

DATE: September 28, 2022

TO: Council Policy and Procedures Committee

FROM: Lindsey Bishop, Human Resources Manager
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VIA: Kimbra McCarthy, City Manager

SUBJECT: **Consideration of Revisions to City Council Policy D-13—Mountain View Employee Homebuyer and Relocation Assistance Program**

INTRODUCTION

The Council Policy and Procedures Committee (CPPC) is requested to consider recommended changes to the existing employee housing assistance policy to amend the terms of the homebuyer provisions (Attachment 1 to the Memorandum).

BACKGROUND

Public- and private-sector employers in the Bay Area continue to face challenges attracting and retaining employees due, in large part, to the high cost of housing. Mountain View has had a housing assistance program for Council Appointees and department heads since 1995 and a homebuyer program providing staff with down payment and/or closing cost assistance since 2008. The intent of both programs has been to support recruitment and retention through assistance to employees in owning a home close to work. On May 14, 2019, Council approved the consolidation and enhancement of these programs with the adoption of the existing version of Council Policy D-13.

Since 2019, two Council Appointees have utilized the homebuyer assistance, and several employees have received relocation assistance as a strategy to maintain Mountain View's competitive advantage for attracting and retaining valuable employees. The administration of the homebuyer assistance policy specifically has revealed unintended barriers for use that were unknown when the policy was last updated. Since learning of these challenges, staff is

recommending modification and clarification to maintain a viable and valued program for all employees.

ANALYSIS AND RECOMMENDATION

Provisions for All Eligible Participants

Loan Provisions

Prior to 2019, Council Appointees and department heads were eligible for up to seven years of interest-only payments and all employees were eligible for up to five years of interest-only payments. In 2019, upon consolidating this program into one policy for all eligible employees, staff recommended a more conservative three-year period to apply to all employees. As such, the current policy permits any eligible participant purchasing a home through this policy to request to make interest-only payments for up to three years at the start of the loan.

Upon soliciting feedback since 2019, staff is recommending more flexibility in the policy to return to the prior allowance for consideration of a longer interest-only period, up to seven years total, that would be assessed for risk on a case-by-case basis to take into consideration the housing market, equity in the home, impact to the principal payment amounts, and, subsequently, the impact on the eligible participant's biweekly income for a principal payment schedule that is amortized over a shorter period of time.

Proximity to Mountain View

The current provisions reference proximity to Mountain View in the eligibility criteria. Staff does not propose a change to these provisions. Instead, staff recommends clarification as to whether the radius is based upon straight-line distance or commuting distance. The geographical information system (GIS) mapping provided in 2019 (Attachment 2) depicts straight-line distance, and Human Resources has a GIS tool to determine eligibility.

Provisions for Department Heads and Council Appointees

Loan Provisions

The current provisions for department heads and Council Appointees include two options, based on the proximity of the home to Mountain View:

- A loan up to the median home price in Mountain View or 75% of the sales price, whichever is lower, for a home in Mountain View; or

- A loan of up to 25% of the sales price, to a maximum of median home price in Mountain View, for a home within a five-mile radius of Mountain View.

In either case, the policy requires that if the participant requires a second loan on the property, any additional loan will be subordinate to the City's loan. To date, the provision for a second home mortgage that must be subordinate to the City's loan can be extremely difficult to obtain, thereby, reducing the chances of a successful home purchase. The assurance of being the primary lienholder is more crucial for loans that represent a higher percentage of the purchase price, thus at a greater risk, which is a consideration for the City as well as other lenders.

In the second option for department heads and Council Appointees, the City's loan for a home within five miles of Mountain View is for up to 25% of the sales price and alternate funding could be for up to 70% of the purchase price (with approval for a minimum equity requirement of 5%). It is not likely for a lender in this scenario to approve a loan in a subordinate position to the City's loan when their risk of loss is significantly greater.

Likewise, a loan under the first provision to a department head or Council Appointee purchasing a home in Mountain View could be for an amount between 26% and 75% of the sales price. This again may result in a scenario in which the employee cannot secure a loan that is subordinate to the City's loan.

