City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 1, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: ORDINANCE TO AMEND CITY CODE SECTIONS RELATED TO THE EMPLOYEE HOMEOWNERSHIP INCENTIVE PROGRAM (EHIP)

ISSUE: Increasing the EHIP maximum loan and clarification of certain use restrictions of the program and terms of the loan.

RECOMMENDATION: That City Council approve on first reading, and set for public hearing, second reading and final passage on Saturday, June 13, an ordinance to: a) increase the maximum Employee Homeownership Incentive Program (EHIP) loan from $5,000 to $10,000; b) make the EHIP loans secured rather than unsecured; and c) make two technical corrections related to the allowable purchase price level for the program;

BACKGROUND: The EHIP Program was created in 2004 to provide a financial incentive (up to $5,000, proposed increased to $10,000 beginning in fiscal year 2010) for employees of the City and Alexandria City Public School (ACPS) to purchase homes in the City. The program was designed to serve as both a recruitment incentive for new employees and a mechanism for the City to retain quality employees. To date, EHIP has served 93 employees at a cost of $461,350. There are currently no income restrictions for the EHIP Program and participation is not limited to first-time homebuyers, therefore all employees could be considered as potentially eligible for the program. EHIP loans are provided as personal loans and are not secured against the value of the assisted property.

The ordinance establishing the EHIP Program identified eligible employers as the City, the Alexandria City Public Schools (ACPS), Constitutional offices, and local offices of State government for which employee salaries are supplemented by the City. These include the Alexandria Commonwealth’s Attorney, the Alexandria Clerk of Court, the Alexandria Sheriff, the 18th Circuit Court, the Alexandria Court Services Unit, the Alexandria Public Library, the Alexandria Registrar of Voters, the Alexandria Law Library, and the Alexandria Health Department. A recommendation by the Affordable Housing Initiatives Work Group (AHIWG) to expand the eligible employers will, if approved, be addressed in a separate ordinance amendment to be introduced on Tuesday, September 8.
**DISCUSSION:** During the course of its work, the City’s Affordable Housing Initiatives Work Group (AHIWG) recommended that the maximum EHIP loan amount be increased from $5,000 to $10,000 beginning in fiscal year 2010. The change in the maximum EHIP loan amount was included in the Office of Housing’s FY 2010 budget and has already been approved by City Council. This change requires an amendment to Section 2-5-36 of the ordinance. The AHIWG also recommended that the loan become a secured loan, rather than a personal loan, as provided in City Code Section 2-5-37(c). The proposed changes also provide that the loan may be subordinated with the consent of the City, as is the case with other City purchase assistance loans.

The recommended changes also correct an inconsistency between the 2004 ordinance creating the EHIP Program and the staff recommendation in the docket item that accompanied the ordinance. Staff’s recommendation at that time was that the maximum purchase price for homes purchased by EHIP Program participants be set at 1.3 times the average assessed value for all residential property types in the City as determined by the Director of Real Estate Assessments. However, City Code Section 2-5-33(2) requires that “the assessed value of the dwelling to be purchased by the applicant shall not exceed one and one third times the average assessed value for all housing types of residentially assessed property in the City, as determined by the director of real estate assessments.” Under the proposed amendments, the term “assessed value” will be replaced with “purchase price” and “one and one third times” will be replaced with “1.3 times.”

**FISCAL IMPACT:** The increase in the maximum loan amount has been approved during the FY2010 budget process. There is no expected fiscal impact from these changes.

**ATTACHMENTS:** Proposed Ordinance

**STAFF:**
Mark Jinks, Deputy City Manager
Mildrilyn Davis, Director, Office of Housing
Shane Cochran, Program Implementation Division Chief, Office of Housing
Christina Zechman Brown, Assistant City Attorney
Introduction and first reading: 6/09/09
Public hearing: 6/13/09
Second reading and enactment: 6/13/09

INFORMATION ON PROPOSED ORDINANCE

Title
AN ORDINANCE to amend and reordain Sections 2-5-33, 2-5-35, 2-5-36, and 2-5-37, in Article C (EMPLOYEE HOMEOWNERSHIP INCENTIVE PROGRAM) of Chapter 5 (OFFICERS AND EMPLOYEES) of Title 2 (GENERAL GOVERNMENT) of the Code of the City of Alexandria, Virginia.

Summary
The proposed ordinance amends the Employee Homeownership Incentive Program to increase the maximum loan to be used at closing on the property from $5,000 to $10,000.

The ordinance will also make the loans secured rather than unsecured personal loans, and makes two technical corrections related to the allowable purchase price level for the program.

Sponsor
Mildrilyn Davis, Office of Housing

Staff
Mark Jinks, Deputy City Manager
Mildrilyn Davis, Director of Office of Housing
Shane Cochran, Division Chief, Office of Housing
Christina Zechman Brown, Assistant City Attorney

Authority
Alexandria City Charter, § 2.04.2(e)

Estimated Costs of Implementation
As stated in memorandum from the City Manager.

