# 

**Joint City/County Affordable Housing Task Force**

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**Napa County**

**Affordable Housing**

**Multi-Year Action Plan**

**Prepared with the support of:**

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[The Task Force recommends establishing sources of revenues which ensure a total $5 million annually beginning in 2018 in order to create a minimum of 60 affordable housing units per year. The Task Force established this goal based upon the number of units and local dollars required for the recent County/City of Napa NOFA projects. The Task Force believes this funding should come from a number of sources. Because several large business sectors cause a need for affordable housing, the Task Force recommends working with each of the major industries to ensure each contributes towards the cost of providing affordable housing. The sectors impacting the need for affordable housing include wineries, hospitality, development, healthcare, government and retail. Rather than make specific recommendations for new revenue sources for these sectors, the Task Force instead recommended outreaching to each of these groups for input on how their share of the cost should be structured. Therefore, Action Steps 1 through 4 requires working with each industry before developing specific funding recommendations. 20](#_Toc359933707)

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The availability of housing is of vital importance in Napa County, and the early attainment of this goal requires the cooperative participation of government and the private sector to expand housing opportunities and accommodate the housing needs of area residents of all economic segments of the community. In recognition of this goal, Napa County’s need for affordable housing is collectively supported in adopted policy documents such as:

*The City of Napa is committed to working with other agencies and non-profit organizations to maximize affordable housing opportunities, and the City continues to make it a top priority to balance and promote housing opportunities to meet the needs of the workforce in Napa. (City of Napa Housing Element)*

*The City of American Canyon intends to provide for housing in an amount sufficient to accommodate the City’s fair share of projected growth, and to facilitate mobility within the ownership and rental markets. (City of American Canyon Housing Element)*

*The County of Napa will plan for the housing needs of all economic segments of the population residing in unincorporated Napa County and will coordinate non residential and residential goals, policies to direct growth to urbanized areas, preserve agricultural lands and maintain a County wide jobs/housing balance.* *(County of Napa Housing Element)*

Despite the support from local government, challenges to affordable living in the Napa County region remain. To provide context to these challenges, an estimated 29,000 workers commute daily into the County, many of whom are in need of affordable housing, but only 628 units of affordable housing have been built in the County over the last decade. Additionally, the income required to rent in Napa County exceeds the household income of 37% of households, including paramedics and preschool teachers. The income required to purchase a home exceeds the household income of 54% of households, including mail carriers and teachers. There are also over 9,450 individuals on the waiting list to receive Section 8 housing rental assistance, and approximately 1,500 individuals in Napa County are estimated to be homeless or at risk of becoming homeless.

Many people cannot live in the County because the cost of housing is too high. According to a report released by the Napa County Transportation and Planning Agency:

*The most energetic job growth in the County has been, and will continue to be, at the lower end of the wage scale servicing the agriculture, hospitality and retail business sectors. Over the next ten years, more than 60 percent of the fastest growing job sectors will pay below $14.50/hour, a minimum “living wage” for two adults and two young children.[[1]](#footnote-1)*

With housing costs significantly lower in Solano and Lake Counties, increasing numbers of lower-income Napa hospitality and retail workers will likely continue to commute to these new jobs in Napa County.

Recognizing the need to address these issues, the City of Napa, County of Napa, and the City of American Canyon partnered in spring 2012 to create a Joint City/County Affordable Housing Task Force (“Task Force” or “Housing Task Force”). Including representatives from the development, business, and agricultural communities, as well as environmental and affordable housing advocates, the Housing Task Force evaluated current and future opportunities for providing affordable housing within Napa County.

Developing concrete goals and action steps has been no easy task. There are numerous challenges to face including identifying funding sources, understanding the complicated and cost-sensitive nature of affordable housing, and the targeting the appropriate housing types and income groups most in need of affordable housing.

Affordable housing in Napa County has historically been funded in major part through impact fees paid by both residential and commercial development, leveraged with funding from other sources such as State and Federal programs. However, because of the decline in development in recent years, agency housing trust funds are at historically low levels. Revenue from the County’s housing impact fee has dropped from a high of $3 million per year to a low of $190,000. More recently, when the State dissolved redevelopment agencies in early 2012, the City of Napa lost $800,000 per year in low- to moderate-income housing funds. In addition, the development capital in the Federal housing budget has declined in recent years and this trend is expected to continue. The county and cities in Napa County will need to identify additional funding sources to replace these lost sources.

Further, affordable housing projects are difficult to finance and begin with an inherent funding gap. Below market rents minimize return on investment, local zoning requirements are restrictive and affect design flexibility, and fees for utilities and services are significant. And because no one single source typically provides all of below-market rate financing needed to fund projects, complex financing packages must be assembled with multiple sources of public and private funding, whose objectives and regulatory requirements are not always aligned.

With all this in mind, the Housing Task Force has created an action plan to outline steps that will allow the City of Napa, County of Napa, and the City of American Canyon to implement the most effective and efficient ways to deliver affordable housing throughout Napa County and to identify mechanisms to provide ongoing funding for future affordable housing development.

Success requires time, energy, ideas and resources from all Napa County residents in this endeavor. Please join us in supporting our efforts to achieve these goals and to support increased affordable housing funding and development in Napa County.

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Councilmember Mark Joseph Supervisor Mark Luce Vice Mayor Pete Mott

City of American Canyon County of Napa City of Napa

Co-Chair Co-Chair Co-Chair

[Recognition of Contributors](#Table_of_Contents)

The Co-Chairs of the Joint City/County Affordable Housing Task Force wish to thank and acknowledge the following individuals who volunteered many hours of time as members of the Task Force, and engaged in vigorous research and debate in order to arrive at the components of the Action Plan and the steps and tasks ahead:

**Co-Chairs**

1. Council Member Mark Joseph *City of American Canyon Representative*
2. Supervisor Mark Luce *County of Napa Representative*
3. Vice Mayor Peter Mott *City of Napa Representative*

**Members**

4. April Burkey *Affordable Housing Consumer Representative*

5. Joann Busenbark *Senior Advocate*

6. Nicole Collier *Affordable Housing Consumer Advocate*

7. Volker Eisele *Agricultural Community Representative*

8. Elliot Faxstein *Market Rate Single-Family/Proximity Housing Representative*

9. Gui Goodreau *Financial Institution Representative*

10. Ryan Gregory *Chamber of Commerce Representative*

11. Randy Gularte *Real Estate Broker’s Representative*

12. Scott Johnson *Multi-Family Affordable Housing Developer*

13. Grania Lindberg *Affordable Housing Advocate*

14. Gerardo Martin *Hispanic Chamber of Commerce Representative*

15. Bob Massaro *Market Rate Multi-Family/Sustainability Representative*

16. Harry Price *Commercial Property Developer/Owner*

17. Erika Sklar *Yountville, St. Helena, Calistoga Representative*

Note that the hospitality member originally assigned to the Task Force withdrew during the process due to scheduling conflicts.

**Agency Staff and Consultants**

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[**Executive Summary**](#Table_of_Contents)

The formation of the Task Force, comprising a 17-member panel of housing experts, advocates and community stakeholders, represents an important step in a region-wide initiative to respond to the critical need to expand affordable housing resources in Napa County. The Task Force considered the following questions in its review of the identification of housing resources:

1. What are the factors that add to the costs of developing affordable housing?
2. How can Napa County stakeholders reduce and control those development costs?
3. How can Napa County create a sustainable, local revenue source for affordable housing development?
4. What types of households should be the primary target of affordable housing resources?

This report comprises two sections. The first section describes the purpose of the Task Force and provides a review of its deliberations. The second section offers a detailed outline of the recommended strategies as summarized below:

**Summary of Strategies**

Strategy #1: Determine the Optimal Mix of Housing Types

Strategy #2: Maximize Financing Resources

Strategy #3: Promote Cost Efficiencies

Strategy #4: Implement Non-Monetary Production Opportunities

Strategy #5: Strategy #5 Provide Adequate Oversight and Collect Data to Measure Success

**The Development Environment**

Striking a balance between keeping development costs as low as possible and still building quality affordable housing is complicated by the fact that the Napa County region is among the most expensive real estate markets in the country. High land prices, increased scarcity of buildable sites, NIMBYism, prevailing wage requirements, zoning regulations, and the need to offer an array of high-impact social services combine to create tremendous upward pressure on affordable housing development costs.

Given the high cost of affordable housing, the challenge becomes how to determine the most effective methods to reduce development costs and make the most efficient use of scarce resources. Responding to this challenge requires the creation of sound public policy within an environment of increasing need and contracting fiscal resources. The Task Force’s discussions focused on analyzing the process of developing both new construction and rehabilitating existing housing for rental and homeownership housing types. Discussions were informed by agency staff and Task Force members’ experiences as well as research materials provided during the meetings.

The Task Force conducted its work through a series of deliberations about the development process in the Napa County area and presentations of findings and data from County and City staff. The Task Force first met in July 2012 and then met regularly during a nine-month period in a series of large group meetings and small group working sessions. Prior to brainstorming and developing a set of strategies for consideration, the Task Force reviewed the present state of affordable housing in the region, including past and current challenges. The Task Force was briefed on the current and forecasted financing landscape at the Federal and State levels. The following is a summary of this funding context:

**Federal and State Budgetary Impacts and Outlook**

The economic recession has negatively impacted federal budgets, including funds and programs for affordable housing. The Obama administration and Congress have reduced spending on federal programs for affordable housing for three consecutive years, and it is anticipated that federal support and funding for housing programs will continue to decline in the future.

California has endured a significant budget deficit as well. To address ongoing budget gaps,Governor Brown and the Legislature have enacted severe budget cuts, including eliminating redevelopment and its 400 redevelopment agencies in January 2012 and reallocating funds derived from the use of property tax increment financing to local governments and entities, such as cities, counties and school districts.

Although the overall economic landscape and fiscal health of California and the nation is improving, Napa County agencies have a responsibility to use the powers vested in them to facilitate the improvement and development of affordable housing, taking into consideration the area’s unique economic, environmental, and fiscal factors, the goals as set forth in each agency’s adopted general plans, and to cooperate with other local governments and the state and federal governments in addressing housing needs.

**Conclusion**

A major effort like this could not have been accomplished without the support of the many people who offered their time and expertise to the Task Force. Preparing this Action Plan is only the first step; now follows the critical period of implementing the Task Force’s recommendations. Moving forward toward that goal, three key points must be kept in mind:

**There is no single solution.** Our financial toolbox needs many different mechanisms to serve diverse housing needs. With an evolving regulatory landscape at the federal and State levels, local funding sources for affordable housing need to be refreshed, with a particular focus on regional collaboration to optimize results.

**It is not just about capital.** Non-monetary resources are critical to establishing an environment favorable to affordable housing development. Land use, community relationships, and innovative approaches to affordable housing site identification are just a few of many elements that will help foster housing that works for the Napa County community.

**Napa has a unique development environment.** Because of its access to the greater metropolitan Bay Area and because Napa County is a leading tourist destination in its own right, the region must balance preservation of agricultural resources, workforce development, and tourism with challenges such as traffic, greenhouse gas emissions, and housing affordability.

**Napa County and all jurisdictions within would benefit from identifying a minimum target goal of the number of units of affordable housing to create per year.** Low wage jobs support the wine and hospitality industries and are expected to be the predominant job growth category going into the future. This would further increase the need for affordable housing in Napa County.

The Task Force was charged with developing recommendations and strategies that will position Napa County to more effectively and efficiently deliver affordable housing. Task Force members analyzed construction types, methods of development financing, existing and potential new sources of revenue streams, innovations in cost efficiencies, non-monetary approaches to housing production, and the best ways to ensure proper oversight for carrying out adopted recommendations.

Section 1

A Review of

Task Force Deliberations

[Section 1: A Review of Housing Task Force Deliberations](#Table_of_Contents)

This section provides the background and purpose of the Housing Task Force and reviews its efforts to develop a deep understanding of the existing state of affordable housing in the Napa region. County and City staff delivered presentations to the Housing Task Force that provided industry benchmarks, an overview of affordable housing financing, demographic trends and metrics, and creative solutions and pilot programs underway in other regions. Applying this process of education and deliberations to the unique development environment of Napa County, the Housing Task Force recognizes that there is no single solution to the affordable housing challenge in Napa County. It is the hope of the Housing Task Force that the strategies developed in this Action Plan will be implemented in a manner that boldly confronts the affordable housing challenge while remaining sensitive to the character of the Napa community.