In the 27 years that the City has offered a home loan program to department heads and Council Appointees, eight employees have been approved and received a loan. Six of the eight retired from the City, and their loans have been fully repaid. Two of the eight are current employees with loans originated since the 2019 policy and include the utilization of both of the provisions outlined above, with necessary modifications. In each case, subordinate loans proved to be a barrier which required Council action to either waive the subordinate loan provision or reduce the percentage of equity in the home required from the employee.

Staff recommends an amendment to the policy to allow for elimination of the subordinate loan requirement for Council appointees and Department Heads (subject to City Manager approval) if a good-faith attempt is made by the participant to do so. In addition, staff recommends removal of the existing requirement that the employee must establish minimum equity in the property when the Department Head or Council Appointee is approved for a City loan that does not exceed \$500,000. This aligns with the existing policy for other employees who may borrow up to \$500,000 without a requirement to establish equity in the property.

FISCAL IMPACT

There is no fiscal impact as a result of the radius for eligibility. Extended interest-only periods for all employee home loans may impact the rate at which funds are replenished to provide new

loans. Extended periods of interest-only payments will result in significantly higher payments once that period expires and full amortization payments begin. Any impacts related to reduced or eliminated equity for Department Head home loans will be considered by the City Manager in their consideration of the request. The removal of the subordinate loan provision for Council Appointees and Department Heads means that, in case a default were to occur and the subject property were to be sold, the primary lienholder would be entitled to be repaid in full before the City. If sufficient proceeds were not available for both lienholders, the City could receive less than it is owed.

ALTERNATIVES

- In the event the CPPC requests more information, staff will return with additional analysis at a future meeting.
- The CPPC could retain the policy without changes.
- The CPPC could recommend alternative changes to the policy, such as loan terms and purchase radius.

LB-SCR-GZ-JT/1/HRD
035-09-28-22M

Attachments: 1. City Council Policy D-13—Mountain View Employer Homebuyer and Relocation Assistance Program
2. Map—Radius Map from Mountain View

CITY COUNCIL POLICY

SUBJECT: MOUNTAIN VIEW EMPLOYEE HOMEBUYER AND RELOCATION ASSISTANCE PROGRAM

NO.: D-13

PURPOSE:

To establish the City's policy for a homebuyer program for City employees and relocation assistance for Council appointees, department heads, assistant directors, and division managers or a position designated by the City Manager, or designee, as hard-to-fill positions.

POLICY:

1. Eligibility for Employee Homebuyer Program
 - a. Regular City employees who have passed the initial probationary period are eligible for the Employee Homebuyer Program.
 - b. Department heads and Council appointees who are not subject to a probationary period are eligible for this program at the time of hire.

2. Homebuyer Program

The Employee Homebuyer Program shall consist of the following elements:

- a. Loan Amount:

All Employees:

Loan of up to \$250,000 to assist with purchasing a home in, or within a 10-mile radius of, Mountain View.

First Responders:

First responders are eligible for either the All Employee loan above, or a loan of up to \$500,000 to assist with purchasing a home in, or within a five-mile radius of, Mountain View.

First responders include Police and Fire emergency responders (Firefighter/Paramedic, Fire Engineer, Fire Captain, Battalion Chief, Deputy Fire Chief, Police Officer, Police Sergeant, Police Lieutenant, Police Captain, Public Safety Dispatcher I, II, III, Lead Public Safety Dispatcher, Public Safety Dispatch Coordinator,

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and ~~Communications Supervisor~~Emergency Communications Manager) and Public Works/Public Services employees designated to respond to calls for service as defined in the City's after-hours Duty Program set forth in the Memorandum of Understanding between the Service Employees International Union (SEIU) and the City of Mountain View. New or reclassified positions may be designated by the City Manager as first responders.

For All Employee and First Responder loans, the maximum loan amount will be adjusted annually, beginning in December 2019, based on the annual change (December to December) in the Consumer Price Index for All Urban Consumers (CPI-U) in the San Francisco-Oakland-Hayward urban area.

