COUNCIL AGENDA: 09-22-09
ITEM: 3.5

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Lee Price, MMC
City Clerk

SUBJECT: **EXECUTIVE HOME LOAN PROGRAM**

DATE: 09-09-09

RECOMMENDATION

As referred by the Rules and Open Government Committee on September 9, 2009, refer Item 1 from Councilmember Constant's August 18 memo to the City Council:

1. Require City Council approval of any expenditure of funds currently allocated to the Executive Home Loan Program.

Refer Item 2 to the Public Safety, Finance, and Strategic Support Committee:

2. Reaffirm direction given to the City Manager on August 4, 2009, to provide the Council with an analysis of the program that would include, but not limited to:
   - Establishing an objective needs analysis and criteria for lending
   - Establishing loan to value ratio guidelines
   - Potential alternative loan structures (such as a silent second mortgage program).
   - The possibility of requiring down payments
   - The requirement of a personal guarantee
   - Establishing a definition of "principal residence."
   - Whether future home loans should be approved by Council action

for Deri Hall

Lee Price, MMC
City Clerk

City Council Agenda:
Item:

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

To: **Mayor and City Council** **From:** Councilmember Pete Constant

Subject: **Executive Home Loan Program** **Date:** August 18, 2009

Approved:

Recommendation

I recommend that the City Council direct staff to:

1. Require City Council approval of any expenditure of funds currently allocated to the Executive Home Loan Program.
2. Reaffirm direction given to the City Manager on August 4, 2009, to provide the Council with an analysis of the program that would include, but not be limited to:
   - Establishing an objective needs analysis and criteria for lending.
   - Establishing loan to value ratio guidelines.
   - Potential alternative loan structures (such as a silent second mortgage program).
   - The possibility of requiring down payments
   - The requirement of a personal guarantee
   - Establishing a definition of "principal residence."
   - Whether future home loans should be approved by Council action.

Background

The Executive Home Loan Program was established on April 4, 2000 by City Council Resolution 69478. According to the resolution the program was created to assist qualifying executive city staff with acquiring property "within the San José corporate limits to ensure their ready availability and familiarity with the community." The resolution further states that loans be based on need and that, "[t]he loan shall be available only to acquire residential property within the City of San José which is, in fact, used as the principal residence of the employee." It appears that perhaps not all loans followed the parameters of the council resolution.

I have received a great deal of correspondence from my constituents regarding the City Council's decision on August 4th to settle with Attard and accept a deed in lieu of foreclosure, forgive her executive home loan of $250,000 and pay off her mortgage of $94,000. Without exception everyone has communicated the public's disgust with the situation and has requested that the City Council act to make sure that this does not happen again.

These recommendations will provide the City Council with the opportunity to thoroughly review the Executive Home Loan Program and ensure that the remaining taxpayer funds are preserved for essential city services.