



City of Sunnyvale

Agenda Item

15-0708

Agenda Date: 7/28/2015

REPORT TO COUNCIL

SUBJECT

Adopt a Resolution Amending and Restating the Policy for the Provision of Housing Assistance to Newly Appointed Charter Officers and Department Directors (the "Mortgage Assistance Program") and Rescinding Resolution Numbers 256-81, 226-88, 125-89, and 160-96

BACKGROUND

The City Council Subcommittee met on June 30, 2015 to discuss the City's Executive Mortgage Assistance Program. The City Council Subcommittee directed staff to place a public agenda item on a regular City Council meeting to discuss modifications to the program. Based on that request, this Report to Council has been prepared to facilitate the public discussion.

EXISTING POLICY

Council Policy 7.3.1 Legislative Management - Goals and Policies, Goal 7.3D: Maintain a quality work force, consistent with state and federal laws, City Charter, and adopted policies in order to assure that City services are provided in an effective, efficient, and high quality manner.

ENVIRONMENTAL REVIEW

N/A

DISCUSSION

The City has had a long-standing Executive Mortgage Assistance Program. The program was established in 1981 by Council Resolution Number 256-81. The program was amended in 1988, 1989 and 1996 by Council Resolution Numbers 226-88, 125-89, and 160-96 respectively. Eligibility to this program is limited to the City Manager, the City Attorney, and Department Directors,. Given the high cost of the housing market in Sunnyvale, the program was enacted to enhance the City's ability to hire top quality executives, as well as encourage executives to live within Sunnyvale corporate limits. The program is designed in a fashion that there would be no cost to the City, in that interest paid on loans would be commensurate with what the City's portfolio would otherwise yield.

Some of the key terms and conditions of the current program are:

1. The program is available to executives within twelve (12) months of commencing employment with the City.
2. The loan may not exceed ninety percent (90%) of the appraised price of the property, with a minimum down payment of ten percent (10%).
3. The loan may not exceed five (5) times the employee's annual salary control point at the time of employment.

Despite significant changes made to the program in 1989, an update to the program is needed to bring it current with Sunnyvale's significantly escalating housing costs. Making these changes to the

program will continue to encourage executives to live within Sunnyvale, which ensures their familiarity with the community and makes them readily available to provide service. It will also help attract candidates from outside the area who may otherwise see increasingly high housing costs as a barrier to employment with Sunnyvale.

Key modifications proposed for the program include, but are not limited to, the following:

1. Extend the availability period of the program from within twelve (12) months of commencing employment with the City to twenty-four (24) months.
2. Reduce the minimum down payment from ten percent (10%) to five percent (5%) and increase the maximum loan to 95% of the appraised price.
3. Increase the maximum loan amount from five (5) times the employee's annual salary control point at the time of employment to ten (10) times.

In addition, the attached resolution contains the following administrative updates:

- Amending and restating the policy so that all of the provisions for the program are contained in one document
- Updating the language to reflect key existing administrative practices, including tax treatment of loans, requirements for appraisals, and clarifications on interest rates.

FISCAL IMPACT

Reducing the down payment and increasing the maximum loan amount may increase financial risk to the City. While housing prices have been climbing and residential prices in particular are generally stable at this time, the Great Recession demonstrated that housing prices can be volatile. As such, if a loan is provided to an employee, and the home value subsequently decreases below the loan amount, and the employee leaves the City, the City may be faced with a default. This did occur in 2010; but rather than accept default and foreclose on the property, the City held the property until the market returned to the point that it could be sold to cover the outstanding loan. The property was rented and then sold in 2014 for more than the loan amount.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Adopt a Resolution Amending and Restating the Policy for the Provision of Housing Assistance to Newly Appointed Charter Officers and Department Directors (the "Mortgage Assistance Program") and Rescinding Resolution Numbers 256-81, 226-88, 125-89, and 160-96.
2. Do not adopt the resolution to amend and restate the Executive Mortgage Assistance Program.

STAFF RECOMMENDATION

Staff makes no recommendation.

Prepared by: Teri Silva, Director, Human Resources

ATTACHMENT

1. Resolution Amending and Restating the Policy for the Provision of Housing Assistance to Newly Appointed Charter Officers and Department Directors (the "Mortgage Assistance Program") and Rescinding Resolution Numbers 256-81, 226-88, 125-89, and 160-96