**Background**

On April 17, 2012, the Napa County Board of Supervisors and Napa City Council received a joint presentation made by County of Napa Director of Housing and Intergovernmental Affairs Larry Florin and City of Napa Community Development Director Cassandra Walker. This presentation and ensuing discussion led to the creation of a Joint Countywide Affordable Housing Task Force, where the City of Napa appointed Vice Mayor Peter Mott as the City of Napa’s representative on the Task Force and the Board of Supervisors appointed Supervisor Mark Luce as the County of Napa’s representative. On May 1, 2012, the City of American Canyon appointed Councilmember Mark Joseph as the City of American Canyon’s representative on the Task Force. All three elected leaders have served as co-chairs of the Task Force during its deliberations.

The purpose of the Task Force was to evaluate the most effective and efficient ways to deliver affordable housing development throughout Napa County. The Task Force’s objectives were to:

1. Assess the overall housing need throughout Napa County
2. Document the diverse types of affordable housing needs in the community
3. Identify local mechanisms/sources for providing ongoing funding for affordable housing
4. Investigate different methods of achieving affordable housing goals

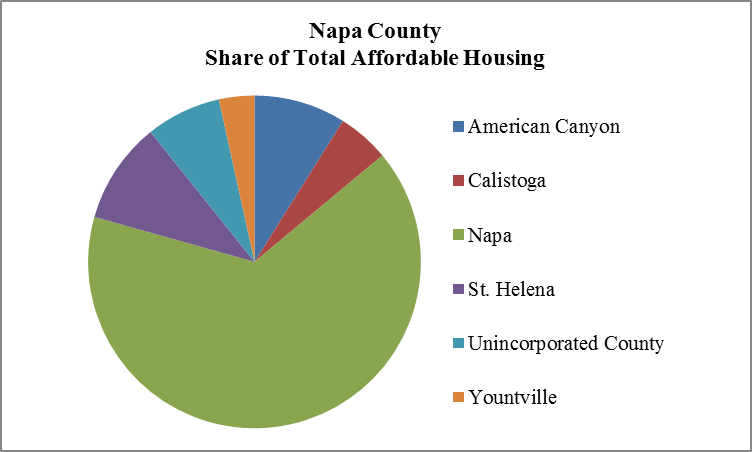
5. Evaluate and recommend the most effective and efficient methods to deliver affordable housing throughout Napa County

One of the overall goals of the Task Force is to improve the systems that support affordable housing throughout Napa County and to identify a mechanism for providing ongoing funding for affordable housing in the future. In order to successfully achieve this goal, the Task Force relied on the expertise of agency staff and fellow Task Force members to collectively educate themselves on the most effective and efficient way to evaluate the current affordable housing market and the challenges it faces. To develop a well-informed basis on how to proceed, the Task Force started with reaching an understanding about the affordable housing industry. These early meetings provided a framework for the group to begin building a database that would become the foundation needed to formulate affordable housing strategies. An overview is provided below of some of the educational efforts the Task Force employed in its quest to fully comprehend Napa County’s affordable housing issues and challenges.

**Affordable Housing Context in County of Napa**

The Task Force received a report on the background of affordable housing in Napa County beginning with an inventory of affordable housing units in the County followed by a survey of previous funding sources used to provide affordable housing, such as Community Development Block Grants (CDBG) redevelopment, and local housing funds. The Task Force also reviewed statistics on Section 8 rental assistance and other affordable housing programs.

The following is a snapshot of the current countywide affordable housing supply:

* There are a total of 2,480 affordable housing units in the County, with rental units comprising 91% of these units.
* The City of Napa contains the most affordable housing units at 1,613 units (65% of total followed by St. Helena at 10%, American Canyon at 9%, unincorporated Napa County at 7%, Calistoga at 5%, and Yountville at 4%.
* Overall, affordable housing units comprise 5% of the total housing stock. This includes 5% of all housing units in the City of Napa, 4% in the City of American Canyon, 5% in the City of Calistoga, 8% in the Town of Yountville, 9% in the City of Saint Helena, and 1% in the Unincorporated County.
* Nearly 75% of affordable housing units are inhabited by very-low and low income residents (28% and 46%, respectively).[[2]](#footnote-2)
* The City of Napa’s affordable housing units are almost exclusively rental units (95%) with very-low and low income units make up 84% of total rental units (26% and 58%, respectively). Only Calistoga and St. Helena serve a higher percentage of very-low to low income rental residents at 100% each.
* Over half of the affordable housing units across the County serve targeted household populations, with 75% of these units serving seniors and farmworkers. The City of Napa is home to about two-thirds of these targeted units, with 77% of Napa’s units serving seniors.  
  Not accounted for in these numbers are housing down payment assistance programs. These programs assist income eligible homebuyers to purchase existing homes. This includes the County’s recently initiated Worker Proximity Housing Program. To date the County has loaned funds to 27 families throughout Napa County. The recipients of these loans are low and moderate income residents of the County. Additionally, the City of Napa’s homebuyer assistance program has been in operation for approximately 20 years. It has assisted 87 low-income homebuyers purchase homes in the City of Napa during the past ten years.

**Housing Needs Requirements**

The Task Force discussed the challenge of quantifying housing needs and tempering expectations against a backdrop of increasing need and decreasing resources. The Task Force reviewed the affordable housing needs of workforce commuters, farmworkers, seniors and special needs households, with an eye towards the types of occupations that qualify for affordable housing. The Task Force also examined the real estate trends in the rental and home buyer markets, data concerning large employers, the existing homeless, the housing element requirements for the cities and County, and estimated regional housing needs for the years 2014 - 2022.

The Task Force also received an overview of the barriers to affordable rental housing, which include the complexity of tenant applications for affordable housing and long waiting lists. As an example, over 9,450 households, including 2,860 Napa County residents, are currently on the waiting list for Section 8 rental assistance and approximately 200 families are currently qualified on the waiting lists of developments managed by Napa Valley Community Housing.

**Working Groups**

During large group discussions and smaller group breakout sessions, Task Force members grappled with affordable housing development constraints, such as land use and zoning regulations, and limited revenue streams. The Task Force broke out into smaller working group subcommittees to more effectively brainstorm strategies and action items to present to the wider Task Force for consideration. From these, subcommittees derived the creative ideas that are found in the final recommended strategies and Action Plan. The following is a description of the subcommittee work:

**Housing Types Subcommittee**

In this breakout group, the subcommittee agreed that the majority of funding should be directed to rental programs. The housing types subcommittee suggested that projects should be prioritized within the corresponding categories:

1. Rehabilitating distressed properties
2. Acquiring and rehabilitating rental properties
3. New construction

The Task Force subsequently weighed the merits of directing financial resources towards new construction projects versus buildings slated for rehabilitation, examining such metrics as cost efficiencies, benefits of increasing versus improving housing stock, and ease of retrofitting for energy efficiency. The Task Force reached a consensus founded on retaining flexibility, whereby City and County staff would evaluate affordable housing proposals at the time resources become available based on the full array of Task Force priorities for sustainable building, proximity to employment, transit-oriented development, social service amenities, and cost efficiencies.

This same principle of flexibility guided the Task Force’s discussion on targeting housing population types. Task Force members agreed that affordable housing for large families, seniors and special needs households were all priorities and that development proposals should be evaluated on a case-by-case basis when resources become available to allocate for development.

This subcommittee also considered the need to mitigate greenhouse gas emissions and traffic caused by workforce commutes. Task Force members explored ideas on linking employment centers with workforce housing, such as employer incentives, business tax breaks, and discounted fees based on the percentage of employees living within a prescribed distance from work. Task Force members also discussed using housing proximity to employment centers and/or major transit nodes as the basis for prioritizing proposals submitted in response to a Notice of Funding Availability (NOFA).

**Housing Funding Sources Subcommittee**

This breakout group explored the challenge of creating affordable housing funding strategies in a resource-constrained environment and highlighted both current funding programs and new funding initiatives for consideration. Some new revenue streams raised by this group include taxing entities receiving funding previously allocated to the City of Napa Redevelopment Agency (e.g., by the City of Napa and Napa County) setting aside 20% of the former tax increment for affordable housing, increasing property transfer tax and recording fees, increasing residential and commercial development impact fees, redirecting funding from Transient Occupancy Taxes, and creating funding from large employers such as wineries.

Upon the subcommittee’s presentation of financing ideas to the Task Force, City and County staff prepared a chart that illustrated the projected amounts of potential new revenue (Exhibit E) that might be generated from each proposed source along with an explanation of any required local administrative, State legislative and local ballot box approvals. In finalizing its proposed new affordable housing funding sources, the Task Force considered revenue impacts, required approvals and their likelihood of success, and spreading responsibility for funding affordable housing across the diversity of Napa’s economic sector.

The subcommittee also discussed the benefits of a countywide Article 34 election. Article 34 is a public housing project law that requires voter approval be obtained before any agency develops, constructs or acquires a low rent housing project[[3]](#footnote-3). Background on Article 34 was given including a review of Sonoma County’s Article 34 authority and an estimate of costs associated with a special election in Napa County if this was pursued.

**Improving Efficiencies/Cost of Housing Subcommittee**

This breakout group developed ideas that would facilitate housing development through cost efficiencies and effective land use policies. To aid discussion, City and County staff developed a matrix of non-monetary strategies (Exhibit C). This matrix also indicated the strategies currently adopted by the County of Napa, the City of Napa, and the City of American Canyon. The following are a few ideas generated by this subcommittee:

1. **Density.** Density is often a key driver for project feasibility while also enabling municipalities to attain Regional Housing Needs Assessment (“RHNA”) development goals. City and County staff presented information regarding current density provisions for affordable housing, including density bonuses, in their respective jurisdictions. Additionally, the subcommittee considered the need to develop policies encouraging developers to construct housing at the higher end of the density range.
2. **Secondary Dwellings.** The subcommittee discussed reducing the regulatory obstacles that inhibit building new secondary dwellings. Also discussed was a second unit amnesty program to recognize existing second units as a source of affordable housing throughout the County, although this places at risk units that cannot be legally provide housing because of minimum livability restrictions (e.g., ceiling heights). Secondary dwellings offer a financially efficient mechanism for delivering affordable housing through the use of existing infrastructure. The Task Force explored a secondary dwelling strategy that would allow second units by right in all residential zones, ease owner-occupancy requirements on properties with a second unit, reduce parking standards for second units, and incentivize building code compliance of existing secondary structures.
3. **Public Land Inventory.** The subcommittee explored the preparation of a published inventory of public and/or surplus lands suitable for affordable housing and the development of guidelines based on land use, location and site conditions. The use of publically-owned land as affordable housing sites can be beneficial because it helps to control acquisition costs while also contributing to project competitiveness for Low-Income Housing Tax Credits, with the California Tax Credit Allocation Committee prioritizing the leveraging of local public funds in its awards system.

**Summary**

The Task Force first confirmed its objectives and then briefed all members on the existing affordable housing context in the Napa region. The Task Force then broke out into smaller subcommittees to identify and explore strategies to propose to the full Task Force. The subcommittee topics formed the basis for the Task Force to articulate its recommendations into five coherent strategies. During its November 2012 meeting, the Task Force broke out into working groups again with the goal of reviewing recommendations within the framework of one of the five strategies. Each subgroup catalogued recommended action steps within each proposed strategy. In January 2013, the Task Force ranked each of the action steps based on importance to the overall strategy and on feasibility of obtaining required approvals for the action step. The Task Force’s formal, ranked recommendations, organized into five key strategies, are outlined and explained in the next section of this Action Plan.

**Section 2**

FIVE KEY STRATEGIES

TO PROMOTE AFFORDABLE HOUSING

**Strategy 1: PROMOTE COST EFFICIENCIES**

**Strategy 2: DETERMINE THE OPTIMAL MIX OF HOUSING TYPES**

**Strategy 3: MAXIMIZE FINANCING RESOURCES**

**Strategy 4: IMPLEMENT NON-MONETARY PRODUCTION OPPORTUNITIES**

**Strategy 5: PROVIDE ADEQUATE OVERSIGHT AND**

**COLLECT DATA TO INFORM PRACTICE AND MEASURE SUCCESS**

[Section 2: FIVE KEY STRATEGIES TO PROMOTE AFFORDABLE HOUSING](#Table_of_Contents)

The Action Plan for Affordable Housing Development in Napa County lays out in table format a series of strategies, action steps, tasks and measurable outcomes that were developed by the Housing Task Force and that can be tracked and evaluated throughout the implementation phase. More detail will be added on an ongoing basis to ensure that steady and incremental progress is made toward accomplishing the strategies set forth in this report.

