

City of Laguna Beach
AGENDA BILL

No. 9
Meeting Date: 5/6/08

SUBJECT: ESSENTIAL EMPLOYEE HOUSING ASSISTANCE

SUMMARY OF THE MATTER:

In prior years, many City employees lived in the City and were able to respond to emergencies in a timely manner. Housing prices have now escalated so much that home ownership without some type of City assistance is not attainable for most City employees. Several years ago, the City Council authorized the City Manager to negotiate housing assistance programs with a small number of current or potential City employees whose timely response to emergencies is essential for the City. Any specific proposal for an employee is to return to the Council for approval.

The City already has housing assistance agreements with the Assistant City Manager, the Fire Chief and two Battalion Chiefs. We now have interest from the Sewer Services Supervisor Graham Wright to participate in the housing assistance program.

Graham Wright is a 35 year employee with the sewer division and is responsible for supervising all sewer services personnel and the daily maintenance and operation of the sewer system. Graham's expertise is critical to quickly assessing problems in the sewer system when emergencies arise. Graham has rented in town for many years and now desires to purchase a home. The City Council has already authorized a housing assistance program for sewer division employees whereby they could receive a subsidy of about \$800 a month if they reside in town. However, this program is not attractive to employees who want to purchase a home and start building equity. Therefore, current housing prices will force Graham and his wife to relocate outside of town unless the City participates in the purchase of a home.

RECOMMENDATION: It is recommended that the City Council:

1) Authorize the City Manager to execute the necessary agreements, escrow, purchase and loan documents to enable Graham Wright to purchase a home under the City's housing assistance program as outlined in this report, and 2) appropriate \$400,000 from the Insurance Fund for this program.

Appropriations Requested: \$ 400,000

Submitted by: John Peltz

Fund: Insurance Fund

Coordinated with: David Shissler
David Shissler, Dir. Water Quality

Attachments: _____

Gavin Curran
Gavin Curran, Dir. Finance and Info. Technology

Approved: John Peltz
City Manager

Essential Employee Housing Assistance

May 6, 2008

Page 2

Graham and his wife have been looking at homes in Laguna Beach. They have entered into escrow on a home in Bluebird Canyon on Regatta Road. This home is outside of the landslide area. The Wrights feel that they can acquire this home or a similar home for about \$1 million. It is recommended that the City take up to a 50% equity share in the home for a maximum contribution of \$400,000. The specifics of the agreement would include the following terms which are similar to the agreements for employees already in the program:

- The City and the employee would equally share in the purchase of a house based on the amount of funds contributed by each party up to a maximum City contribution of \$400,000 which will equate to an equity position of 50% or less.
- The employee would contribute a down payment sufficient to secure a private loan for his/her share of the purchase price.
- The City and the employee would share the property taxes, home insurance and closing costs proportionately based on percentage ownership; however, the employee would be responsible for all of the sewer and trash rates since they are the same for all single family homes regardless of price.
- The employee would receive an annual housing assistance payment of approximately \$10,000 which would pay for the Federal and State income taxes which would be applicable to the value attributed to the City's share of the equity. The exact amount will be based on an evaluation of the rental value of the City's share of the house.
- The house would need to be sold following the termination of employment of the employee, either voluntarily or involuntarily, or retirement of the employee from the City. In the event that the employee terminates his employment with the City (including retirement), the employee shall have the greater of two years or the time he has remained employed with the City after execution of this housing assistance agreement, up to a maximum of 10 years, to sell the house. The employee shall also have the right to buy out the City's equity share in the house for its appraised value at any time. Similarly, the City has the right to purchase the employee's equity in the house for its appraised value if the employee decides to sell the home.
- Mr. Wright will be able to rent a room in the house only to his or his wife's direct relatives.
- The employee will be required to maintain the house in good condition.
- There will be provisions for an adjustment of equity if capital improvements are made.

The funds for the City's equity share must be appropriated since the City is effectively purchasing a portion of the house. In order to provide this housing assistance without adversely impacting any City programs, it is recommended that a maximum of \$400,000 be appropriated from the Insurance Fund. After the appropriation, the Fund will have a balance in excess of \$2.1 million as a reserve for catastrophic losses which is three times its required self-insured retention.

The City now finds that lenders are requiring additional signature authority to be expressly authorized by the City Council to sign documents in the escrow and purchase process. These documents would likely include the various disclosures, title reports, and deed documents in a typical purchase process. Additionally, because the City will be part owner in these homes, there is a need for the City to acknowledge that the employees will be getting loans to finance their share of the purchase. This acknowledgment will in no way obligate the City to be responsible for, or guarantee payment of, the employee's personal loans.