



**DATE:** October 14, 2014

**CATEGORY:** New Business

**DEPT.:** City Council

**TITLE:** **Council Appointee Request for Housing and Relocation Assistance**

### **RECOMMENDATION**

1. Adopt a Resolution Approving Housing Relocation Assistance to the City Clerk, to be read in title only, further reading waived (Attachment 1 to the Council report).
2. Appropriate up to \$180,000 in the General Fund Reserve. (Five votes required)

### **BACKGROUND**

In 1995, the City established a Housing and Relocation Assistance Program for Council appointees and department heads. The program offers loans to Council appointees and department heads for residential property within the City of Mountain View as long as the property is the principal residence of the employee.

The City Clerk has requested a loan in the amount of \$143,000 through the Housing and Relocation Assistance Program to purchase a mobile home in the City of Mountain View as her primary residence.

### **ANALYSIS**

The proposed terms of the loan include biweekly principal and interest payments, to be deducted from the employee's paycheck, amortized over a 30-year term per the terms of the program guidelines. The interest rate is fixed and shall be equal to the interest rate of the 5-Year Treasury Note Index (Index) at the time the loan is extended to the employee. The Index is currently at approximately 1.7 percent. If the City Council approves this loan, it is estimated the interest rate would be approximately the current rate.

Under the program, the loan will constitute a first lien on the property and will be secured by a promissory note. However, the mobile home is considered personal

property instead of real property, so the promissory note will be secured by a security agreement instead of a deed of trust. In other words, it is the mobile home that serves as the collateral for the loan and the City would be a lienholder.

In this instance, the amount of the loan is for the full purchase price of the mobile home. No down payment is proposed; however, the City Clerk will be responsible for all related transaction fees, such as inspections, appraisal, escrow, closing, and moving expenses. As a condition of the loan, the City Clerk would be required to obtain, and keep in full force, homeowner's insurance satisfactory to the City. The City of Mountain View will be a lienholder and a named insured on the homeowner's insurance policy for the mobile home.

Under this program, the loan will be due and payable in full upon sale or transfer of the property by the employee, or within 12 months of employee's separation from employment with the City of Mountain View for any reason, or within 12 months of termination of use of the property as principal residence of the employee, whichever occurs first. If loan payments continue past the employee's separation from the City until full repayment, the payments would be reamortized to monthly payments due on the first of each month.

If for any reason the City Clerk is unable to purchase the particular mobile home that is the basis for this request, she has requested the City Council approve a loan up to a maximum of \$180,000 so she can continue to try and relocate her primary residence within the City of Mountain View. Approving a loan of up to \$180,000 at this time would effectively prequalify her to purchase another property if the purchase of this mobile home does not materialize. In the current residential market, being prequalified for a loan provides a distinct advantage to prospective buyers.

### **FISCAL IMPACT**

In Fiscal Year 2009-10, up to \$1.0 million in the General Fund Reserve was earmarked for the Mountain View Employee Homebuyers Program. This loan would be considered as an investment alternative and would be included as funds toward the 25.0 percent policy balance. If approved, the principal payments would replenish the reserve, while interest would go to the General Fund.

**ALTERNATIVES**

1. Approve the loan for a different amount.
2. Deny the loan request.

**PUBLIC NOTICING** – Agenda posting.

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CRC/JLQ/7/CAM  
001-10-14-14CR-E

Attachment: 1. Resolution