This Action Plan also indicates whether an individual task under an action step requires local administrative processing, State legislative authorization, local voter approval, or some combination thereof. Some of the tasks identified require approvals that present political challenges. However, adoption of these tasks is vital to achieving the Task Force’s recommendations.

[Strategy 1: Promote Cost Efficiencies](#Table_of_Contents)

**Why this Strategy is Important**

*The Task Force believed this may be the most effective strategy in increasing the production of affordable housing. In an era of shrinking budgets, local agencies must encourage development practices that drive down construction and operating costs to maximize the number of affordable housing units produced. Identifying cost saving practices is another form of local investment.*

In its discussions on promoting cost efficiencies, the Housing Task Force reached consensus on the following guiding principle:

***Costs should be managed to promote affordable housing development.***

Identify best practices to more effectively evaluate, monitor and contain development costs and better promote the supply of affordable housing.

[Action Step #1: Study Alternate Ways to Lower Costs](#Table_of_Contents)

To achieve project feasibility, development and operating budgets must be scrutinized. There is a growing effort within the affordable housing industry to examine the cost side of the housing development budget. The California Tax Credit Allocation Committee, along with the California Housing Finance Agency, the California Department of Housing and Community Development, and the California Debt Limit Allocation Committee, are jointly undertaking an intensive affordable housing development cost study[[4]](#footnote-4). This study will analyze cost data and identify cost trends in order to more effectively evaluate, monitor and contain development costs to better promote the supply of affordable housing.

This statewide cost study is just one example of identifying best practices adopted by other public agencies. Utilizing proven strategies will save local jurisdictions both time and money, with positive outcomes realized upon adoption and implementation of recommendations. For example, there is a growing body of research about off-site, pre-fabricated, modular construction. Innovative construction types may serve to reduce hard costs and shrink the construction time period, providing downward pressure on total development costs. Modular construction types also offer economies of scale and durability throughout the building’s lifecycle.

[Action Step #2: Tie Fees to Actual Costs for Affordable Units](#Table_of_Contents)

An important action step to maximize cost efficiencies is to tie fees to actual costs for affordable units. The Task Force recommends that each of the local jurisdictions review and amend fee structures to ensure affordable units pay lower or deferred fees if justified by actual costs. For instance, by lowering sewer and water fees overall affordable housing development costs will be reduced. The Task Force also recommends that local jurisdictions address and eliminate, where possible, government fees on affordable housing units.

[Action Step #3: Facilitate Legalization of Second Units](#Table_of_Contents)

The third action step recommended by the Task Force is to facilitate the construction of additional second units and adopt second unit policies and programs to support this goal. One recommended method is to explore incentives for encouraging second unit development that will contribute to increasing the housing supply. For example, local jurisdictions can allow second units by right in all residential zones. A second strategy would be to reform the fee structure for second units. Finally, local jurisdictions can ease owner-occupancy requirements on properties with a second unit. Together, these methods will contribute to cost savings while also increasing the housing supply.

An example of this approach occurred in Santa Cruz where an increased number of second units were built after the City issued an Accessory Dwelling Unit Manual that proactively manages the issue of second units and provides a design template from which property owners seeking to build a second unit can choose from and avoid the cost of structural design and plan check for a building permit. The Santa Cruz secondary dwelling strategy also seeks to equitably increase density across an entire community while protecting the integrity, scale and streetscape of neighborhood. The same Santa Cruz program offers technical assistance to homeowners, including low-interest loans to homeowners who agree to rent their second units at affordable rates.

[Action Step #4: Establish a Countywide Green Ordinance](#Table_of_Contents)

Adopting a countywide green ordinance will greatly contribute to budget and schedule efficiencies. A countywide green ordinance provides for a consistent and standardized design process, which serves not only to reduce costs but also to fast track and streamline the development process. By drafting green guidelines that outline acceptable sustainable design standards, architects and contractors can prepare drawings that will help reduce operating costs and produce a healthy and safe home for future community residents. Lowering operating costs enables the developer to qualify for larger conventional, private loans, thereby alleviating the burden of local public dollars. Finally, the Task Force recommends that the local jurisdiction provide expedited review and approvals for green buildings. Expedited approvals shorten development timelines, once again reducing costs and fast tracking the affordable housing development process.

[Action Step #5: Promote Unit Size Appropriateness](#Table_of_Contents)

In order to promote further cost efficiencies, the Task Force recommends encouraging appropriate unit sizes. The best strategy is to modify City and County underwriting guidelines to set appropriate unit sizes, whereby a deviation from these sizes would need to be justified. This will reduce costs by controlling construction and operating costs while also curbing overcrowding. In addition, this strategy will serve to increase density and therefore increase housing supply. Future NOFA underwriting guidelines in the City and County can be updated to include minimum and maximum unit sizes appropriate for the particular projects.

**Action Step #6: Adopt Parking Overlays**

The Task Force recommends jurisdictions adopt parking overlays to allow housing developments built adjacent to public transportation to have a lower parking requirement. This will allow for more units to be built as less of a site is needed for parking.

**Action Step #7: Adopt Utility Allowances for Green Buildings**

The Task Force recommended the adoption of lower utility allowances for green housing units. Affordable rent is calculated by subtracting an allowance for tenant-paid utilities. Currently, the utility allowance is the same whether a unit is green or inefficient. By adopting a lower allowance for green housing which more accurately reflects the tenant-paid utility costs, a developer can charge more in rent. This increases the project’s revenue, which in turn allows the project to support higher conventional debt. This results in a decrease in public subsidy required for the project.

[Strategy 2: Determine the Optimal Mix of Housing Types](#Table_of_Contents)

**Why this Strategy is Important**

*Selection of housing production types offers a clear communication of goals and priorities.*

Each of the other strategies are shaped by the choices made between rental and homeownership developments, new construction and rehabilitation, and between large families, seniors, agricultural workers and special needs populations. For example, focusing resources on rehabilitations over new construction has implications for whether future affordable housing will rely on 9% or 4% federal tax credits. A preference for rehabilitations might also shift emphases on certain nonmonetary ideas such as designating affordable housing zones.

Rental versus Homeownership

Most public and private affordable housing finance programs are geared towards the production of both rental and homeownership products, with rental housing receiving the greater allocation. Only rental projects are eligible for tax credits under federal and state programs. Since its inception under the Tax Reform Act of 1986, the federal Low Income Housing Tax Credit has stimulated the production of more rental homes than any other government program in our nation’s history. In 2012, the California Tax Credit Allocation Committee allocated over $87 million of annual federal credits and over $85.5 million of State credits to 102 projects comprising 6,248 low-income rental units under the 9% program alone.

The Task Force analyzed this strategy reached consensus that public agency financial and non-monetary resources should be directed so that the majority of future units financed with local public agency funds (“assisted units”) are rental. The Task Force was attuned to the need to leverage local public funds with the state and federal programs that give preference to multifamily rental housing over single family homeownership.

New Construction versus Rehabilitation

The topic of prioritizing new construction versus rehabilitations generated strong viewpoints during the study period. Prior to deliberating the merits of new construction and rehabilitation deals, the Task Force reviewed materials on affordable housing budgets and the development history in Napa County. The Task Force considered factors such as cost efficiency, unit production and preservation, community impact of new construction, and the best means to achieve energy efficiency goals. Ultimately the Task Force recommended a policy of evaluating whether new construction or rehabilitation made sense at the time funding is available. Under this policy, potential projects would be evaluated based on the full array of Task Force priorities for sustainable building, proximity to employment, transit-oriented development, social service amenities, vacancy rates, and cost efficiencies.

Tenant Populations

The Task Force also reviewed the merits of targeting potential tenant populations. The working group supported expanding opportunities for seniors, large families and special needs households. The group also stated a goal to promote workforce housing. Because the documented need for affordable housing across these tenant populations is so great, the Task Force decided to not pursue a preference for any one group, but rather to address need on a case-by-case basis as funding becomes available for development.

In its discussions on new construction versus rehabilitation and on targeting household types, the Task Force reached consensus on the following guiding principle:

***Create flexibility to undertake opportunities as they arise.***

On a case-by-case basis, proposed developments will be evaluated for their efforts to meet Task Force objectives of cost efficiency, access to transit, green building techniques, proximity to employment centers, and housing prioritized tenant populations.

[Action Step #1: Encourage Affordable Housing Site Selection near Transit and Employment Centers](#Table_of_Contents)

Given the commuting challenges confronting the Napa region, workforce housing quickly rose to the top of the Task Force’s priority list. The Task Force collectively concluded that affordable housing solutions should be partially borne by Napa’s leading economic sectors: agriculture/wineries and hospitality/tourism.

[Action Step #2: Direct Resources so that Homeownership Opportunities of All Types Are Encouraged](#Table_of_Contents)

The Housing Task Force recognizes the critical role that affordable homeownership programs have played in the Napa region. The Housing Task Force recommends budgets and policies be adopted that authorize local housing and community development departments to implement affordable homeownership programs, but in a more limited manner than rental housing. This preference should be reflected in the use of local public funds and in planning policy amendments. Homeownership production may be achieved through homeownership assistance (such as the Napa County Worker Proximity Housing loan program), housing rehabilitation or new construction. The Task Force also believes higher density homeownership development, such as small lot, condominium, and multifamily housing, should be encouraged.

[Action Step #3: Direct Resources so that the predominate type of Assisted Units are Rental Housing](#Table_of_Contents).

The Housing Task Force recommends budgets and policies be adopted that authorize local housing and community development departments to take advantage of both rental and homeownership opportunities as they arise. It is anticipated that rental housing will be the predominant type needed. This preference should be reflected in the use of local public funds and in planning policy amendments. Rental housing production may be achieved through either building rehabilitation or new construction.

[Action Step #4: Target a Mix of Households Including Workforce, Special Needs and Seniors](#Table_of_Contents)

Advocates of workforce (including farmworker), senior and other special needs housing were represented on the Task Force. These tenant populations were all designated as top priorities, and the Task Force recommends no preference be stated for any particular group, but rather housing proposals be evaluated on a case-by-case basis when resources become available for development for their efforts in achieving the Task Force’s goals in other areas such as environmental sustainability, proximity to transit and employment centers, and cost efficiency.

[Strategy 3: Maximize Financing Resources](#Table_of_Contents)

**Why this strategy is important**

*In the aftermath of redevelopment agency dissolution and with continued dwindling of public financial resources, local agencies must choose smarter funding practices that maximize housing production while preserving housing quality.*

The California Tax Credit Allocation Committee prioritizes those developments with greater local public financing commitments for awards of 9% tax credits. To be competitive in TCAC’s statewide competition, public agencies must strategically dedicate larger soft loans to leverage federal and State tax credits that are needed for project development. The Housing Task Force reviewed existing housing revenue sources, including United States Department of Agriculture (USDA), United States Department of Housing and Urban Development (HUD) Section 8, HUD CDBG and HUD HOME, and noted that these sources continue to suffer from annual budget cuts.

The Housing Task Force discussed the following possible sources of new local public financing:

* Development impact fees
* Real estate transfer and recording fees
* Resort fees
* Hospitality fees
* Wine tasting fees
* Alcohol and tobacco tax
* Luxury tax on tickets for live concerts and sporting events
* CSA 4 Tax District
* ¼ cent sales tax
* .25% of Transient Occupancy Tax
* Employee tax
* Toll road formation
* Infrastructure Finance Districts

The Housing Task Force compared and contrasted the revenue stream that is projected to stem from each potential source and reviewed the political feasibility for those sources that require local, state and/or voter approvals, noting that recent elections in nearby localities have successfully garnered voter approvals of affordable housing and community enhancement tax measures, including in San Francisco with the adoption of Proposition C which will create a 30-year revenue stream funding approximately 3,000 affordable rental units for families at 60% of the area median income, provide down payment assistance, and will also support more below-market rate rentals by providing incentives for on-site inclusionary affordable housing, assist foreclosure prevention and single-family rehabilitation, and fund neighborhood infrastructure grants.

