;

**WHEREAS**, in response to these concerns, at the November 18, 2025, Study Session, City Council directed staff to develop a program to financially assist constrained property owners, making participation in assessment districts more financially feasible;

**WHEREAS**, City staff reviewed programs administered by other jurisdictions, such as the cities of Laguna Beach and Manhattan Beach, and developed the Undergrounding Utility Assessment Loan Program Policy in accordance with the City Council's direction; and

**WHEREAS**, adoption of the Undergrounding Utility Assessment Loan Program Policy will encourage property owner participation in underground utility projects while safeguarding the City's fiscal interests through prudent lending practices.

**NOW, THEREFORE**, the City Council of the City of Newport Beach resolves as follows:

**Section 1:** The City Council does hereby adopt the Undergrounding Utility Assessment Loan Program Policy. The criteria, structure, terms, process and administration of the Undergrounding Utility Assessment Loan Program Policy are set forth in Exhibit A, which is incorporated herein by this reference.

**Section 2:** The City Manager, or designee, is hereby authorized to adopt additional administrative procedures as necessary to implement and administer the Undergrounding Utility Assessment Loan Program Policy.

**Section 3:** If any section, subsection, sentence, clause or phrase of this resolution is for any reason held to be invalid or unconstitutional, such decision shall not affect the validity or constitutionality of the remaining portions of this resolution. The City Council hereby declares that it would have passed this resolution and each section, subsection, sentence, clause or phrase hereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

**Section 4:** The recitals provided in this resolution are true and correct and are incorporated into the substantive portion of this resolution.

**Section 5:** The City Council finds the adoption of this resolution is not subject to the California Environmental Quality Act ("CEQA") pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Division 6, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

**Section 6:** This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

**ADOPTED** this 28th day of April, 2026.

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Lauren Kleiman  
Mayor

ATTEST:

\_\_\_\_\_  
Lena Shumway  
City Clerk

**APPROVED AS TO FORM:**  
CITY ATTORNEY'S OFFICE

  
\_\_\_\_\_  
Aaron C. Harp  
City Attorney

Attachment: Exhibit A – Undergrounding Utility Assessment Loan Program Policy

## Exhibit A

## **UNDERGROUNDING UTILITY ASSESSMENT LOAN PROGRAM POLICY**

The Undergrounding Utility Assessment Loan Program (“Program”) of the City of Newport Beach (“City”) is designed to assist financially constrained homeowners (e.g., seniors or fixed-income residents) with meeting their obligations to pay assessments for undergrounding utilities within an approved assessment district. The Program provides City-issued loans to defer annual assessment payments, allowing eligible property owners residing within assessment districts to spread the financial burden over time.

The program is intended to promote participation in underground utility projects while protecting the fiscal interests of the City through prudent lending practices.

Participation in the Program is voluntary. Property owners within an assessment district must apply and meet all eligibility criteria outlined in this document.

### **Eligibility Criteria**

#### **1. Age Requirement**

Property owners must be at least 55 years of age. The City Manager may authorize waivers for applicants who do not meet the age requirement but meet all other financial eligibility criteria.

#### **2. Primary Residence**

The qualifying property must be the applicant’s primary residence and located within the applicable assessment district. The Program applies only to residential properties.

#### **3. Ownership**

The qualifying property either must be owned directly by the applicant or held in a revocable trust controlled by the applicant.

#### **4. Property Tax Status**

Property taxes must either be current, or the applicant must be enrolled in an approved payment plan for all delinquent property taxes.

#### **5. Income Limits**

The applicant’s household income shall not exceed 120% of the Orange County Median Income Limit, as published annually by the California Department of Housing and Community Development (HCD) and adjusted for household size. The table below provides an example of income limits per household size for 2025:

Household Size	Program Income Limit
1-Person Household	\$114,720
2-Person Household	\$131,160
3-Person Household	\$147,540
4-Person Household	\$163,920

**6. Asset Limits**

Combined household assets, including cash, investments, and ownership interest(s) in LLP's, LLC's, S corporations, trusts, and partnerships, shall not exceed \$1,000,000, excluding:

- The market value of the primary residence; and
- Qualified retirement accounts (e.g., 401(k), IRA, etc.), unless otherwise determined by the City Manager.

**7. Documentation**

Applicants must provide documentation sufficient to verify income and assets (e.g. tax returns, paystubs, bank statements, Social Security statements, etc.) as part of the application process and sign an affidavit acknowledging that all information provided is correct.

**8. Maintenance of Eligibility**

The applicant must maintain all eligibility requirements throughout the loan term, including any approved extensions. If eligibility requirements cease to be met, including by a change of the natural person owning the property either directly or in trust, then all accrued interest and unpaid principal will become immediately due. Throughout the loan term the City reserves the right to require the applicant to provide documentation that they remain eligible for the Program, and the applicant agrees to provide such documentation to the City timely.

