

14

6-9-04

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 4, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: CONSIDERATION OF AN ORDINANCE TO ESTABLISH AN EMPLOYEE HOMEOWNERSHIP ASSISTANCE PROGRAM

ISSUE: Consideration of an ordinance to establish an employee home purchase assistance program as permitted by amendment to Section 2.04:2 (e) of the City charter, enacted by the General Assembly and approved on April 12, 2004, to become effective on July 1, 2004.

RECOMMENDATION: That City Council:

- (1) Approve on first reading, and set for public hearing, second reading and final passage on June 12, an ordinance establishing a home purchase assistance program for employees of the City, the Alexandria City Public Schools, Constitutional offices, and local offices of state government for which employee salaries are supplemented by the City.
- (2) On June 12, enact the ordinance, thereby establishing the Employee Homeownership Incentive Program (EHIP) to assist eligible employees to purchase a home in the City; and
- (3) On June 12, allocate \$200,000 in Housing Trust Fund monies to provide loans to eligible employee households during FY 2005.

BACKGROUND: Only 15% of Alexandria City employees (full and part time) and approximately one-third of Alexandria City Public Schools (ACPS) employees reside in Alexandria. The City has long recognized the difficulty that public employees face in purchasing homes in the City and has sought to provide a housing benefit that would serve as both a recruitment incentive for new employees and a mechanism for the City to retain quality employees. Added benefits of encouraging City employees to live near their work sites include more immediate access to work sites during emergency situations, environmental goals such as shortened commuting times with the resulting reduced traffic congestion and pollution, as well as family-friendly benefits that are achieved by live/work policies.

The City's efforts to assist public employees have been limited to outreach for existing homeownership programs and special targeting of certain State programs, based on a determination by the City Attorney that there was no State enabling legislation for the City to provide a home purchase assistance program that would require City residency. The City's 2004 legislative package requested an amendment to the City Charter to provide such authorization. The amendment was approved by the General Assembly on April 12, 2004 and will become effective on July 1, 2004. It authorizes the City to provide grants, up to \$5,000, or loans (with no limit) to employees to assist in the purchase of a home in Alexandria.

DISCUSSION: Staff recommends the establishment of an Employee Homeownership Incentive Program (EHIP) to provide a financial incentive for employees of the City, ACPS, Constitutional offices, and local offices of state agencies for which employee salaries are supplemented by the City to purchase homes within the corporate limits of Alexandria. ACPS employees would be eligible to the extent desired by the Alexandria School Board, which at one time had developed plans for a slightly different program of its own.

The recommended program will provide no-interest, unsecured loans of up to \$5,000 to eligible employees.¹ An eligible property must be the employee's primary residence, and its purchase price must not exceed \$475,000, which is about 1.3 times the current annual average residential assessed value for all housing types in the City. Only one EHIP loan may be made per household, even if the household includes more than one eligible employee. Except as provided in the next paragraph, loans would be required to be repaid upon sale of the house, but the existing loan could be rolled forward to a new purchase of an eligible property by an eligible employee if that new home purchase was in the City. Other repeat assistance under this program may be provided, but the City reserves the right to limit or prohibit such repeat assistance based on the availability of funds and level of demand.

It is recommended that the EHIP program be made broadly available to all non-seasonal City employees who regularly work 20 or more hours per week, with the maximum assistance of \$5,000 provided to full-time employees, and with loans to part-time employees pro-rated based on their regularly scheduled working hours. In order for the program to serve as an effective recruitment tool, no tenure requirement or income limits are recommended. To encourage employees who live elsewhere to purchase in the City, and to encourage those who already own in Alexandria to remain in the City when they are ready to buy another home, staff recommends that the program be open to employees who are current homeowners, provided that their

¹ Arlington County has a similar homeownership assistance program for its employees. Its program provides loans up to 1% of the median assessed value of residential property in the county (currently, approximately \$3,700; the comparable figure in the City would be approximately \$3,600). The loans are unsecured, are available to employees regardless of their income, and are forgivable over a 36-month period (with 1/36 of the loan being forgiven each month) if the employee remains employed by the county. Thus, the loans effectively become grants after three years of continued county employment.

currently-owned home is sold when the new one is purchased. The City would not provide a loan for refinancing an employee's existing home. Loans would be immediately due if, within the first thirty-six months of the loan, the employee receiving the loan left City employment voluntarily. The amount of immediate loan repayment would be pro-rated over this thirty-six month period. Loans which are not paid back within 90 days of being due would begin to accrue interest.

EHIP funds may be used to purchase any type of ownership housing unit in the City, including single family homes, townhouses, condominiums and cooperative housing. City employees who also qualify for the Homeownership Assistance Program (HAP), the Moderate Income Homeownership Program (MIHP) or any other assistance program offered through the Housing Office may use EHIP assistance in conjunction with these loan assistance programs, provided that all program requirements, including a required purchaser contribution and homebuyer training requirements, are met. (We note that increases in the sales price limits for the HAP and MIHP programs will be made in the near future).

Employees participating in EHIP will be required to present the Office of Housing with proof of City employment, a fully executed purchase agreement for an eligible home located within the City, and a copy of the loan approval from the first trust lender. Upon verification of this information and of the employee's settlement date, the Office of Housing will request a check to be made payable jointly to the employee and the settlement company.