In its discussions on potential new funding sources, the Housing Task Force reached consensus on the following guiding principle:

***Costs should be spread fairly over a wide economic base.***

New revenues for affordable housing should come from a variety of business sectors, so that no one group is singled out or faces a disproportionate increase in costs. Large employers should share in the responsibility of ensuring that their employees have access to affordable housing within reasonable proximity to their workplaces.

The Task Force recommends establishing sources of revenues which ensure a total $5 million annually beginning in 2018 in order to create a minimum of 60 affordable housing units per year. The Task Force established this goal based upon the number of units and local dollars required for the recent County/City of Napa NOFA projects. The Task Force believes this funding should come from a number of sources. Because several large business sectors cause a need for affordable housing, the Task Force recommends working with each of the major industries to ensure each contributes towards the cost of providing affordable housing. The sectors impacting the need for affordable housing include wineries, hospitality, development, healthcare, government and retail. Rather than make specific recommendations for new revenue sources for these sectors, the Task Force instead recommended outreaching to each of these groups for input on how their share of the cost should be structured. Therefore, Action Steps 1 through 4 requires working with each industry before developing specific funding recommendations.

The Task Force did, however, recommend three revenue sources to pursue now. They are not industry-specific and include Action Step #5, “boomerang funds,” Action Step #6, an increase in business license tax, and Action Step #7, an increase to the property transfer tax.

The Task Force recommends that the results of these action steps, both in terms of funding generated and units developed, be analyzed regularly to ensure these new funds are available and used to create affordable housing in Napa County.

[Action Step #1: Work with Development Community to Provide Additional Funding for Affordable Housing and Consider Adjusting Development Impact Fees throughout the County](#Table_of_Contents)

The Housing Task Force examined existing residential and commercial development impact fee structures and determined a need to harmonize these fees across jurisdictions. Updating development impact fees ensures that each jurisdiction is collecting its fair share of funds for affordable housing. The County of Napa commissioned a residential nexus study that was completed in November 2009 by Keyser Marston Associates. Similarly, the City of Napa completed a nexus study prepared by Vernazza Wolfe Associates in December 2011. The Task Force’s recommendations fall below the levels deemed permissible by these nexus analysis. Specifically, the Task Force calls for:

1. Establish a commercial impact fee in other cities such as American Canyon
2. Establish a residential impact fee in other cities such as American Canyon
3. Consider increasing impact fees in the City of Napa and commercial impact fees in Napa County

**Action Step #2: Work with Wine Industry to Provide Additional Funding for Affordable Housing and Consider Increasing CSA 4 Assessment**

The CSA 4 assessment is an existing annual tax on agricultural parcels that requires renewal by property owners every year. In light of reductions in federal and state funds for affordable farmworker housing, the Task Force identified an increase in the CSA 4 assessment as crucial to maintaining a local funding source to house agricultural workers that are vital to Napa’s grape growing industry. The Task Force sees outreach to the winery owners as a crucial first step. With a comprehensive Action Plan in hand, the Task Force can make a compelling argument that increased funding for affordable housing, derived from multiple sources, will benefit the wine industry. The Task Force also considered the funding generated from the self-imposed $10 per plantable acre assessment on land in CSA 4 and its impact on the cost of housing for agricultural workers. While these resources are important, they do not address winery employees who are in need of low cost housing opportunities within the region, and the funds received from the CSA 4 assessment may not keep pace with the need generated by generally low wage agricultural workers in the area. However, the Task Force acknowledged that effectuating an increase to the CSA 4 assessment requires State legislation and parcel owner authorization which will not be easy to achieve. The Task Force also believes that it should be the wine industry’s responsibility to decide whether its share of affordable housing resources should come from an increase in the CSA 4 assessment or from another source of wine-related revenue.

**Action Step #3: Work with Hospitality Industry to Develop Source of Funding for Affordable Housing and Consider Increasing Transient Occupancy Tax (TOT)**

The TOT is a hotel, motel, or “bed” tax authorized under the State Revenue and Taxation Code and is a source of non-property tax revenue to local government. The current TOT rate in Napa County is 12%, with an additional 2% self-assessment which is applied to visitors’ gross hotel bills and generates approximately $4 million annually for destination marketing in Napa County. The Task Force discussed increasing the TOT and placing these additional revenues in a countywide fund for affordable housing. By directing a portion of discretionary general fund revenue to this affordable housing fund, local government would demonstrate that new sources for affordable housing development are not reliant solely on private industry and that costs are being spread among all sectors of the local economy. An increase to the TOT would require local voter approval, while fund reallocation would require majority approval before the city councils and the County Board of Supervisors. Ultimately the Task Force decided that rather than recommending an increase in TOT for affordable housing, subsequent outreach should be done with the hospitality industry. While increasing TOT is one option, the hospitality industry may prefer an alternative method of funding its share of the cost.

[Action Step #4: Direct Revenues to a Countywide Regional Pool for Affordable Housing](#Table_of_Contents)

The Task Force favors the development of a regional, countywide pool for the new funds generated for affordable housing to enable strategic leveraging of local public sources with competitive federal housing tax credits.

**Action Step #5: Direct a Portion of Tax Increment “Boomerang Funds” to Affordable Housing Development**

The term “boomerang funds” refers to the tax increment received by local taxing agencies (the City of Napa and County of Napa) created from the dissolution of redevelopment agencies. Previously, 20% of a redevelopment agency was required to be used for affordable housing. The Task Force recommends directing a portion of boomerang funds to affordable housing as this will partially return local funding previously allocated to affordable housing.

**Action Step #6: Increase Business License Tax and Direct Funding to Affordable Housing Development**

The Task Force recommended pursuing an increased business license tax countywide to pay for the creation of affordable housing. This would create a link between employers and housing. Implementation of this tax would require approval of 2/3 of Napa County voters. The amount that would be raised is unknown and would require further analysis.

[Action Step #7: Increase Real Estate Transfer Tax](#Table_of_Contents)

The Task Force proposes a 0.25% increase to real estate transfer tax rates. Each $1 million in property sales would generate about $2,500 in funds for affordable housing. Generally, real estate transfer fees do not discourage property sales and can generate significant funds for affordable housing. An increase to the real estate transfer tax requires both State legislative authorization and an approval from 2/3 of Napa County voters.

[Strategy 4: Implement Non-Monetary Production Opportunities](#Table_of_Contents)

**Why this Strategy is Important**

*This strategy offers jurisdictions creative paths to stimulate affordable housing production that may offset reductions in direct public financing. In an era of shrinking budgets, and with the abolishment of redevelopment, it is more important than ever for affordable housing developers and public agencies to do even more with fewer funds. Public agencies, in particular, must use their scarce resources more effectively and implement public policies that will redirect incentives to obtain maximum benefit. The following six action steps aim to promote affordable housing production using innovative methods that will not impact public budgets.*

In its discussions on promoting cost efficiencies, the Housing Task Force reached consensus on the following guiding principle:

***Promote affordable housing production using innovative methods that will not impact public budgets.***

Zone for affordable housing development at reasonable densities by-right, where appropriate, consistent with transit oriented development (TOD) goals and reasonable access to jobs and services. Complete comprehensive environmental review anticipating future housing development to streamline future project review and minimize challenges to affordable housing and curb NIMBYism. Explore processes to streamline project review and greater access to alternative funding and leveraging resources to finance affordable housing development.

[Action Step #1: Allow By-Right Affordable Housing in Residential Zones](#Table_of_Contents)

The Task Force determined that local jurisdictions should initiate a zoning amendment process to allow affordable housing by-right, except on agricultural and open space lands; there was recognition that design review may still be applicable. Proactive planning measures such as designation of affordable housing overlay zones or similar measures will not only speed up the development timeline, but will also reduce entitlement costs and provide certainty to the development process. In addition to having fewer discretionary approvals to secure, developers will obtain guidance on selecting sites that will meet other priorities such as access to public transit, pedestrian orientation and neighborhood amenities.

In addition, the Housing Task Force recommends that programmatic EIRs be adopted as part of the Housing Element process for Napa County agencies to help reduce opportunities for legal challenges. The California Environmental Quality Act (CEQA) has become a tool used by slow growth advocates to challenge developments in court. Affordable housing in Napa County has not been immune to this phenomenon, and there has been growing public pressure at the State to reform CEQA to discourage frivolous challenges. These lengthy delays attributed to CEQA lawsuits increase total development costs by extending the predevelopment phase, leading to increases in predevelopment loan interest, acquisition loan interest, carrying costs, developer overhead, and construction and labor costs. Through reform, the costs associated with frivolous litigation will be greatly reduced while allowing for greater predictability in the development process. Notwithstanding these efforts by the State to reform CEQA, the Task Force recommends that programmatic EIRs be ushered through the local administrative levels to mitigate the effects of CEQA litigation on local affordable housing developments.

To foster greater understanding and communication between public agencies and Napa residents, the Housing Task Force recommends that the creation of affordable housing overlay zones be accompanied by public materials that clarify the by-right nature of future affordable housing developments. Clearly delineating where affordable housing may be built will promote better understanding of the by-right land uses in the area and catalyze development projects. This will also help to curb the problem of NIMBYism. The Housing Task Force raised the issue that Napa residents are often unaware of eligible land that can be used for affordable housing development in their community. Addressing NIMBYism at the land use stage, not the project proposal stage, will abate the need to effectively pitch affordable housing to neighborhoods.

[Action Step #2: Pursue Greater Density](#Table_of_Contents)

Although density policy falls under this non-monetary strategy, its appeal stems from the positive impact that increased density has on development costs and total unit production. In order to reduce costs while increasing housing supply, the Task Force recommends developing a policy targeting density at the midpoint or higher of the density range. City staff pointed out that proposed developments often do not maximize allowable densities. This leads to site plans that do not fully take advantage of the higher density zones allocated throughout the region. To maximize densities in appropriate zones, the Task Force recommends adoption of a policy that requires developments to be built with density range required for the property and to set a target at the midpoint or higher within the allowable density range. For example, if a site can accommodate 20-40 units, this policy would target that the proposed housing developments comprise 30 units and certain findings be made if the proposed housing falls below the midrange of the density. The upsurge in minimum density requirements will cause future developments to achieve greater densities and increase total affordable housing unit production.

The Housing Task Force also recommends identifying sites that can exceed densities in an affordable housing overlay zone or similar method. For instance, one option is to allow affordable units to be developed by-right once a certain density threshold has been met. Another option is to adopt flex density in order to increase housing supply. The flex density designation would permit higher density in pre-approved areas suitable for affordable housing development without the need to rezone or go through an entitlement process. These methods will provide further transparency for developers while streamlining and fast-tracking the development process. These methods will also promote proximity synergies by steering increased density towards transit nodes and major employment centers.

[Action Step #3: Prioritize Methods to Fast Track Development Processes](#Table_of_Contents)

The County has seen firsthand the delays that can occur due to the lengthy timelines of development processes. In order to fast track and streamline these development processes, the Housing Task Force recommends reviewing the timelines for all development processes, including permitting and inspections. This would include conducting focus groups with developers, architects, and contractors to obtain feedback on critical path tasks that could be shortened. The local jurisdiction can then use the findings to begin to implement measures that will streamline the development process. Some examples include establishing flex zoning in areas designated appropriate for affordable housing development, lessening parking requirements in these designated zones and creating more flexible development standards in order to fast track and streamline the process. For example, the jurisdiction can choose to alter the requirements of standards such as minimum lot size, setbacks, open space requirements, on- and off-site improvements and size of new affordable units. These standards would be selected based on the feedback obtained from the review of timelines and from the focus groups with developers in order to prioritize reducing the requirements that most hinder the development process.

[Action Step #4: Hold Article 34 Election](#Table_of_Contents)

The fourth nonmonetary action step recommended by the Task Force is to initiate a countywide vote on Article 34 authorization in order to regulate 100% of affordable housing units (see definition of Article 34 in Section 1, Working Groups). Because public agencies are often reluctant to undertake the delay, uncertainty and potential additional expense of a local election, the Housing Task Force recommends that Napa County utilize a strategy similar to the one undertaken by Sonoma County.

For the 2004 election, Sonoma County added Measure N to the ballot which was approved by 51.7% of the vote. This Article 34 measure authorized affordable housing development up to 0.5% of total housing units existing in the unincorporated area of the county each year[[5]](#footnote-5). The measure required that projects authorized must be consistent with the Sonoma County General Plan and zoning ordinance, and could not result in an increase in local taxes. Projects would also remain subject to Sonoma County’s usual planning, environmental review, zoning, and building requirements. The Task Force recommends a similar approach for Napa County to obtain voter approval in favor of countywide all-encompassing affordable housing development. Thus future projects can plan for development without the required Article 34 election for each individual project. This strategy would fast track the development process while allowing developers to apply for federal and state funds for 100% of affordable units, thereby maximizing funding from non-local sources and improving project feasibility.

[Action Step #5: Promote Employee Housing](#Table_of_Contents)

The Housing Task Force recommends that affordable housing be steered towards Priority Development Areas (PDA’s) such as transit nodes and major employment centers; this creates an opportunity to promote employee housing in tandem with these efforts. In order to tie workforce housing to place of employment, the local jurisdiction can generate a policy whereby new or expanding employers must plan for employee housing in close proximity to the major employer.

There are several ways by which to gain a good understanding of the area’s major employers and the needs of their employee base. The Task Force recommends local jurisdictions reach out to existing major employers in order to identify these needs. One method is to survey large employers to determine characteristics such as employee income levels, current residences, and desires to live in Napa County.

It is also recommended that the County reevaluate winery/vineyard workers and their specific housing needs. A recent study completed by the County, on behalf of the ratepayers in CSA 4, indicates that an increasing number of farmworkers are making Napa their year round place of residence, and that there is an increasing need for farmworker family housing. Another method is to provide opportunities for employee housing both on-site and in proximate locations. Employers should be allowed to build off-site or proximate units for employees as well. Not only will this tie workforce housing and production goods to the place of employment, but it will also be a more efficient use of surplus land.

[Action Step #6: Generate Proximity Housing Incentives and Policies](#Table_of_Contents)

The final nonmonetary action step recommended by the Housing Task Force is to generate proximity housing incentives. One recommended method is to develop employer incentives based on the percentage of their employees living close to work. These economic incentives could help spur private sector employee housing programs while helping to reduce traffic due to the proximity to place of employment. Another strategy is for the local jurisdiction to use housing proximity as a criterion for approval of new or expanding commercial development. This strategy would result in the private sector sharing in the development of housing solutions.

Yet another method is to encourage live-work, mixed-use and other innovative zoning strategies. This method would require the jurisdiction to adopt creative zoning strategies that will increase the housing supply and to use appealing site plans that will attract commuters to consider moving to Napa.

The final recommended strategy to generate proximity housing is to create a home finding clearinghouse. This will provide the community with access to housing opportunities and will serve as a one-stop-shop for housing resources.

[Strategy 5: Provide Appropriate Oversight and Collect Data to Inform Practice and Measure Success](#Table_of_Contents)

**Why this Strategy is Important**

*Oversight and measurement allow for refinement of strategies, benchmarking towards goals and transforming actionable steps into impactful outcomes.*

The Action Plan requires multiple levels of inter-jurisdictional and community partnership formation and/or collaboration in order to have measurable success. The ultimate goal is to produce more affordable housing development sites that can leverage federal and state resources. This effort will require appropriate oversight for success and will likely necessitate some systems change and reprioritization within local jurisdictions.

In its discussions on new construction versus rehabilitation and on targeting household types, the Task Force reached consensus on the following guiding principle:

***Strong leadership is required to guide the endeavor to success.***

Provide a collaborative process for advising cities and the County on matters associated with funding of affordable housing and development and monitoring and providing feedback within

Napa County to encourage success of the Action Plan

The action steps below propose the creation of a public-private oversight group, which would serve at the discretion of the City Councils of the City of Napa and City of American Canyon and the Board of Supervisors of the County of Napa. This oversight group would:

* review progress against the Action Plan
* provide feedback and assistance to accomplish the actions steps and tasks, and
* amend the Action Plan, if necessary

[Action Step #1: Provide an Internal Monitoring System that will Produce Feedback on Opportunities for Enhanced Collaboration](#Table_of_Contents)

The Housing Task Force recommends development of a monitoring system to promote internal collaboration and feedback. This system should include a plan for periodic review of progress in meeting Action Plan objectives. This will include evaluation of progress towards the generation of $5 million annually for the creation of at least 60 affordable housing units per year beginning by 2018.

[Action Step #2: Provide Adequate Oversight for Plan Implementation](#Table_of_Contents)

Goal completion relies on clear lines of authority and responsibility at the overall plan level as well as at the task and outcomes delivery level. Responsibility for oversight, evaluation and the success of this plan will be delegated to a public-private oversight group, who will assign tasks and responsibilities internally and annotate the Action Plan to reflect any internal assignments for implementation of strategies, action steps and tasks.

The Housing Task Force strongly encourages interest groups continue to meet to discuss how new units can be added to the current inventory.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **STRATEGY #1:**  **PROMOTE COST EFFICIENCIES** | | | | |
| **Action Step #1: Study Alternate Ways to Lower Costs** | | | | | |
| **Tasks** | | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Identify best practices in use by other jurisdictions | | Local | X | * Recommendations are adopted and implemented. |  |
| State |  |
| Voter |  |
| * Research off-site, pre-fabricated, modular construction | | Local | X | * NOFA’s prioritize cost efficient strategies including pre-fabricated construction. |  |
| State |  |
| Voter |  |
| **Action Step #2: Tie Fees to Actual Costs for Affordable Units** | | | | | |
| **Tasks** | | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Review and amend fee structures to ensure that affordable units pay lower or deferred fees | | Local | X | * Make fee structure work within the development process. |  |
| State |  |
| Voter |  |
| **Action Step #3: Facilitate Legalization of 2nd Units** | | | | | |
| **Tasks** | | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Explore incentives for encouraging 2nd units that will contribute to increasing the housing supply | | Local | X | * Second unit policies and programs are adopted. |  |
| State |  |
| Voter |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **STRATEGY #1:**  **PROMOTE COST EFFICIENCIES** | | | | |
| **Action Step #4: Establish a Countywide Green Ordinance** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Draft green guidelines | Local | X | * Sustainable building reduces operating costs and offers a healthy and safe home. |  |
| State |  |
| Voter |  |
| * Adopt Green Ordinance throughout the county | Local | X | * A countywide green ordinance provides a consistent and standardized design process. |  |
| State |  |
| Voter |  |
| * Provide expedited review and approvals for green buildings | Local | X | * Expedited approvals shorten development timelines and reduce costs. |  |
| State |  |
| Voter |  |
| **Action Step #5: Promote Unit Size Appropriateness** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Modify City/County underwriting guidelines to set maximum unit sizes with livable standards, requiring justification for larger units | Local | X | * Size limits will help control construction and operating costs and increase density. |  |
| State |  |
| Voter |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **STRATEGY #1:**  **PROMOTE COST EFFICIENCIES** | | | | |
| **Action Step #6: Adopt Parking Overlays** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Review and revise parking standards to allow lower parking standards for projects located near transit | Local | X | * Flexible parking standard adopted for projects near transit. |  |
| State |  |
| Voter |  |
| **Action Step #7: Adopt Utility Allowances for Green Buildings** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Adjust utility allowances to include separate allowances for tenant-paid utilities in green buildings | Local | X | * Modification of utility allowances to include lower utility allowances for green buildings. |  |
| State |  |
| Voter |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **STRATEGY # 2:**  **DETERMINE OPTIMAL MIX OF HOUSING TYPES** | | | | |
| **Action Step #1: Encourage Affordable Housing Site Selection Near Transit and Employment Centers** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Incorporate a point system into NOFA for sites near transit and employment centers | Local | X | * In a competitive funding round, resources will be targeted towards developments that are near transit and employment centers. |  |
| State |  |
| Voter |  |
| * Identify sites and designate areas that meet this objective | Local | X | * Affordable housing zones will direct resources towards preferred areas that meet several public policy objectives, including proximity to employment and transit. |  |
| State |  |
| Voter |  |
| **Action Step #2: Direct Resources so that the predominate type of Assisted Units is Rental Housing** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Adopt policies and budgets that reflect assisted unit goals | Local | X | * Policies and budgets adopted to encourage development of and provide funding for rental projects. |  |
| State |  |
| Voter |  |
| * Tie-in priorities to proximity to transit/employment and surplus public land | Local | X | * Priorities are included in adopted policies. |  |
| State |  |
| Voter |  |
| * Create flexibility to undertake opportunities as they arise | Local | X | * Policy adopted for project selection. |  |
| State |  |
| Voter |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **STRATEGY # 2:**  **DETERMINE OPTIMAL MIX OF HOUSING TYPES** | | | | | | |
| **Action Step #3: Direct Resources so that Homeownership Opportunities of All Types Are Encouraged** | | | | | | |
| **Tasks** | **Required Approvals** | | | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Adopt policies and budgets that reflect assisted unit goals | Local | | | X | * Policies and budgets adopted with funding for homeownership projects and programs. |  |
| State | | |  |
| Voter | | |  |
| * Tie-in priorities to proximity to transit/employment, green building, surplus public land | Local | | | X | * Priorities are included in adopted policies. |  |
| State | | |  |
| Voter | | |  |
| * Investigate and design effective home ownership assistance programs | Local | | | X | * Homeownership programs are established. |  |
| State | | |  |
| Voter | | |  |
| **Action Step #4: Target a Mix of Households Including Workforce, Special Needs and Seniors** | | | | | | |
| **Tasks** | | **Required Approvals** | | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Developments should include targeting Workforce, Large Families, Special Needs[[6]](#footnote-6), and Seniors | | Local | X | | * On a case-by-case basis, projects will be evaluated for their efforts to meet the needs of prioritized tenant populations. |  |
| State |  | |
| Voter |  | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **STRATEGY # 3:**  **MAXIMIZE FINANCING RESOURCES** | | | | |
| **Action Step #1: Work with Development Community to Provide Additional Funding for Affordable Housing and Consider Adjusting Development Impact Fees Throughout the County** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Work with development community to develop source of additional funding for affordable housing * Consider adopting and/or adjusting development impact fees across all jurisdictions | Local | X | * Recommendation for additional revenues to fund affordable housing development * Establish a commercial impact fee in other cities such as American Canyon. * Establish residential impact fee in other cities such as American Canyon. * Review the City of Napa’s impact fees and the County’s commercial impact fees |  |
| State |  |
| Voter |  |
| **Action Step #2: Work with Wine Industry to Provide Additional Funding for Affordable Housing and Consider Increasing CSA 4 Assessment[[7]](#footnote-7)** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Work with wine industry to develop plan for increasing funding for affordable housing. | Local | X | * Recommendation for new revenues from wine industry to fund development of affordable housing |  |
| State | X |
| Voter |  |
| * Consider increasing CSA Assessment Work with ratepayers and the state legislature to adopt legislation that increases the CSA 4 assessment * Conduct countywide vote to increase assessment if state legislation is successful | Local | X | * Countywide vote authorized by change in State legislation to increase CSA 4 rate. * Parcel owner approval authorizing an increase to the CSA 4 assessment. |  |
| State |  |
| Voter | X |

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| --- | --- | --- | --- | --- |
| **STRATEGY # 3:**  **MAXIMIZE FINANCING RESOURCES** | | | | |
| **Action Step #3: Work with Hospitality Industry to Develop Source of Funding for Affordable Housing; Consider Increasing Transient Occupancy Tax (TOT)** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Work with hospitality industry to develop source of funding for affordable housing. | Local | X | * Recommendation for new source of funding for affordable housing development |  |
| State |  |
| Voter |  |
| * Consider increasing TOT from 12% to 13% | Local | X | * Increased TOT revenue will be directed into a countywide regional pool for affordable housing development. |  |
| State |  |
| Voter | X |
| **Action Step #4: New Revenues to a Countywide Regional Pool for Affordable Housing** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Establish a countywide regional pool for new sources of affordable housing funding. | Local | X | * Revenue deposited to regional pool for affordable housing. |  |
| State |  |
| Voter |  |

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| --- | --- | --- | --- | --- |
| **STRATEGY # 3:**  **MAXIMIZE FINANCING RESOURCES** | | | | |
| **Action Step #5: Direct a Portion of Tax Increment “Boomerang Funds” to Affordable Housing Development.** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * City and County to allocate a portion of prior tax increment funding to affordable housing. | Local | X | * “Boomerang” funds allocated to affordable housing development. |  |
| State |  |
| Voter |  |
| **Action Step #6: Increase Business License Tax and Direct Funding to Affordable Housing Development** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * To place a measure on a ballot to increase business license tax. * County approval to allocate this new tax revenue for affordable housing. | Local | X | * Voter approval of new increased business license tax. * Increased business license revenue which creates a link between employers and housing. |  |
| State |  |
| Voter | X |

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| --- | --- | --- | --- | --- |
| **STRATEGY # 3:**  **MAXIMIZE FINANCING RESOURCES** | | | | |
| **Action Step #7: Increase Real Estate Transfer Tax.** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Work with state legislature to adopt legislation to increase the real estate transfer tax rate (except City of Napa which as a charter city does not require State legislation to increase its transfer tax). | Local | X | * State legislation authorizing an increased real estate transfer tax rate, with revenue directed into a countywide regional pool for affordable housing development. * Voter approval to increase real estate transfer tax rate. |  |
| State | X |
| Voter | X |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **STRATEGY # 4:**  **IMPLEMENT NON-MONETARY PRODUCTION OPPORTUNITIES** | | | | |
| **Action Step #1: Allow By-Right Affordable Housing in Residential Zones** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Initiate zoning amendment process to allow housing by-right (although design review may still be applicable), except agricultural land | Local | X | * Speed up development timeline. * Reduce entitlement costs. * Provide certainty to process. |  |
| State |  |
| Voter |  |
| * Complete Programmatic EIR as part of policy adoption to reduce opportunities for legal challenges | Local | X | * Greater predictability in the development process. * Reduces legal costs. |  |
| State |  |
| Voter |  |
| * Clarify land use documents to show where affordable housing is allowed by-right | Local | X | * Communicate where affordable housing may be built in the community to catalyze development projects. |  |
| State |  |
| Voter |  |
| **Action Step #2: Pursue Greater Density** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Develop a policy targeting density at the midpoint or higher of the density range (taking into account site restrictions) | Local | X | * Future developments will reach greater densities, thereby increasing the housing supply. |  |
| State |  |
| Voter |  |
| * Identify sites that can exceed densities in an affordable housing overlay zone or similar method | Local | X | * Provides transparency for developers while allowing synergies with proximity, transit, and employment centers. |  |
| State |  |
| Voter |  |
| **STRATEGY # 4:**  **IMPLEMENT NON-MONETARY PRODUCTION OPPORTUNITIES** | | | | |
| **Action Step #3: Prioritize Methods to Fast Track Development Processes** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Review timelines for all development processes, including permitting and inspections | Local | X | * Recommendations for streamlining and fast tracking .the development process are implemented. |  |
| State |  |
| Voter |  |
| * Continue to reach out to developers, architects, and contractors to obtain feedback on timelines to prioritize their modifications | Local | X | * Further streamlining and fast tracking is achieved. |  |
| State |  |
| Voter |  |
| **Action Step #4: Hold Article 34 Election** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Initiate Countywide vote on Article 34 authorization to regulate 100% of affordable units | Local | X | * Article 34 election approved which allows developers to apply for federal and state funds for 100% of affordable units, thereby maximizing funding from non-local sources and improving project feasibility. |  |
| State |  |
| Voter | X |
| **Action Step #5: Promote Employee Housing** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Generate a policy whereby new or expanding employers must plan for employee housing | Local | X | * Workforce housing production goods are tied to place of employment. * Efficient use of surplus land. |  |
| State |  |
| Voter |  |
| * Outreach to existing major employers to identify opportunities for employee housing on-site or in proximate locations | Local | X | * Workforce housing created on-site or near place of employment. * Efficient use of surplus land. |  |
| State |  |
| Voter |  |
| **STRATEGY # 4:**  **IMPLEMENT NON-MONETARY PRODUCTION OPPORTUNITIES** | | | | |
| **Action Step #6: Generate Proximity Housing Incentives and Policies** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Develop employer incentives based on the percentage of their employees living close to work | Local | X | * Economic incentives will help spur private sector employee housing programs and help to reduce traffic. |  |
| State |  |
| Voter |  |
| * Use housing proximity as a criteria for approval of new or expanding commercial development | Local | X | * The private sector will share in the development of housing solutions. |  |
| State |  |
| Voter |  |
| * Encourage live-work, mixed-use and other innovative zoning strategies | Local | X | * Jurisdiction(s) will adopt zoning strategies that increase the housing supply and use appealing site plans that will attract commuters to consider moving to Napa. |  |
| State |  |
| Voter |  |
| * Create a clearinghouse for access to housing opportunities and resources | Local | X | * A Home Finding website will serve as a “one-stop-shop” for housing resources. |  |
| State |  |
| Voter |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **STRATEGY # 5:**  **PROVIDE ADEQUATE OVERSIGHT AND COLLECT DATA TO INFORM PRACTICE**  **AND MEASURE SUCCESS** | | | | |
| **Action Step #1: Provide Internal Monitoring System that will Produce Ongoing Feedback** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Develop monitoring system to provide collaboration and feedback from key stakeholders | Local | X | * Feedback systems create additional opportunities for collaboration and maximizing opportunities that arise. |  |
| State |  |
| Voter |  |
| * Plan for periodic review of progress in meeting goals | Local | X | * Work plan is updated regularly. Updates are shared with key stakeholders. |  |
| State |  |
| Voter |  |
| **Action Step #2: Provide Adequate Oversight for Plan Implementation** | | | | |
| **Tasks** | **Required Approvals** | | **Measurable Outcome(s)** | **Target Completion Date(s)** |
| * Annotate work plan on a regular basis, not less than quarterly, to reflect any assignments for implementation of strategies, action steps and tasks. | Local | X | * Updated and annotated plan is available to future governing entity members. |  |
| State |  |
| Voter |  |

[Appendix A  
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[Appendix B  
Summary of Task Force Meetings](#Table_of_Contents)

The Task Force met over the course of nine months to discuss incentives and formulate this recommendation report. The dates and venues of these meetings were:

**Meeting #1: July 25, 2012**

Napa County Airport, Conference Room

**Meeting #2: August 8, 2012**

Napa Valley College, McCarthy Library Community Meeting Room

**Meeting #3: September 12, 2012**

Yountville Community Center, Heritage Room

**Meeting #4: October 10, 2012**

Napa Valley College, McCarthy Library Community Meeting Room

**Meeting #5: November 14, 2012**

Napa Valley College, McCarthy Library Community Meeting Room

**Meeting #6: December 12, 2012**

Napa Valley College, McCarthy Library Community Meeting Room

**Meeting #7: March 13, 2013**

Napa Valley College, McCarthy Library Community Meeting Room

Topics discussed at the Task Force meetings are listed below.

|  |  |
| --- | --- |
| **July 25, 2012** | |
| **Napa County Airport** | |
| **Topics of Discussion** | **Description** |
| Overview of Task Force Process and Goals | * Overview presented |
| Task Force Ground Rules | * PowerPoint presented on Brown Act |
| Affordable Housing Background Information Overview | * Presented the following:   + Inventory of affordable housing units   + City of Napa funding history   + Section 8 rental assistance statistics |
| Housing Needs Requirements | * Presented the following:   + Farmworker sector background information   + Immigration study overview   + Large employer data   + Existing homeless stats   + Cities/County housing element requirements   + Regional housing needs assessment – affordable housing unit allocation   + Commuter data   + Occupations by affordable income category |
| Task Force Discussion of Affordable Housing Needs and Issues | * Discussion of task force goals * Discussion of priority needs * Identification of affordable housing issues * Identification of attainable solutions |
| **August 8, 2012** | |
| **Napa Valley College** | |
| **Topics of Discussion** | **Description** |
| July 25, 2012 Meeting Recap | * Summarized documents provided as follow-up   + - Number of housing units in Napa County     - Large employers     - 5-year projection of funding sources     - Proformas for affordable new construction and rehabilitation projects |
| Affordable Housing Funding Sources and How These Funds Are Used | * Why affordable housing is more expensive than market rate   + - Clarification on affordable housing up-front developer fee compared to on-going ROI for market rate developments     - Status of various existing and potential funding sources     - Proposed legislation that may impact affordable housing |
| Review of Innovative Housing Programs and Funding Sources | * Discussed current legislative efforts, Infrastructure Finance Districts, and what may succeed redevelopment |
| Discussion of Affordable Housing Potential Risks | * Presented the following:   + Exposure to fair housing claims by HUD   + Elimination of Analysis of Impediments to Fair Housing by HUD |
| Discussion of Barriers to Affordable Housing Entry | * Presented the following:   + Complexity of applications   + Waiting lists for currently qualified (200+)   + Documentation required for qualification |
| Discussion of Funding Sources and Programs | * Unit size   + Lower cost to build smaller units   + Overcrowding * Removing discretionary approval of affordable housing by zoning * County’s proximity housing program * Survey of large employers about employees * Desire to quantify housing need |
| **September 12, 2012** | |
| **Yountville Community Center** | |
| **Topics of Discussion** | **Description** |
| Barriers to Market Rate Housing Entry | * Presented the following:   + FHA loan basics   + Affordability analysis   + Proximity loan program   + Napa market rate homes   + Building permits   + Rental market   + Build vs. buy rental analysis   + Proximity rental assistance |
| Task Force Discussion | * Affordable housing needs * NIMBYism * Costs of housing * Behavior of neighbors and officials * Difficulty in quantifying housing needs * Nonmonetary tools to generate affordable housing * RHNA * Long-term strategy (post RDA dissolution) * Prioritization of housing revenue sources * Types of housing |
| **October 10, 2012** | |
| **Napa Valley College** | |
| **Topics of Discussion** | **Description** |
| Task Force Sharing of Brainstorming Lists | * Article 34 election * Overview of Sonoma County program * Uniformity among all cities in Napa County on Inclusionary Ordinances * Look at public land available for affordable housing sites |
| Discussion on Non-Monetary Housing Tools Matrix and Recommendations on Next Steps | * The following issues were discussed:   + Permit by right multi-family housing projects within the allowed density range   + Allow second units by right in all residential zones   + Ease owner-occupancy requirements on property with second unit   + Reduce parking standards for second units   + Obtain more information on adopting amnesty program for illegal second units   + Exempt affordable housing units from Growth Management Policies |
| Recap on Housing Fund Source Subcommittee Meeting | * List 4A as a Property Transfer Tax or Recording Fee * Pursue Successor Agency funding * Obtain estimates on what funding sources may generate * Retain pursuit of funding from wineries * $10 per acre self-assessment to address farmworker housing need |
| Recap on Improving Efficiencies/Cost of Housing Subcommittee Meeting | * Advocate putting affordable housing into market rate projects to integrate into community * Include minimum unit sizes in underwriting guidelines * Need for measurement tool to gauge success (e.g. Washington Cottage Ordinance) |
| Recap on Priorities of Housing Types Subcommittee Meeting | * 25% of funding should go to homeownership programs * 75% of funding should go to rental programs in the following order:   + Identify distressed property owners and offer loans to rehabilitation units for low or low-mod households   + Acquire and rehabilitation rental properties for low and low-mod households   + New construction * Measures would not add to housing stock but would make more affordable units available while revitalizing neighborhoods |
| Presentation on Five Strategies to Consider | * 1 – Link housing strategies to workforce needs * 2 – Determine optimal mix of housing types * 3 – Maximize financing resources and cost efficiencies * 4 – Implement non-monetary production opportunities * 5 – Provide adequate oversight and collect data to inform practice and measure success |
| **November 14, 2012** | |
| **Napa Valley College** | |
| **Topics of Discussion** | **Description** |
| Review of Updated List of Non-Monetary Housing Tools | * Ongoing   + Maintain list of available vacant or underutilized sites   + Sell city/county owned land for affordable housing   + Increase or exempt residential FARs to support housing in mixed use developments   + Exempt affordable housing units from Growth Management Policies   + Allow by right certain size affordable housing developments * Complete   + Adopt a Fast Track Permit Process for housing projects   + Adopt a policy to target development in cities   + Reduce parking standards for second units   + Plan for mixed use development |
| Article 34 Election | * Background   + Requires approval of majority of voters before any “low rent housing project” can be developed, constructed, or acquired by any “state public body”   + Elections can be for specific project but more often establish number of units to be built   + Unless project can meet exemptions no more than 49% of rental units may be restricted for low-income by a governmental entity * Sonoma County’s Authority   + Measure N approved by 51.7% in 11/04   + Authorized development within unincorporated area up to 0.5% of total number of housing units existing during the year   + Units authorized but not used do not carry over   + Projects must be consistent with General Plan and zoning ordinances and must go through normal planning approval process * Cost   + Regular election would cost between $2,500 and $5,000   + Special election would cost about $200,000     - Not a viable option |
| Review Chart of Impacts of Revenue Increases | * Discussion held regarding the following:   + What is target amount for additional revenues?   + Which source(s) should be pursued? Should any be dropped?   + What proportion of new funding should each funding source provide? |
| Review of Five Proposed Strategies | * Sub-groups broken out to prioritize recommendations for each strategy |
| **December 12, 2012** | |
| **Napa Valley College** | |
| **Topics of Discussion** | **Description** |
| Discussion of Strategy to Determine Optimal Mix of Housing Types | * Breakout sessions were held to prioritize action items within each strategy group |
| Review and Feedback on Draft Task Force Action Plan | * Large group discussion held |
| **March 13, 2013** | |
| **Napa Valley College** | |
| **Topics of Discussion** | **Description** |
| Review and Feedback on Revised Draft Task Force Action Plan | * Large group discussion held |
| **May 1, 2013** | |
| **Napa Valley College** | |
| **Topics of Discussion** | **Description** |
| Review and Finalize Task Force Action Plan | * Large group discussion held |

[Appendix C  
Non-Monetary Strategies Matrix](#Table_of_Contents)

**Inventory of Non-Monetary Tools for Affordable Housing**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Strategy Adopted** | | |
| **Affordable Housing Strategy** | **County of Napa** | **City of Napa** | **City of American Canyon** |
| **Augment Housing Supply** |  |  |  |
| Allow second units by right in all residential zones |  | X | X |
| Ease owner-occupancy for second units or main residence | X |  |  |
| Provide a density increase for subdivisions above State density bonus (i.e., for smaller lots) |  | X |  |
| Provide a density increase for affordable housing development above state law |  |  | X |
| Zone properties for increased densities above general plan density range | X | X |  |
| Establish standards and zone for SROs | X | X |  |
| Require second units in large subdivisions as a housing alternative |  |  |  |
| Zone property specifically for affordable housing | X | X |  |
| Target density at the mid-range of the density range or above by policy |  | X |  |
| Do not allow density to fall below the density range "floor" without adoption of certain findings |  | X | X |
| Adopt inclusionary housing ordinance for non-residential development to include payment of fees or construction of units | X | X |  |
| **Impaired Housing** |  |  |  |
| Adopt amnesty program for illegal second units prior to a certain date |  |  |  |
| Adopt universal design standards for low cost housing (e.g., second units) to speed the permit process | X |  |  |
| Protect mobilehome residents from displacement & unreasonable rent increases |  | X | X |
| Get mobile homes recognized as affordable housing stock (with State) |  |  |  |
| Adopt residential and mixed use design guidelines to help define the expectations and speed up the process |  | X | X |
| **Preservation** |  |  |  |
| Discourage down zoning without mitigating loss of multifamily housing sites |  | X | X |
| Preserve apartments by limiting their conversion to condominiums |  | X |  |
| **Measures Ongoing or Complete** |  |  |  |
| Maintain a list of available vacant or underutilized housing sites | X | X | X |
| Sell City/County owned land for affordable housing to benefit affordable housing | X | X | X |
| Increase or exempt residential FARs (above State requirements) to support housing in mixed use developments | X | X | X |
| Adopt a Fast Track Permit Process for housing projects | X | X | X |
| Adopt a policy to target development in cities | X | X |  |
| Exempt affordable housing units from Growth Management Policies | X | X | X |
| Reduce parking standards for second units | X | X | X |
| Plan for mixed use development | X | X | X |
| Allow by right certain size affordable housing developments (i.e., up to "x" units) | X | X | X |

[Appendix D  
Strategy Rankings](#Table_of_Contents)

Action steps rated by task force members based on rating scale between 1 and 3, with 3 being high priority, 2 medium priority and 1 low priority:

|  |  |  |
| --- | --- | --- |
| Strategy | Action Step | Average |
| Determine Optimal Mix of Housing Types | #1: Encourage Affordable Housing Site Selection Near Transit and Employment Centers | 2.5 |
| #2: Direct Resources so that predominate type of Assisted Units are Rental Housing | 2.44 |
| #3: Direct Resources so that Assisted Units include Home Ownership | 2.07 |
| #4: Target a Mix of Households | n/a |
| Maximize Financing Resources | #1: Pursue Consistent Development Impact Fees Throughout the County | 2.47 |
| #2: Increase CSA 4 Assessment | 2.37 |
| #3: Direct Tax Increment and Business License Revenues to a Countywide Pool | 2.27 |
| #4: Increase Transient Occupancy Tax (TOT) | 2.27 |
| #5: Increase Real Estate Transfer Tax | n/a |
| Promote Cost Efficiencies | #1: Study Alternate Ways to Lower Costs | 2.54 |
| #2: Tie Fees to Actual Costs for Affordable Units | 2.53 |
| #3: Facilitate Legalization of 2nd Units | 2.33 |
| #4: Establish Countywide Green Ordinance | 2.27 |
| #5: Promote Unit Size Appropriateness | 2.13 |
| Implement Non-Monetary Production Opportunities | #1: Allow By-Right Affordable Housing in Residential Zones | 2.66 |
| #2: Pursue Greater Density | 2.64 |
| #3: Prioritize Methods to Fast Track Development Processes | 2.4 |
| #4: Hold Article 34 Election | 2.33 |
| #5: Promote Employee Housing | 2.1 |
| #6: Generate Proximity Housing Incentives and Policies | 2.04 |
| Provide Adequate Oversight and Collect Data to Inform Practice and Measure Success | #1: Provide Internal Monitoring System that will Produce Ongoing Feedback | 2.8 |
| #2: Provide Adequate Oversight for Plan Implementation | 2.6 |

APPENDIX E  
POTENTIAL NEW REVENUE

**JOINT CITY/COUNTY AFFORDABLE HOUSING TASK FORCE**

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| 2 color Logo-Small | SealDetailed | [City of Napa logo](http://www.cityofnapa.org/) |

Councilmember Mark Joseph Supervisor Mark Luce Vice Mayor Pete Mott

**REVENUE ANALYSIS FOR THE AFFORDABLE HOUSING TASK FORCE**

**TO: AFFORDABLE HOUSING TASK FORCE**

**FROM: LARRY FLORIN, DIRECTOR OF HOUSING AND INTERGOVERNMENTAL AFFAIRS**

**PREPARED BY: NANCY MCDONNELL, STAFF SERVICES ANALYST**

**NAPA COUNTY EXECUTIVE OFFICE**

**HOUSING AND INTERGOVERNMENTAL AFFAIRS DIVISION**

**INTRODUCTION:**

Staff, directed by the Joint Countywide Affordable Housing Task Force, has comprised the following list of revenue options for additional funding to create a reliable and dedicated revenue source for Countywide Affordable Housing construction.

**POTENTIAL REVENUE SOURCES**

**MITIGATION FEE**

**CSA 4 INCREASE**

**BUSINESS LICENSE FEE**

**TOT INCREASE**

**REAL ESTATE TRANSFER TAX**

**RECORDING FEE**

The following report includes a breakdown of each revenue source, including a brief description of what the source is, how it works, the process for creating or increasing existing fees and taxes, as well as a staff recommendation on the feasibility of implementing the tax or fee.

**MITIGATION FEE**

**(COMMERCIAL AND RESIDENTIAL)**

**DESCRIPTION:** Napa County currently charges both a residential and commercial mitigation fee for affordable housing. The County maintains an Affordable Housing Fund where all affordable housing fees required by the Affordable Housing Ordinance are to be deposited. The Affordable Housing Fund monies are to be administered by the Housing Director under the direction of the Board of Supervisors. Affordable Housing Fund monies must be used to increase, improve, or preserve affordable housing in the County. On an annual basis, the Housing Director is required to prepare a report for the Board of Supervisors that lists all monies in the fund, describes the source of such monies, and details any activities undertaken with the Affordable Housing Fund during the reporting period.

Housing fees for commercial development are assessed per gross square foot of new nonresidential space and are charged to help mitigate the need for affordable housing in the County caused by new jobs created from the development. Fees are set by resolution of the Board of Supervisors based on the following land use categories: office, retail, warehouse, industrial and hotel. Fees for affordable housing related to nonresidential development were last amended in 2004 with the previous Housing Element adoption.

Residential Developmentrequires that 20 percent of all single family detached dwelling units and 17 percent of all single family attached and common interest dwelling units in an ownership project must be affordable to moderate income households. (The County retains the ability to negotiate for units affordable to low and very-low income households in the context of a development agreement.)  Projects of four units or less may pay housing fees, but projects of five units or more must provide affordable housing on site. Housing fees, paid in lieu of this requirement, with respect to residential projects will be set by resolution of the Board of Supervisors. These fees will be based on gross square footage of residential floor area.

Rental Residential Projects must pay housing fees based on the floor area of each rental dwelling unit. Alternatively, and only if proposed by the developer, a residential project may:

* Be subject to an approved equivalency proposal to mitigate the impact of the rental project on the county's affordable housing needs.
* Make 12 percent of all rental units in the project affordable to low income households by entering into a rental regulatory agreement with the county as required by state law.

Certain projects, by ordinance, are exempt from the residential inclusionary requirement, such as: farm worker housing units totaling 1200 square feet or less; and deed-restricted affordable housing units.  Residential projects of four or fewer development units may either build one or more affordable units or pay housing fees based on the floor area of each market rate unit in the project. As an alternative to on-site construction of affordable units or payment of housing fees, an applicant for a residential project may suggest an alternative means of compliance so long as such alternative will supply as much or more affordable housing.  Residential projects that include the actual construction of affordable units are entitled to submit a request for the waiver of application fees, expedited permit processing and certain other incentives.

**PROCESS:** The process to increase this fee would require a vote of the Napa County Board of Supervisors, and would amend the current fees assessed to the unincorporated County. The Cities of Napa and American Canyon would have to go through their own separate process, as would other jurisdictions. The formation of a Joint Powers Authority, which could be formed to create a countywide authority, would require that all jurisdictions in the County approve the formation, as well as participate in funding a countywide nexus study.

**STAFF ANALYSIS AND RECOMMENDATION:** The current fees set in Napa County for residential projects were increased in 2010, while the commercial fees have remained static for approximately ten years. A study conducted by Keyser-Marston justifies much higher fees in the commercial development category, which is demonstrated in the Maximum Commercial Fee Schedule table listed below.

Regarding a Countywide mitigation fee, staff recommends the following three options:

1) Each jurisdiction maintain their own program

2) Each jurisdiction individually adopt a uniform fee, which would require the completion of individual nexus studies. Staff recommends the formation of an advisory board which would make recommendations to each jurisdiction on which projects to fund. An advisory board would make recommendations to member jurisdictions, and would not have direct authority over the spending of affordable housing dollars.

3) Formation of a Joint Powers Authority, which would grant authority to collect revenues into one countywide pool. This would require the completion of a countywide nexus study. In years past, this type of structure existed in the form of the Napa Valley Housing Authority. This entity would be authorized to make decisions regarding the spending of affordable housing dollars as they would be funded directly from this countywide revenue source.

**CURRENT COMMERCIAL FEE SCHEDULE**

**Housing Fees for Nonresidential Development Projects**

(Napa County Code Sections 18.107.050 and 18.107.060)

Type of Use Housing Fee Per Square Foot\*

**Office $2.00**

**Hotel $3.00**

**Retail $2.00**

**Industrial $1.00**

**Warehouse\*\* $0.80**

\*All housing fees for nonresidential projects shall be calculated using the gross square footage of nonresidential space (see Napa County Code Section 18.107.230), subject to the exceptions in Napa County Code Section 18.107.050 and pursuant to the procedures for calculation included in Napa County Code Section 18.107.060.