Department Heads and Council Appointees:

Loan of up to the median home price in Mountain View or 75~~percent~~% of the sales price, whichever is lower, to assist with purchasing a home in Mountain View; or a loan of up to 25~~percent~~% of the sales price, to a maximum of median home price in Mountain View, for a home within a five-mile radius of Mountain View.

~~For Department Head and Council Appointee loans, if the participant requires a second loan on the property, any additional loan will be subordinate to the City's loan. Also, t~~The employee must establish a minimum equity in the property equal to at least 10~~percent~~% of the total purchase price of the residence. At the City Manager's discretion, equity in the property may be reduced to 5~~percent~~% for unusual circumstances. In the case that the City's loan does not exceed \$500,000, a minimum equity in the property is not required.

For department heads, if the participant requires a second loan on the property, it is the City's preference for any additional loan to be subordinated to the City's loan, however, after good-faith attempts to do so are unsuccessful, the City Manager may approve a secondary lien position for the City's loan.

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b. Source of Loan Funds:

For All Eligible Participants:

The funding source for the loan programs will be determined based on availability of funding and approved by City Council.

c. Loan Terms and Repayment:

- Loan term is not to exceed 30 years.
- Fixed interest rate will be determined based on the Applicable Federal Rate (AFR) at the time the loan is issued, for all loans.
- The eligible participant may ~~request to~~ make interest-only payments for up to three years at the start of the loan. Participants may request up to four additional years of interest-only payments, to a maximum of seven years, which will be evaluated and considered as set forth in the procedural guidelines.
- For interest-only payment option, when principal payments commence, the principal will be amortized over the remaining life of the loan.
- The City will be repaid in full upon the sale or transfer of the property.
- The purchased property must be the primary residence of the employee and may be a single-family home, townhouse, rowhouse, or condominium.
- The home cannot be rented.

d. Loan Repayment Upon Separating from the City:

- Upon a participant's separation from the City, the full loan must be paid within 12 months. If the loan is repaid within six months, the interest rate will not change. For repayment after six months, the interest rate will increase by 1 ~~percent~~%.

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NO.: D-13

- Additional time for repayment may be allowed in hardship situations, as approved by the City Manager or designee.

Relocation Assistance

- The following positions may request relocation assistance: department heads, Council appointees, assistant directors, and division managers or a position designated by the City Manager, or designee, as a hard-to-fill position.
- Relocation Assistance may be requested for a move occurring within one year of date of appointment.
- For a move more than 10 miles but less than 25 miles, up to \$4,500 in reimbursement will be provided upon receipt and approval of documentation of reasonable and necessary moving expenses.
- For a move greater than 25 miles, up to \$6,500 reimbursement will be provided upon receipt and approval of documentation of reasonable and necessary moving expenses. In addition, reimbursement for temporary housing, within five miles of Mountain View, at a rate of up to \$100 per day for no more than 60 days, upon receipt and approval of documentation of such temporary housing.
- Reimbursements will be administered in accordance with procedures set forth by the Finance and Administrative Services Department and IRS regulations. Reimbursements may be a taxable benefit and subject to tax withholdings.
- The maximum reimbursement amount will be adjusted annually, beginning in December 2019, based on the annual change (December to December) in the Consumer Price Index for All Urban Consumers (CPI-U) in the San Francisco-Oakland-Hayward urban area.

PROCEDURE:

The guidelines for this program shall be developed by staff and approved by the City Manager.

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The City Council will authorize housing and/or relocation assistance for Council appointees under this policy. The City Manager will authorize housing and/or relocation assistance for all other employees under this policy.

