



COUNCIL REPORT

DATE: December 6, 2022

CATEGORY: Consent

DEPT.: Human Resources

TITLE: **Adopt a Resolution Modifying Council Policy D-13, Mountain View Employee Homebuyer and Relocation Assistance Program**

RECOMMENDATION

Adopt a Resolution of the City Council of the City of Mountain View Modifying City Council Policy D-13, Mountain View Employee Homebuyer and Relocation Assistance Program, to be read in title only, further reading waived (Attachment 1 to the Council report).

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 to meet goals, including the following:

- Address recruitment and retention concerns.
- Provide homebuyer assistance to City employees that better reflects high local housing costs.
- Enable better employee work-life balance by reducing commutes.
- Establish more consistent loan terms and repayment requirements.

The policy adopted includes the following loan options for employees:

Employees Served	Maximum Loan Amount	Proximity to Mountain View
All Employees	\$250,000	10-mile radius
First Responders*	\$500,000	5-mile radius
Department Heads and Council Appointees*	a. 75% of the sales price, up to the median home price in Mountain View, OR b. 25% of the sales price, to a maximum median home price in Mountain View	a. In Mountain View b. 5-mile radius

* First responders, department heads, and Council Appointees are also eligible for the “All Employees” loan option for a home within a 10-mile radius of Mountain View.

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, specifically related to requirements for subordinate loans and minimum equity. Modifications of the program, recommended herein, address the prior challenges experienced and proactively propose modification to better align the policy with the goals associated with recruitment and retention, reflecting Bay Area housing costs, enabling better work-life balance by reducing commutes and promoting consistency.

The Council Policy and Procedures Committee (CPPC) is a standing Council committee that meets on an as-needed basis to discuss issues relating to City Council policies and/or procedures. The CPPC met on September 28, 2022 to discuss staff’s recommended changes to Council Policy D-13. The CPPC discussed the proposed modifications, and, by a majority vote, recommended staff proceed with the recommended policy modifications. Attachment 1 to the CPPC Report (Attachment 2) provides a redline draft of Council Policy D-13 showing the modifications.

ANALYSIS

Staff and the CPPC recommend modifying terms of Council Policy D-13, related to interest-only payments, subordinate loan provisions, required equity, and staff's recommendation to clarify the method to determine the proximity to Mountain View as follows:

Provisions for All Eligible Participants

- **Interest-Only Payments:** Update the current policy provisions, which allow for up to three years of interest-only payments, to permit a participating employee to request up to an additional four years of interest-only payments. Additional years of interest-only payments were permitted in the policies prior to 2019. Reestablishing this flexibility promotes recruitment and retention and reflects provisions that acknowledge high local housing costs.
- **Proximity to Mountain View:** Clarify affirmatively that the radius used to determine eligibility of a home purchase under the policy will be based upon straight-line distance calculated by Human Resources' utilization of a geographic information system mapping tool and illustrated in Attachment 2 to the CPPC Report (Attachment 2). This clarification supports better work-life balance created by reduced commutes.

Provisions for Department Heads and Council Appointees

- **Equity:** Modify the policy to eliminate the provision requiring the employee establish minimum equity in the property when the department head or Council Appointee is approved for a 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 and, as a result, this would support the goal of more consistent loan terms under this policy.
- **Subordinate Loans:** Eliminate the subordinate loan requirement for Council Appointees and, for department heads, grant the City Manager the authority to waive the provision if a good-faith attempt is made by the participant to secure a subordinate loan. To date, the provision requiring that any additional loan must be subordinate to the City's loan has proven to be a barrier for employees and maintaining this standard reduces the chances of a successful home purchase. The recommended modification supports the likelihood of a successful home purchase.

FISCAL IMPACT

There is no fiscal impact as a result of the radius for eligibility. The fiscal impact to the City of extended interest-only periods for all employee home loans is limited to the potential impact to the rate at which funds are replenished to provide new loans. Extended periods of interest-only payments will result in significantly higher payments for the participating employee once the interest-only 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, should a default occur and the subject property is 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

1. Do not modify the current employee housing program.
2. Change the loan terms or other elements of the proposed policy.

PUBLIC NOTICING—Agenda posting.

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- Attachments:
1. Resolution Modifying City Council Policy D-13, Mountain View Employee Homebuyer and Relocation Assistance Program and Exhibit A
 2. CPPC Staff Report, September 28, 2022