



DATE: December 3, 2024

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT: Adopt a Resolution Approving the Terms of the Employee Home Loan Program

RECOMMENDATION

That the Council adopts a resolution (Attachment II) approving the Terms of the Employee Home Loan Program.

SUMMARY

In May of 2017, City Council expressed a desire to encourage City of Hayward employees to live within City limits and City of Hayward employees expressed interest in an employee home loan assistance program. After reviewing existing home loan assistance programs in other California jurisdictions, staff recommended establishing a home loan program for all employees in partnership with a financial service organization. On April 9, 2019¹, Council approved the adoption of a pilot Employee Home Loan Program. Staff developed a partnership with a local financial institution to assist eligible employees with the home purchasing process and the creation of loan terms.

BACKGROUND & DISCUSSION

Council approved the creation of Employee Home Loan Program on April 9, 2019. After approval, staff entered an agreement with Land Home Financial Services (LHFS) to act as a financial partner and assist staff with the home buying process. The program was scheduled to launch in March 2020; however the program was delayed due to the onset of the COVID-19 pandemic.

Staff and LHFS revisited the program in May 2022 and entered a loan provider agreement with LHFS in July 2022. Staff, in conjunction with LHFS, created eligibility requirements and loan terms based on previous recommendations made to Council in June 2023; loan terms were finalized in June 2024.

¹ [Council and Budget Finance Committee Meeting - April 9, 2019 \(www.legistar.com\)](http://www.legistar.com)

Eligibility Requirements and Key Loan Terms are as follows:

Eligibility Requirements:

- Non-probationary employee;
- Full-time employee in good standing;
- Applicants are required to complete a homeowner/home buying course with one of the City's financial partners;
- Eligible properties must be located in City limits and include: single-family, townhomes, condominium;
- Unit purchased must be primary residence; and
- Purchased property may not be used for short-term rentals

Loan Terms:

- Home purchase price cap of \$1,000,000;
- Applicant must provide a down payment of at least 2.5% of the total purchase price;
- The City will contribute a maximum of 17.5% of the total purchase price, with a total not-to-exceed dollar amount of \$150,000;
- 30 year term;
- The interest rate is fixed for five years at 1% above the City's portfolio interest rate. The interest rate for years six through thirty of the loan will be set annually and shall accrue at a rate equal to the "Yield at Market" achieved by the City's Managed Portfolio for the quarter ended on June 30 of the previous calendar year, plus 100 basis points or 1%, but shall not exceed 6% and will not increase at a rate of more than 2% in any given calendar year
- Principal payments deferred during the first 5 years of the loan
- Outstanding loan balance due at refinance, sale property, or conversion to rental
- Employment separation within the first five years of the loan term will result in principal payments beginning the month following separation; hardship provisions are in place for terminations based on medical or other reasons

ECONOMIC IMPACT

There is no direct economic impact associated with this item.

STRATEGIC ROADMAP

There is no direct impact on the Strategic Roadmap.

FISCAL IMPACT

While the City committed \$1,000,000 to fund the program, the funds will be returned to the City, with interest, in the form of regularly scheduled loan payments and/or loan repayments in full. Proceeds from the loan will be returned to the General Fund.

PUBLIC CONTACT

This agenda item was published in accordance with all Brown Act requirements.

NEXT STEPS

Staff will continue to administer the Employee Home Loan Program in accordance with terms outlined in the resolution.

Prepared by: Nicholas Mullins, Senior Management Analyst

Recommended by: Nicole Gonzales, Director of Finance

Approved by:



Dustin Claussen, Interim City Manager