**Loan Structure**

The Program provides City-backed deferred-payment loans to cover all or a portion of the underground utility assessment levied on the property.

**1. Loan Amount**

The loan amount shall equal the eligible portion of the total assessment that the applicant elects to defer, subject to a maximum loan amount of \$55,000.

The maximum amount of the City Loan to cover the deferred assessment payments will be based on household income as a percentage of applicable income limit per the table below.

<b>Household Gross Income as a % of Program Income Limit</b>	<b>Minimum Participant Payment</b>	<b>Maximum City Loan</b>
<51%	0%	100%
51%-60%	1%	99%
61%-70%	2%	98%
71%-80%	3%	97%
81%-90%	4%	96%
91%-100%	5%	95%

Additionally, any connection costs, administrative costs related to eligibility verification, periodic review, loan servicing, and tracking may be added to the loan amount at the beginning of the agreement.

**2. Loan-to-Value Requirement**

Any assessment loan amount from the City, plus any other outstanding debt secured by the property, may not exceed 80% of the total value of the property.

**Loan Terms**

**1. Loan Term**

The initial term of the loan will be 20 years, with optional five-year extensions subject to City approval.

**2. Interest Rate**

Loans shall accrue interest annually at a fixed rate equal to 1% above the all-in bond rate used to finance the assessment district at the time of bond issuance.

**3. Payments During Term**

Borrowers are required to make annual interest-only payments on the outstanding loan balance. Because only interest is paid annually, the principal balance will be deferred and remain unchanged throughout the loan term unless it is voluntarily prepaid. There is no prepayment penalty. All accrued interest must be paid before principal may be paid.

**4. Loan Immediately Due**

All accrued interest and loan principal will become immediately due if the applicant ceases to meet any eligibility requirement during the loan term, if there is a change of

the natural person that owns the property either directly or indirectly, or if interest is not paid when due.

### **Repayment**

The loan, including all accrued interest, shall become due and payable upon the occurrence of any of the following events:

**1. Sale of the property**

The loan must be repaid in full through escrow at the time of sale.

**2. Transfer of ownership**

Any transfer of ownership interest triggers repayment.

**3. Refinancing of the property**

Refinancing that results in equity being withdrawn from the property may trigger repayment as determined by the City.

**4. Loan Maturity**

Upon reaching loan maturity including any approved extensions.

Borrowers may voluntarily prepay all or a portion of the loan balance at any time without penalty.

### **Security for Loan**

To protect public funds, each loan shall be secured by a recorded Deed of Trust or other legally enforceable security instrument acceptable to the City.

1. The lien shall remain in place until the loan and all accrued interest are fully repaid to the City.
2. The City's lien position shall be determined at the time of loan approval, and total secured debt shall comply with Program loan-to-value requirements.

### **Default and Delinquency**

Failure to make required interest payments may result in the loan being declared in default. In the event of default, the City may pursue all available remedies, including loan acceleration and foreclosure, consistent with applicable law and City policies.

## **Program Funding and Limits**

To limit the City's financial exposure, the Program may include the following safeguards:

1. A maximum total funding allocation per assessment district as established by City Council.
2. Limits on the number of participating properties per assessment district.
3. Annual or program-wide funding caps.

The Program operates on a first come, first served basis, depending on the availability of City funds. City Council retains discretion to adjust funding levels and limits.

## **Application and Approval Process**

1. City Council shall approve the Program for each new assessment district based on resident interest in the program and funding.
2. The City may require completion of a prequalifying questionnaire to determine if an applicant is eligible to apply.
3. Applicants must submit an application in a form approved by the City up to the end of the 30-day collection period to determine interest in the Program.
4. Applicant shall pay all application costs/fees upon submission of an application and must provide documentation to support that they have met all the eligibility criteria in this document. Application fees are not refundable and are not repayments of the loan, whether or not the application is approved.
5. City staff, or designee, will review applications and verify compliance with Program eligibility criteria listed previously and will make a final determination on whether the applicant qualifies to participate in the Program.
6. Final approval authority rests with the City Manager.
7. Upon approval of participation in the Program, the property owner will enter into a promissory note with the City and record a deed of trust on the property.
8. The assessment will be removed from the annual tax levy, unless there is a delinquency.

## **Administration**

The Program shall be administered by the City Manager, or designee, and may use third-parties to provide administrative and application-review support services in the implementation and ongoing management of this program. The City Manager, or designee, shall be responsible for:

1. Application review and eligibility verification
2. Loan administration including underwriting and approval processing
3. Loan servicing and tracking
4. Recording security instruments
5. Monitoring compliance and repayment obligations
6. Collecting loan repayments
7. Issuing payoff statements
8. Responding to participant inquiries

The City Manager is authorized to adopt additional administrative procedures as necessary to implement and administer the Program.