Attachments in Addition to Proposed Ordinance and its Attachments (if any)
None.
AN ORDINANCE to amend and reordain Sections 2-5-33, 2-5-35, 2-5-36, and 2-5-37, in Article C (EMPLOYEE HOMEOWNERSHIP INCENTIVE PROGRAM) of Chapter 5 (OFFICERS AND EMPLOYEES) of Title 2 (GENERAL GOVERNMENT) of the Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Article C (EMPLOYEE HOMEOWNERSHIP INCENTIVE PROGRAM) of Chapter 5 (OFFICERS AND EMPLOYEES) of Title 2 (GENERAL GOVERNMENT) of the Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same is hereby amended and reordained by enacting amended Sections 2-5-33, 2-5-35, 2-5-36, and 2-5-37, to read as follows:

Sec. 2-5-33 Same--eligibility; restrictions generally.

A loan under this article shall be subject to the following restrictions and conditions:

1. The applicant shall be, at the time of approval of his or her application, a full or part time (at least 20 hours per week, or equivalent), but not a seasonal, employee of a covered entity.

2. The purchase price of the dwelling to be purchased by the applicant shall not exceed 1.3 one and one third times the average assessed value for all housing types of residentially assessed property in the City, as determined by the director of real estate assessments.

3. The applicant shall own at least 50 percent interest in the dwelling.

4. The applicant, together with any member of the applicant's household, shall not concurrently own the dwelling and 50 percent or more interest in other residential property in the City or elsewhere, unless such other property is actively marketed for sale in conjunction with the purchase of the dwelling.

5. The applicant must at all times occupy the dwelling for which the loan is sought as his or her principal residence.

6. An applicant shall submit the application required by section 2-5-35 prior to closing on the purchase of the dwelling, and within such time as established by regulation to permit the orderly processing of such application.

7. An applicant for a loan provided under this article may apply for and receive benefits under other homeownership assistance programs administered by the City or any other entity, to the extent permitted by the regulations applicable to such other programs.

8. Only one application shall be made per household, irrespective of the number of eligible applicants residing in the household.

9. In the case of an applicant who is an employee of a covered entity other than the City of Alexandria, the applicant, in addition to complying with the provisions of this article, shall comply with any additional terms and conditions, not in conflict with the provisions of this article, as the covered entity may provide by general rule or regulation.
Sec. 2-5-35 Same--procedure for application.

(a) Any applicant for a loan under this article shall file with the city manager, in such manner as the manager shall prescribe and on forms to be supplied by the city, an affidavit or written statement providing the following:

(1) the name of the applicant;
(2) the address of the dwelling to be purchased;
(3) such additional information as the city manager reasonably determines to be necessary to determine eligibility for a loan pursuant to this article.

(b) If, after audit and investigation, the city manager determines that the applicant is eligible for a loan, the manager shall so certify to the director of finance, who shall issue a check in the approved amount payable jointly to the applicant and the applicant's settlement company, and the applicant shall execute a note and deed of trust evidencing such loan at closing.

Sec. 2-5-36 Same--amount limitations.

(a) The maximum amount of each loan under this article shall be as follows:

(1) Applicant who is a full time (40 hours per week or equivalent) employee - $510,000.
(2) Applicant who is a part time (less than 40 hours but at least 20 hours per week or equivalent) employee - $510,000 times the ratio of the number of hours per week the applicant is regularly employed over 40 (or equivalent denominator).

(b) For each covered entity, the total amount of loans under this article in any fiscal year shall not exceed the sum lawfully appropriated therefor or allocated thereto by the Alexandria City Council, from funds other than state funds, and for covered entities other than the City of Alexandria, shall in addition not exceed the sum approved for such loans by such covered entity. Loans under this article shall be subject to such funding availability, and provided on a first-come, first-served basis.

Sec. 2-5-37 Same--interest, repayment, unsecured loan.

(a) No interest shall accrue on the principal of any loan authorized pursuant to this article; provided, however, that interest on any past due amount shall accrue at the rate specified in the note evidencing such loan.

(b) Any loan under this article shall become due, and shall be repaid to the City in full, upon the sale of the dwelling, or when the applicant otherwise ceases to own and occupy the dwelling as his or her principal residence, which ever shall occur first; provided, however, that in the event an applicant voluntarily terminates his or her employment by a covered entity within a period of 36 months following closing on the purchase of the dwelling, the amount calculated by multiplying one thirty sixth of the loan balance by the number of months of such 36 month period remaining at the time of termination, shall become due and payable upon such termination of employment; and provided further, that in the event a qualifying applicant sells such applicant's dwelling and purchases another qualifying dwelling within 30 days, the loan shall become due and payable upon the sale of, or other event which triggers repayment with respect to, such other qualifying dwelling.
(c) Any loan under this article shall be a personal loan, and no security for the repayment thereof shall be required by the real property related thereto.

(d) Upon written approval of the City, a loan under this article may be subordinated to the lien of another deed of trust.

Section 2. That this ordinance shall become effective upon the date and at the time of its final passage.

WILLIAM D. EUILLE
Mayor