



Legislation Text

File #: 14-0286, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

FROM:

Bruce Moe, Acting City Manager

SUBJECT:

Home Loan for New City Manager

APPROVE; APPROPRIATE

RECOMMENDATION:

Staff recommends that the City Council: a) approve the home loan (secured promissory note) for the new City Manager in the amount of \$1.7 million, and b) appropriate \$1.7 million from the available General Fund balance.

FISCAL IMPLICATIONS:

Funds are available in the General Fund for this loan, and will come from moneys deposited in the State Local Agency Investment Fund (LAIF) which are currently earning .233%. The loan will be fixed for three years at .733% (LAIF plus .5%) and, as a result, will have a neutral impact on the City's portfolio yield. Additional loan details are listed within this report.

Please note that the loan funds had been previously added to the fiscal year 2014-2015 budget in anticipation of the loan being executed in the new fiscal year. However, with the loan proceeds scheduled to be utilized in fiscal year 2013-2014, an appropriation in the current year is necessary. The fiscal year 2014-2015 allocation has been removed from next year's budget.

BACKGROUND:

City Council hired its new City Manager, Mark Danaj, at the May 20th Council meeting. Among the provisions, Mr. Danaj's contract calls for a low interest rate home loan for a maximum amount of \$1.7 million for the purchase of a residence in Manhattan Beach or within a reasonable distance from the City. Housing assistance provisions are common when hiring a City Manager in areas with high housing costs, such as Manhattan Beach.

Mr. Danaj has made an offer (which has been accepted) on a home in Manhattan Beach. As a result, the housing assistance provision of his contract needs to be exercised in order to complete the home purchase.

DISCUSSION:

The basic loan provisions are as follows:

- The loan will be fully secured by a first mortgage on the residence.
- The loan shall bear interest at the annual percentage rate of .733% for the first three years.

Thereafter, City and Employee will negotiate the interest rate.

- The loan will be fully amortized over 30 years.
- Loan payments shall be made monthly.
- The loan shall be due and payable 12 months after any of the following: Employee retires, the effective date of the termination of employment with City or Employee ceases to use the residence as his primary residence.
- Employee shall be responsible for, and pay, all taxes imposed on the residence.
- Employee shall provide customary homeowners insurance for the full amount of the purchase price and City shall be named as additional insured on that insurance policy.

The home Mr. Danaj is purchasing costs \$1.65 million. The balance of the loan (\$50,000) will be used to perform certain improvements to the home (i.e. kitchen, etc.).

Escrow is scheduled to close on June 24th.

CONCLUSION:

Staff recommends that the City Council: a) approve the home loan (secured promissory note) for the new City Manager in the amount of \$1.7 million, and b) appropriate \$1.7 million from the available General Fund balance.

Attachment:

1. Secured Promissory Note