Staff recommends a funding amount of \$200,000, which would be adequate to assist 40 full-time employees. Assistance will be provided on a first-come, first-served basis. This funding would come from the Housing Trust Fund.

The Affordable Housing Advisory Committee considered the proposed EHIP on June 3. It declined to support use of the Housing Trust Fund (HTF) to fund the program as proposed. The Committee did so because considered the absence of income limits in the proposed program to be inconsistent with the affordable housing goals of the Housing Trust Fund. However, the Committee voted to support HTF funding of the program if income limits were established that were in line with the purpose of the HTF.

FISCAL IMPACT: Allocation of \$200,000 in Housing Trust Fund monies. When these funds are fully utilized, no more loans would be made unless City Council agreed to an additional allocation of Housing Trust Fund monies. Loan repayments would revolve back into the EHIP program fund balance.

STAFF:

Mildrilyn Stephens Davis, Director, Office of Housing
Bruce Johnson, Director, Office of Management and Budget
Shane Cochran, Program Implementation Division Chief, Office of Housing

Introduction and first reading:	6/09/04
Public hearing:	6/12/04
Second reading and enactment:	6/12/04

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend Title 2 (GENERAL GOVERNMENT), Chapter 5 (OFFICERS AND EMPLOYEES), of The Code of the City of Alexandria, 1981, as amended, by adding thereto a new Article C (EMPLOYEE HOMEOWNERSHIP INCENTIVE PROGRAM).

Summary

The proposed ordinance establishes the Employee Homeownership Incentive Program to assist employees of the City of Alexandria, the Alexandria City Public Schools, the Alexandria Commonwealth Attorney, the Alexandria Clerk of Court, the Alexandria Sheriff, the 18th Circuit Court, the 18th General District Court, the 18th Juvenile and Domestic Relations District Court, the Alexandria Court Services Unit, the Alexandria Law Library, the Alexandria Registrar of Voters, the Alexandria Public Library and the Alexandria Health Department to purchase a home located in the City of Alexandria. The program will offer such employees an unsecured, personal loan of up to \$5,000 to be used at closing on the property. The loans will be interest free, and will not have to be repaid until the property is sold, unless the employee leaves his or her job within 36 months. Other terms and conditions will apply to the program.

Sponsor

Staff

Mildrilyn Stephens Davis, Director, Office of Housing
Ignacio B. Pessoa, City Attorney

Authority

§ 2.04.2(e), Alexandria City Charter

Estimated Costs of Implementation

As stated in memorandum from the city manager.

Attachments in Addition to Proposed Ordinance and its Attachments (if any)

None

ORDINANCE NO. _____

AN ORDINANCE to amend Title 2 (GENERAL GOVERNMENT), Chapter 5 (OFFICERS AND EMPLOYEES), of The Code of the City of Alexandria, 1981, as amended, by adding thereto a new Article C (EMPLOYEE HOMEOWNERSHIP INCENTIVE PROGRAM).

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Title 2, Chapter 5 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended by adding thereto a new Article C, to read as follows:

[The following is all new language.]

Article C
Employee Homeownership Incentive Program

Sec. 2-5-31 Definitions.

The following words and phrases shall, for the purposes of this article, have the following respective meanings, except where the context clearly indicates a different meaning:

- (1) Applicant. Any person who applies for a loan under this article.
- (2) Covered entity. The City of Alexandria, the Alexandria City Public Schools, the Alexandria Commonwealth Attorney, the Alexandria Clerk of Court, the Alexandria Sheriff, the 18th Circuit Court, the 18th General District Court, the 18th Juvenile and Domestic Relations District Court, the Alexandria Court Services Unit, the Alexandria Law Library, the Alexandria Registrar of Voters, the Alexandria Public Library and the Alexandria Health Department.
- (3) Dwelling. A building, or portion of a building, together with an associated interest in the land, located in the City of Alexandria, which is to be purchased by an applicant, alone or with others, to be used as the principal residence of the applicant.
- (4) Household. The spouse, partner, children, parents, brothers and sisters and any other person living in the same dwelling as the applicant.
- (5) Loan. A loan in aid of the purchase of a dwelling, as provided under this article.

Sec.2-5-32 Loans— provided.

There are hereby provided employee homeownership incentive loans, to assist the employees of covered entities with the purchase of real estate located in the City of Alexandria, to be occupied as a dwelling. Such loans shall be subject to the restrictions, limitations and conditions prescribed by this article.

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 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.
- (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. 2-5-34 Same--administration by city manager.

The loan program provided under this article shall be administered by the city manager according to the provisions of this article. The city manager is hereby authorized and empowered to prescribe, adopt, promulgate and enforce such rules and regulations in conformance with the provisions of this article, including the requirement of answers under oath, as may be reasonably necessary to administer the program.

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 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 – \$5,000.
 - (2) Applicant who is a part time (less than 40 hours but at least 20 hours per week or equivalent) employee – \$5,000 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.

Sec. 2-5-38 Penalty for false statement.

Any person wilfully making a false statement in applying for a loan under this article shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined not less than \$25 nor more than \$500 for each offense.

Section 2. That this ordinance shall become effective July 1, 2004.

WILLIAM D. EUILLE
Mayor

Introduction: 6/9/2004
First Reading: 6/9/2004
Publication:
Public Hearing:
Second Reading:
Final Passage: