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DEPARTMENT OF
FINANCE

ACCOUNTING DIVISION

SANDRA K. BENOIT
ACCOUNTING MANAGER

CITY OF SACRAMENTO
CALIFORNIA

May 7, 1993

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City Council
Sacramento, California

APPROVED
BY THE CITY COUNCIL

MAY 10 1993

OFFICE OF THE
CITY CLERK

Honorable Members in Session:

SUBJECT Initiation of Foreclosure Proceedings - North Natomas Assessment District

LOCATION City

STAFF RECOMMENDATION

It is recommended that the City Council approve the attached resolution to order judicial foreclosure upon the liens of the delinquent 1992-93 second-installment assessments in North Natomas Assessment District No. 88-03, in accordance with the provisions of the Improvement Bond Act of 1915.

CONTACT PERSONS

Thomas P. Friery, City Treasurer, Telephone: 264-5168
James McAdler, Assistant Accounting Manager, Telephone: 264-7144

FOR COUNCIL MEETING OF May 18, 1993

SUMMARY

Over \$1 million in 1992-93 second-installment assessments are delinquent and unpaid in

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the North Natomas Assessment District. In order to actively pursue collection of the delinquencies, the City must commence with judicial foreclosure upon the liens of the unpaid assessments. The City Council had resolved by approval of the District's bond covenants in 1989 to proceed with judicial foreclosure at the required time. However, it has been the City's policy to render an additional Council resolution to order the foreclosure action. For those parcels which have delinquent first-installment assessments as well as delinquent second-installment assessments, the foreclosure action has already been ordered under the Council resolution related to the delinquent first-installment assessments. The attached resolution is to order judicial foreclosure upon the liens of the other delinquent second-installment assessments.

BACKGROUND INFORMATION

The City conducted special assessment proceedings in 1989 resulting in the formation of the North Natomas Assessment District and the issuance and sale of over \$38 million in improvement bonds. Assessments are charged to the parcels in the District based on the relative benefit derived from the proceedings and are to be paid by the parcel owners in semi-annual installments over the 25 year term of the bonds.

Unpaid assessments constitute liens against the parcels in the North Natomas Assessment District. In the event an installment is not paid when due, the City covenanted with the District's bondholders to initiate judicial foreclosure proceedings within 150 days after the installment due date. For installments due April 10, 1993, the 150 day period ends September 7, 1993.

On April 13, 1993, the City gave written notice to delinquent parcel owners in the North Natomas Assessment District of its intention to begin foreclosure proceedings on May 18, 1993 if payments are not received by May 13, 1993. The delinquent parcel owners were also advised of the increased costs that result to them when foreclosure proceedings commence. As of May 7, 1993, this effort to collect the delinquent installments has been unsuccessful. The only means left to actively pursue collection is through foreclosure action. Delinquent assessments that are paid from May 7th through May 13th will be removed from the exhibit accompanying the attached resolution.

Pursuant to the City Council's approval of the attached resolution, the City will initiate foreclosure proceedings on the 1992-93 second-installment delinquencies covered by the resolution. The City will refer the delinquent assessments to the law firm of Sherman & Feller. This firm specializes in delinquent assessment collections through the use of foreclosure

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proceedings.

FINANCIAL CONSIDERATIONS

There is virtually no cost to the City to foreclose upon the liens of delinquent assessments. Under the contractual agreement with Sherman & Feller, collection costs are paid by redeeming delinquent parcel owners. If the foreclosure proceedings result in a public sale of the property, the purchaser of the property pays the legal fees and costs as determined in the judgement.

A special reserve fund was established at the formation of the North Natomas Assessment District to make bond holder payments in the event parcel owner assessments are delinquent and unpaid. Advances from the reserve fund are to be reimbursed from the proceeds of subsequent delinquency collections or from the sale of parcels following foreclosure proceedings on the unpaid assessment liens. The current balance of the special reserve fund is at its allowable maximum of \$3,642,040.

POLICY CONSIDERATIONS

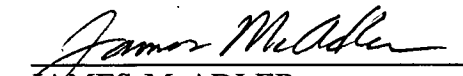
Active collection of delinquent assessments pursuant to 1915 Act bond covenants is consistent with policies of the City of Sacramento.

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MBE/WBE

The law firm of Sherman & Feller qualifies as a City of Sacramento Women Business Enterprise.


Respectfully submitted,


JAMES McADLER
Assistant Accounting Manager

Approved:


BETTY MASUOKA
Director of Finance

Recommendation Approved:


WILLIAM H. EDGAR
City Manager

Attachment

RESOLUTION NO. 93-241

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED
BY THE CITY COUNCIL
MAY 10 1993
OFFICE OF THE
CITY CLERK

**RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF SACRAMENTO ORDERING JUDICIAL FORECLOSURE
OF DELINQUENT ASSESSMENTS IN THE
NORTH NATOMAS ASSESSMENT DISTRICT NO. 88-03
PURSUANT TO THE IMPROVEMENT BOND ACT OF 1915**

WHEREAS, the CITY OF SACRAMENTO ("City") conducted special assessment proceedings in 1989, resulting in the formation of the North Natomas Assessment District No. 88-03 ("District") and the issuance and sale of improvement bonds pursuant to the provisions of the Improvement Bond Act of 1915 (California Streets and Highways Code Sections 8500 and following; hereafter referred to as the "1915 Act"); and

WHEREAS, pursuant to the 1915 Act, the City has duly issued and recorded for the District the unpaid assessments, which assessments and each installment thereof and interest and penalties thereon constitute liens against the lots and parcels of land against which they are made, until the same are paid; and

WHEREAS, certain assessments and installments have not been paid when due, and certain installments of those assessments may not be paid in the future; and

WHEREAS, pursuant to the 1915 Act, the City is required by covenant with the bondholders and is authorized by Streets and Highways Code §8830(b) to institute judicial foreclosure proceedings.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Sacramento as follows:

SECTION 1. The City hereby orders that the delinquent assessments listed on Exhibit A attached hereto and incorporated herein, and all future installments of those assessments which are not paid when due, be collected by action brought in the Superior Court of Sacramento County to foreclose the liens thereof.

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RESOLUTION NO.: _____

DATE ADOPTED: _____

SECTION 2. All inquiries regarding payment of the delinquent assessments shall be forwarded to the City's special counsel, Sherman and Feller.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

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RESOLUTION NO.: _____

DATE ADOPTED: _____

EXHIBIT A
 DELINQUENT SECOND-INSTALLMENT ASSESSMENTS
 NORTH NATOMAS ASSESSMENT DISTRICT 88-03
 FISCAL YEAR 1992-93

<u>Property Owner</u>	<u>APN</u>	<u>Amount</u>	
SBE Partnership	225-0060-024	<u>75,270.29</u>	\$ 75,270.29
Coral Business Center	225-0160-062	<u>88,433.16</u>	88,433.16
Security Trust	225-0060-025	54,131.25	
	225-0060-026	54,452.78	
	225-0060-027	<u>55,612.11</u>	<u>164,196.14</u>
	Total		\$ <u>327,899.59</u>

NOTE: Centennial Group, Inc., has delinquent 1991-92 and 1992-93 assessments in the amount of \$334,476.88. However, Centennial Group, Inc. has filed for bankruptcy.

Sacramento Sports Association, has delinquent 1992-93 first and second installment assessments in the amount of \$1,301,496.84. This amount has been referred to the city's foreclosure attorney.