



AGENCY: City Council
MEETING DATE: April 6, 2020
DEPARTMENT: City Manager
PRESENTED BY: S.McCormick/T.Miller
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AGENDA ITEM SUMMARY

TITLE:

Receive Report and Consider Establishing a COVID-19 Mortgage Assistance Program

ISSUE:

On March 30, 2020 the City adopted an Urgency Ordinance protecting tenants who are unable to pay rent as a result of the financial impacts of COVID-19. The Urgency Ordinance protects commercial and residential tenants from evictions through May 31, 2020, unless extended. While considering the moratorium on evictions and deferral of rent payments, Council directed staff to bring forward a Mortgage Relief Program to assist property owners who will not receive rental payments for April and May.

ANALYSIS:

Although not exhaustive, staff researched how other cities have enacted mortgage relief programs and did not find any examples outside of charitable foundations and private sector organizations. Most municipal programs are geared to helping tenants and those at risk of eviction. Cities that have enacted renter assistance as a result of the current economic crisis, appear to have experienced an overwhelming interest and were not able to meet the true need. That said, the manner in which renter assistance programs are implemented transfers well when considering how the City of Fort Bragg might implement a Mortgage Relief Program.

Potential Approaches

During this time of social distancing and the current Shelter-in-Place mandate, requests for financial assistance from property owners to help pay mortgages, would best be taken electronically. Depending on the approach, this could be a simple form demonstrating ownership and need or it could be a sophisticated questionnaire taking into account details such as an individual's typical income, size of household, amount owed on principal, number of properties owned, whether there are pre-existing debts or back taxes owed, etc. Similarly, how these requests are processed could take several approaches, such as a lottery system or on a first come, first served basis.

Potential Participants

The national average of those residing in homes they own verses rent is: 64% owners to 36% renter occupied. In the City of Fort Bragg, this ratio is flipped: 36% owner occupied and 64% of homes are rented. For the sake of placing a number on how many property owners could potentially want to participate in a Mortgage Relief Program, staff used the number of households renting to determine potential participants with residential properties and the

number of existing commercial water meters for the number of commercial property owners.

Potential Participants RESIDENTIAL Property Investment		Potential Participants COMMERCIAL Property Investment	
Number Residential Properties (1)	1,803	Number Commercial Properties (3)	363
Average Home Value (2)	\$352k	Average Assessed Value (4)	\$975k
Estimated Two Months Relief (5)	\$3,520	Two Months Relief (5)	\$9,750
Total	\$6.3M	Total	\$3.5M
Estimated Total of Properties with Tenants: \$9.8M			
Source:			
<ol style="list-style-type: none"> 1. American Community Survey B25014 (2012-2016) Housing Element, page 10-34 2. California Department of Housing and Community Development 3. City of Fort Bragg, Finance Department, Water Consumption and Fees by Type of Use, 2019 4. Mendocino County Assessor's Office 5. Based on a ratio of 6% Capitalization Rate for Estimated/Assessed value. 			

Of course it is unlikely that all property owners with tenants would seek mortgage relief funds through such a program. The Table below illustrates usage rate scenarios to provide a better idea of the amount of funds that might be necessary to successfully implement a Mortgage Relief Program.

Program Usage Rates Scenarios			
	5%	15%	25%
Estimated Dollar Value of Potential Participants	\$490k	\$1.47M	\$2.45M

Fiscal Impact

There is currently \$23k available in City Council's special project fund. The City's Unassigned General Fund fund balance is approximately \$625k. The City is experiencing a dramatic loss of revenue as a result of the COVID-19 pandemic and the long-term financial impact is uncertain. Federal relief money has been given to States, but there is no directive attached that States need to allocate money to cities with less than 500,000 people. Sales tax and Transient Occupancy Tax (TOT) make up 48% of the City's General Fund revenue. Both sources have been dramatically impacted by the COVID-19 pandemic and are not expected to rebound until after businesses reopen. Further, on April 2, 2020 Governor Newsom announced that businesses with under \$5 million in annual taxable sales can take advantage of a 12-month, interest free payment plan of up to \$50,000. This will delay the already reduced sales tax revenue payments to the City.

Existing Financial Assistance to Property Owners

The Federal Government has passed three bills in response to COVID-19 and more are expected:

- Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020
- Families First Coronavirus Response (FFCR) Act
- The Coronavirus Aid, Relief, And Economic Security (CARES) Act

This legislation includes protections against foreclosure and provides low interest loans for small business owners (rental/investment property is considered a business). Governor Newsom enacted additional protections for homeowners by negotiating an agreement with four of the nation's top banks to provide a 90-day grace period for mortgage payments, with no negative credit impact. There is no income limitation on the Governor's Mortgage Relief program.

RECOMMENDED ACTION:

Direct staff to look for alternative ways to assist the business community in Fort Bragg.

ALTERNATIVE ACTION(S):

Provide staff guidance on developing and implementing a Mortgage Relief Program for property owners and provide direction to staff.

FISCAL IMPACT:

There will likely be long-term fiscal impacts to individuals, the City, State, Country and World as a result of COVID-19. The fiscal impacts of implementing a Mortgage Relief Program is discussed at length in this report.

GREENHOUSE GAS EMISSIONS IMPACT:

It is unlikely that greenhouse gas emissions would be impacted by implementing a Mortgage Relief Program.

CONSISTENCY:

N/A

IMPLEMENTATION/TIMEFRAMES:

If implemented, a Mortgage Relief Program could be implemented within two-week time.

ATTACHMENTS:

N/A

NOTIFICATION:

1. Affordable Housing, Notify Me subscriber list
2. Homeless, Notify Me subscriber list
3. Economic Development Planning, Notify Me subscriber list