



NEWPORT BEACH

City Council Staff Report

April 28, 2026
Agenda Item No. 4

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: Jason Al-Imam, Administrative Services Director/Treasurer - 949-644-3126, jalimam@newportbeachca.gov

PREPARED BY: Jason Al-Imam, Administrative Services Director/Treasurer

TITLE: Resolution No. 2026-23: Undergrounding Utility Assessment Loan Program

ABSTRACT:

At the November 18, 2025 City Council study session, staff was directed to develop an Undergrounding Utility Assessment Loan Program (Program) to assist financially constrained homeowners in meeting their obligation to pay the assessment for undergrounding utilities within approved assessment districts. The attached policy, included with the resolution, outlines the key elements of the proposed program, including eligibility criteria, loan structure, terms, repayment and administration.

RECOMMENDATIONS:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly;
- b) Adopt Resolution No. 2026-23, *A Resolution of the City Council of the City of Newport Beach, California, Adopting the Undergrounding Utility Assessment Loan Program*; and
- c) Authorize the City Manager, or his designee, to implement and administer the program.

DISCUSSION:

Assessment districts are financing mechanisms that allow property owners to fund local improvements that benefit their properties. These districts are property-owner driven and formed through a petition and ballot process. Once formed, each parcel is assigned an assessment based on the special benefit that the property will receive. Assessments are secured by liens on the properties.

Within the City of Newport Beach (City), almost all of the assessment districts are formed for undergrounding utilities. The costs for undergrounding utility assessment districts are typically financed through the sale of municipal bonds under provisions of the California Streets and Highways Code. 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 (typically 15-20 years). The annual assessment that appears on the property tax includes interest and administrative costs. In addition to the assessment, property owners are required to pay for the cost of connecting their property to the new underground facilities.

For some property owners, the combined cost of the assessment and related connection presents a financial hardship, making participation in an assessment district burdensome. To address this, at the November 18, 2025, study session, the City Council directed staff to develop a program that could assist financially constrained property owners, making participation in assessment districts more financially feasible.

Staff reviewed programs administered by the City of Laguna Beach and the City of Manhattan Beach and recommends the adoption of the proposed Program.

Undergrounding Utility Assessment Loan Program

The proposed Program aims to encourage participation in underground utility projects while safeguarding the City of Newport Beach's fiscal interests through prudent lending practices. The program provides City-backed deferred-payment loans to cover all or a portion of a property's underground utility assessment and related connection and administrative costs, up to \$55,000. Loan terms include a 20-year initial period with optional 5-year extensions, a fixed interest rate set at 1% above the all-in bond rate used to finance the assessment district, and interest-only annual payments. Loans would be secured by a recorded deed of trust on the property and will become due and payable upon either the sale of the property, transfer of ownership, a cash-out refinancing, or reaching loan maturity. Failure to make required interest payments may result in the loan being declared in default, at which time the City may pursue all available remedies. Participation in the Program is voluntary, and property owners must meet specific eligibility requirements related to age, income, assets and ownership.

To qualify for the program, staff proposes the following qualifications and conditions:

1. Property owners must be at least 55 years of age.
2. The property must be the applicant's primary residence and located within the applicable assessment district.
3. The property must be owned directly by the applicant or held in a revocable trust controlled by the applicant.
4. Property taxes must be current or on an improvement payment plan.
5. The applicant's household income shall not exceed 120% of the Orange County Median Income Limit.
6. Combined household assets, including cash, investments and ownership interests, shall not exceed \$1,000,000, excluding value of primary residence and qualified retirement accounts.
7. Applicants must provide adequate documentation to ensure that the eligibility requirements have been met and sign an affidavit acknowledging that all information provided is correct.

8. Applicants must maintain eligibility throughout the loan term, including any extensions.

Additionally, any connection and administrative costs related to eligibility verification and periodic review are the responsibility of the applicant but may be added to the loan, so long as the total amount of the loan does not exceed \$55,000.

To limit the City's financial exposure, the Program may include funding caps and limits on the number of participating properties per assessment district. The funding and participant limit for the program will be approved by the City Council when the assessment district passes and formation is approved. The program will operate on a first-come, first-served basis and will be subject to City Council approved limits. Applications must be submitted during the 30-day cash collection period; late applications will not be considered. Applicants are responsible for all application related costs.

The City Manager, or his designee, shall act as the administrator of the program and have final approval authority for applications. The City does not currently have a system to track, archive and administer the program applications; therefore, implementing the Program may require additional funding for the use of a third-party consultant to assist with implementation and administration.

Proposed Assessment Districts 114 & 118

There are two proposed assessment districts (114 & 118) with petition packages being prepared for circulation to property owners within the proposed districts' boundaries. Assessments are estimated to be approximately \$50,000 per parcel in each of the districts, and formation requires approval of at least 60% of property owners within each district.

Although these districts are several years away from bond issuance, adoption of the Program would provide property owners with greater certainty regarding financing options as they consider whether to support district formation.

Staff recommends that the City Council adopt the Undergrounding Utility Assessment Loan Program policy framework to provide property owners with greater clarity regarding available financing options as they consider support for assessment district formation. Staff further recommends that the City Council authorize the City Manager, or his designee, to take the necessary steps to prepare for implementation and administer the program in connection with future assessment district formation.

FISCAL IMPACT:

Currently, there is no fiscal impact associated with this item. Upon consideration of assessment district approval and formation, the City Council will be asked to confirm participation in the Program and to authorize the appropriation of funds necessary to support the program. The City Council may also be requested to approve additional funding for engaging a qualified third-party consultant to assist with program implementation and ongoing administration.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action 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, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENT:

Attachment A – Resolution No. 2026-23