Revised: May 14, 2019, Resolution No. 18324

Revised: January 19, 2010

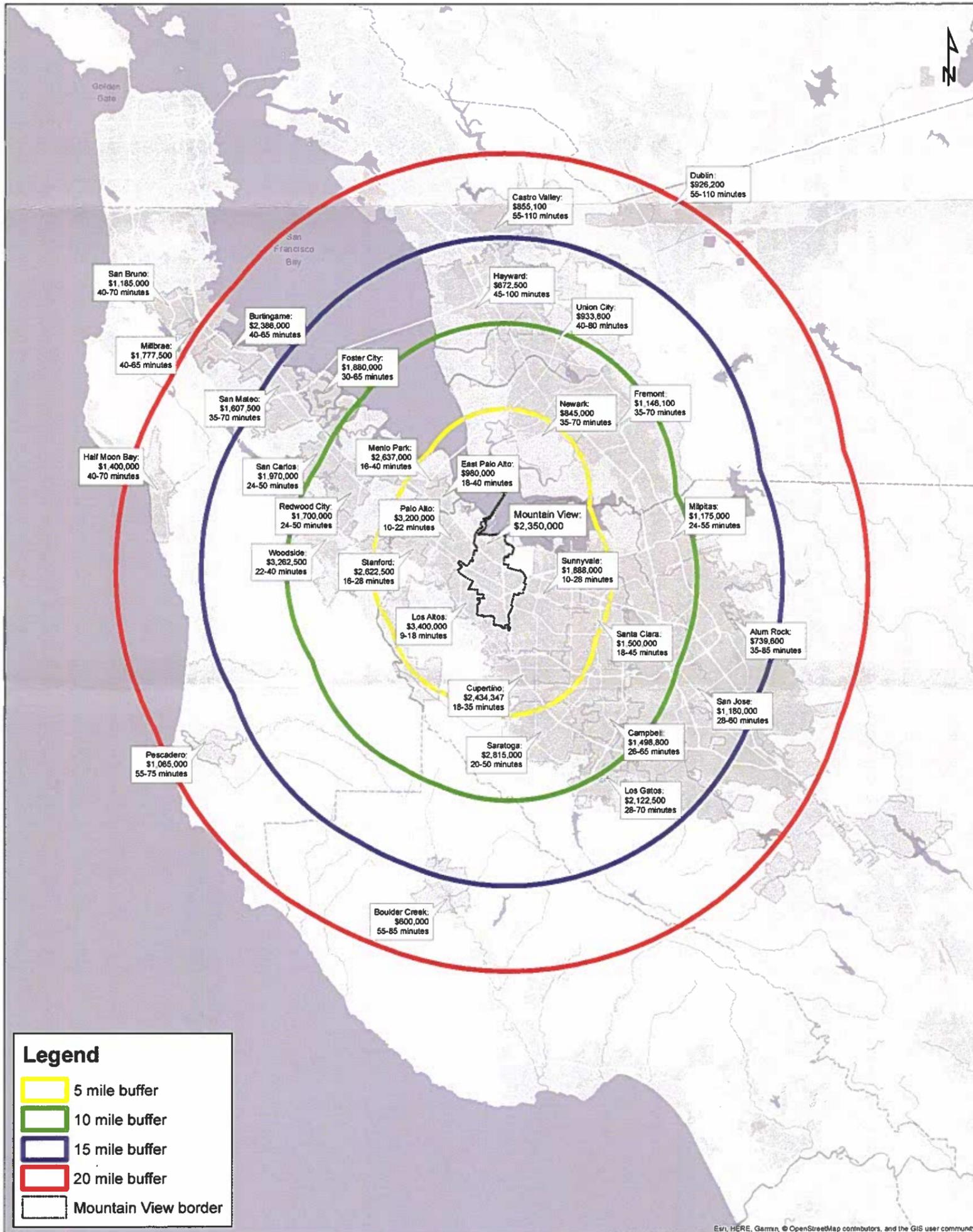
Revised: June 9, 2009

Revised:

Effective Date: December 2, 2008, Resolution No. 17348

CNLPOL

D13-CP



Legend

- 5 mile buffer
- 10 mile buffer
- 15 mile buffer
- 20 mile buffer
- Mountain View border

Median Housing Cost and Average Commute Time by City



Sources: Santa Clara County Association of Realtors, San Mateo County Association of Realtors, Zillow