



DATE: September 22, 2020

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT: Adopt a Resolution Authorizing the Forgiveness of the Promissory Note for the City Manager After the City Received Full Repayment of the City-Issued Home Loan

RECOMMENDATION

That Council adopts a resolution (Attachment II) authorizing the forgiveness of the promissory note the City entered into with the City Manager after the City has received full repayment of the City-issued home loan.

SUMMARY

In July 2017, the City entered into a loan agreement with City Manager McAdoo for the purchase of a home in the City of Hayward. In August 2020, City Manager McAdoo has repaid this loan in its entirety. This action will complete the release of liability for City Manager McAdoo with the City for the loan. Staff is requesting that Council approves the attached resolution to accept this payment and forgive the promissory note as completely satisfied.

BACKGROUND AND DISCUSSION

Council has expressed a desire to have City employees live in the community they serve. To assist in advancing this desire, Council offered a home purchase loan to City Manager McAdoo with the following terms:

- \$650,000 maximum loan
- 105% loan to value, inclusive of all costs
- Interest rate fixed for 5 years at 1% above City's portfolio interest rate (2.38% for first 5 years); interest thereafter, for years six (6) through thirty (30) 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%.
- If employment terminates for any reason, loan must be repaid within 12 months
- Personal guaranty in case of default and if home value does not cover outstanding balance of loan

- City listed on title as first lien holder of property
- Appraisal: City to select appraiser and Finance Director to approve appraisal
- First payment due 60 days after close of escrow
- An interest rate of 1% above the City's Managed portfolio
- 30-year term
- The residence had to be within Hayward city limits
- No prepayment penalty

On July 5, 2017, the loan of \$616,599 was recorded with the County recorder and a promissory note was secured. Since the time the loan was secured, payments have been made by City Manager McAdoo on time and all terms of the agreement have been met.

On August 11, 2020, the City received \$573,361 paying off the remaining principal and interest accrued between the most recent monthly payment and the date of full repayment, resulting from refinancing via another financial institution.

Staff is requesting that Council approves the attached resolution to accept this payment and forgive the promissory note as completely satisfied.

ECONOMIC IMPACT

There is no economic impact associated with this action.

FISCAL IMPACT

All funds due on the loan have been returned to the City; to date principal and interest payments received by the City total \$616,599 and \$59,028 respectively.

STRATEGIC ROADMAP

This agenda item is a routine operational item and does not directly relate to any of the six priorities outlined in the Council's Strategic Roadmap.

Prepared and Recommended by: Dustin Claussen, Director of Finance

Approved by:



Maria A. Hurtado, Assistant City Manager