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CITY COUNCIL STAFF REPORT

Meeting: January 21, 2026

Subject

Settlement Agreement and Release of all claims pertaining to the interpleader action: *In Re: 10505 Madrone Court*, by which the City will recover \$318,786.74 of the excess funds from the foreclosure sale of the property at that named address, which was previously included in the City's below market rate housing program.

Recommended Action

Approve the terms of the Settlement Agreement and Release ("Agreement") and authorize the Mayor to execute the Agreement on behalf of the City.

Reasons for Recommendation

The counterparty to this action ("Owner") purchased 10505 Madrone Court in 2001 through the City's Below Market Rate ("BMR") housing program. At that time, the Owner executed a Property Value Restrictions, Resale Agreement and Option to Purchase ("Agreement"), which addressed how excess funds are to be distributed if the Owner defaulted on the mortgage and the lender foreclosed on the property.

The Owner defaulted in 2022 and the lender enforced the trust deed, foreclosing on the mortgage. The property sold for \$818,000, leaving \$433,786.70 in excess funds after liens and expenses were satisfied. Both Owner and City claimed the excess funds, which were then deposited with the Santa Clara Superior Court. The Court subsequently initiated the current interpleader action.

During an extensive Court-ordered settlement negotiation, the parties agreed, subject to Council approval, to share the excess funds with the City receiving \$318,786.74 and the Buyer receiving \$115,000.

Sustainability Impact

No sustainability impact.

Fiscal Impact

The City will recover \$318,786.74 in excess proceeds from the foreclosure sale of the property, which will be reinvested in the City's BMR program.

City Work Program Item/Description

None

City Council Goal

Housing, Fiscal Strategy

California Environmental Quality Act

No California Environmental Quality Act impact.

Prepared by: Brendan Browne, Senior Associate, Aleshire & Wynder LLP

Reviewed by: Floy Andrews, Interim City Attorney

Approved for Submission by: Tina Kapoor, City Manager

Attachments:

A – Stipulated Judgment

B – Settlement Agreement and Release