\*\*Warehouse uses of under 30,000 square feet shall be treated as industrial uses.

**MAXIMUM COMMERCIAL FEE SCHEDULE**

|  |  |
| --- | --- |
| **BUILDING TYPE** | **NEXUS COST** |
| OFFICE | $ 51.68 |
| HOTEL | $ 88.56 |
| RETAIL/ENTERTAINMENT | $ 108.15 |
| WINERY | $ 11.86 |
| MANUFACTURING/INDUSTRIAL | $ 31.85 |
| WAREHOUSING/STORAGE | $ 9.29 |

**EXAMPLE OF POSSIBLE COMMERCIAL FEE SCHEDULE**

For example, if the fees were raised to the following, $500,000 in additional revenue would be generated.

Type of Use Housing Fee Per Square Foot\*

**Office $6.00**

**Hotel $9.00**

**Retail $6.00**

**Industrial $3.00**

**Warehouse\*\* $2.40**

**ESTIMATED REVENUE GENERATED UNDER CURRENT FEES:** $250,000 estimated for FY2012/13

**ESTIMATED REVENUE GENERATED WITH NEW FEES:** $750,000 estimated for FY2012/13

**COUNTY SERVICE AREAS - CSA 4**

**DESCRIPTION:** According to californiataxdata.com, “In unincorporated areas, basic services like water, sewer, police and fire protection are provided by the county. Because counties often consist of large and diverse geographical areas, providing a consistent and adequate service level across all areas can be difficult. Residents of urban communities may want more services than those residing in rural areas. The County Service Area Law (Government Code §25210.1 *et seq.*) was created in the 1950’s to provide a means of providing expanded service levels in areas where residents are willing to pay for the extra service.”

“The law allows residents or county supervisors to initiate the formation of a County Service Area (or “CSA”). A CSA is authorized to provide a wide variety of services, including extended police protection, fire protection, park and recreation facilities, libraries, low power television and translation facilities and services. CSAs also may provide other basic services such as water and garbage collection if they are not already performed on a countywide basis. A CSA may span all unincorporated areas of a county or only selected portions. A CSA may issue General Obligation or Revenue Bonds, or form improvement areas for the purpose of issuing bonds that specifically benefit, and will be charged to, only part of the CSA. Any bond issuance or other long-term debt will require approval of voters residing within the CSA.”

“A CSA is initiated by a petition of registered voters or by adoption of a resolution at the county level. Once proposed, the formation of the CSA will be subject to public notice and a public hearing. If more than 50% of registered voters or landowners protest, the CSA may need to be subject to voter approval at a special election. Once approved, the CSA is normally granted limited powers and the county board of supervisors act as the CSA board.”

Currently, the County owns and operates three migrant farm worker centers with a total of 180 beds in dorm style accommodations. County Service Area No. 4 funds migrant worker housing and is currently used for construction, maintenance and operation of the three farm worker centers.

**PROCESS:** County Service Area No. 4 was formed in 2002 under the provisions of Government Code section 25210.4h. CSA 4 provides a mechanism for owners of land containing at least one acre of planted vineyards to approve an assessment, not to exceed $10.00 per planted vineyard acre per year, which assists in the acquisition, construction, leasing and maintaining of housing accommodations to farm workers in Napa County. In 2007 assessed property owners, though the ballot procedures renewed the assessment district through fiscal year 2011-2012, and again approved a renewal of the assessment for an additional five year period in 2012. In order to increase this assessment, property owners would be required to vote with a majority in support.

**STAFF ANALYSIS AND RECOMMENDATION:** The CSA 4 assessment would require state legislation to increase the amount and additionally require a vote of the property owners in order to approve an increase. There are currently 45,429 planted acres, providing approximately $450,000 in revenue generated per year. This amount varies due to some exemptions.

The current FY 2012-13 operating budget for the three County owned and operated farm worker centers is $1,179,659, which includes such costs as utilities, staffing and food service. The assessment revenue and newly increased bed rate revenues do not fully cover the cost of operations. Last year, Auction Napa Valley funded $120,000 (and an average of $100,000 per year over the last five years), but has decided to cease this contribution and focus on educational programs. The current fiscal year budget planned on a $120,000 contribution, but only received $90,000, leaving a $30,000 deficit. In future years, with costs rising and revenues reduced, there will be a need to increase this revenue opportunity.

**CURRENT REVENUE GENERATED PER YEAR AT $10 RATE: $454,290**

**EXAMPLE OF REVENUE GENERATED PER YEAR WITH AN INCREASE TO $15 RATE: $681,435**

**BUSINESS LICENSE FEE**

**DESCRIPTION:** The State of California permits Counties and Cities to charge a business license fee to entities conducting business in their jurisdiction which make over $5,000 in gross receipts. The amount charged can range from $.10 to $1.10

**PROCESS:** In order to implement this tax in Napa County, and earmark it for affordable housing, the ordinance would need to be placed on the ballot to get voter approval (2/3 required). Next the Tax Treasurers office will need to create a business license unit to implement and maintain the collection of this annual tax.

**STAFF ANALYSIS AND RECOMMENDATION:** This fee constitutes a tax and would require a vote of 2/3 of registered voters. See section on Proposition 26

Using Alameda County as an example:

Retail: $.25 per $1,000 of gross receipts

Grocer: $.25 per $1,000 of gross receipts; above $2,000,000 is charged at $.14 per $1,000 and above $3,000,000 is charges at $.11 per $1,000

Automobile Dealers: $.25 per $1,000 of gross receipts

Wholesale: $.25 per $1,000 of gross receipts

Business and Personal Services: $1.00 per $1,000 of gross receipts

Professional-Semiprofessional Business: $1.25 per $1,000 of gross receipts

Real Estate Broker: $40 per branch and $20 per agent

Insurance and Underwriting: See semi-professional rates

Real Estate Developer: $1.25 per $1,000 of gross receipts

Recreation and Entertainment: $1.50 per $1,000 of gross receipts

Construction Contractors: $1.25 per $1,000 of gross receipts

Manufacturing: $.25 per $1,000 of gross receipts

Administrative Headquarters: $.25 per $1,000 of gross receipts

Transportation of persons and goods: $50 for first employee; $5 per next 19; $2 per next 80, etc.

Rental of Residential Property:

Collection of this tax is typically handled through the Tax Treasurers office and the license is typically posted at the place of business. This is an annual tax the County may charge.

The City of Napa projects $2.7 Million in business license fees, which is discretionary revenue, for fiscal year 2012-13.

**ESTIMATED REVENUE GENERATED PER YEAR:** Amount unknown, further analysis is necessary.

**TRANSIENT OCCUPANCY TAX**

**DESCRIPTION:**

The Transient Occupancy Tax (TOT) (hotel, motel or "bed" tax) is authorized under State Revenue and Taxation Code section 7280, as an additional source of non-property tax revenue to local government. This tax is levied for the privilege of occupying a room or rooms or other living space in a hotel, motel, inn, tourist home or house, or other lodging for a period of 30 days or less.  The imposed tax rate for accommodations at lodging facilities in the unincorporated area of Napa County is 12%.

The County ordinance requires operators to register their facility with the tax administrator annually and to have the "Certificate of Authority" to collect Transient Occupancy Tax posted in a conspicuous place on the premises at all times. A use permit must be obtained by the Planning, Building and Environmental Services department before the tax administrator can grant the "Certificate of Authority" to collect transient occupancy tax.

Transient Occupancy Tax is calculated from gross rents collected. At this time, TOT is submitted to the County Treasurer-Tax Collector on a calendar quarter basis. Due to zoning regulations, there currently are very few opportunities for new hotels or bed & breakfast establishments in the unincorporated area of the county.

**PROCESS:** In order to increase this revenue source and earmark 1% for Affordable Housing, the Board would need to amend its ordinance to approve a specific assignment (an earmark) of funds which are generally discretionary. Each jurisdiction would need to take necessary steps to gain approval by their governing bodies. (Regarding Napa County policy on earmarks, see section on discretionary revenues).

**STAFF ANALYSIS AND RECOMMENDATION:** The Napa County Board may authorize appropriations from TOT revenues for affordable housing. Government code sections §§29120-29122, establishes the Board’s obligations regarding establishing the annual budget.If the Board appropriates these revenues for affordable housing, a two thirds majority vote is needed.

*The board of Supervisors of a general law county must adopt a fiscal year budget, containing its estimates of annual revenue and establishing appropriations covering the year’s proposed expenditures. Cal. Gov’t Code §§ 29092. The board established the amounts to be raised through property taxation by subtracting from the budget’s total appropriations the combined sum of available fund balances plus estimated revenues from other sources. Cal. Gov’t Code § 29100. The annual budget constitutes a set of appropriations to finance the various activities of the county. Cal Gov’t Code § 29092, Cal. Gov’t Code § 29011. Except for narrowly limited, statutory contingencies, the county may not make expenditures or incur liability exceeding the amounts appropriated in the annual budget. Cal Gov’t Code §§ 29120-29122. (McCafferty v. Board of Supervisors, 1969, 3 Cal.App.3d 190.)*

**NAPA COUNTY:** Transient Occupancy Tax is a tax on hotels in Napa County, currently set at 12% of gross receipts, with an additional Tourism Improvement assessment of 2% applied to gross receipts.

**ESTIMATED REVENUE GENERATED PER YEAR: $1,000,000 (for 1%)**

**REAL ESTATE TRANSFER TAX**

**DESCRIPTION:** The State of California permits Counties, Cities and Towns to charge a transaction fee, known as a real estate transfer tax, on the passing of title to property from one person (or entity) to another. Each jurisdiction is permitted to charge up to $1.10 per $1,000. Cities located within the County receive half of the amount generated within their boundaries, transferred to each jurisdiction by the County Recorder’s Office. A charter city may charge any amount they wish, forfeiting their half to the County (in the amount of $.55 per $1,000).

**PROCESS:** In order to implement a real estate transfer tax increase, the City of Napa would need to place this item on the ballot before the voters and gain two-thirds approval.

Additionally, legislative action could increase the maximum rate to generate additional revenue, however this is a discretionary revenue source, typically reserved for the general fund and not earmarked for specific program funding.

**STAFF ANALYSIS AND RECOMMENDATION:**

Napa County already charges the full amount permitted by law, at $1.10. The City of Napa is a charter city, and is permitted to increase the City transfer tax amount. In doing so, their share of revenues generated within city limits (half of $1.10) would remain with the County and the City would receive any revenue in excess of this amount.

If the City of Napa chose to increase its transfer tax, resulting in the County retaining their portion of this revenue, County staff would recommend this revenue source remain untouched as it is discretionary revenue. See section on discretionary revenues.

**ESTIMATED REVENUE GENERATED PER YEAR: $** Amount unknown, further analysis is necessary

**RECORDING FEE**

**DESCRIPTION:** Government code sections §§27360-27388 state that a fee may be charged for the recording of all instruments, paper, or notice required to be recorded by law. The base fee for a recorded document shall not exceed $10 for the first page, $3 for additional pages, with a few additional fees permitted. The additional fees are already earmarked for Recorder expenses, microfiche, nonconforming documents, etc. with one dollar being earmarked for the general fund.

**PROCESS:** This fee does not appear to permit revenue to be diverted to any source not specified in the code language. It may be possible to divert the portion transferred to the general fund, although this again would fall under discretionary revenues.

**STAFF ANALYSIS AND RECOMMENDATION:**

California legislation proposed in 2012, SB 1220 (DeSaulnier), failed in the senate, but would have imposed a fee of $75 to be paid at the time of the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded. The bill would require that revenues from this fee be sent quarterly to the Department of Housing and Community Development for deposit in the Housing Opportunity and Market Stabilization (HOMeS) Trust Fund, which the bill would create within the State Treasury. The bill would provide that moneys in the fund may be expended for supporting affordable housing,administering housing programs, and the cost of periodic audits, as specified.

This bill has been recently reintroduced.

**ESTIMATED REVENUE GENERATED PER YEAR:** Amount unknown, further analysis is necessary

**NAPA COUNTY POLICY ON DISCRETIONARY REVENUES**

**BUDGET POLICIES:**

The Napa County Board of Supervisors adopted a set of Budget Policies to guide staff in preparing the FY2012/13 Budget. Given the lingering effects of the national economic downturn, state fiscal problems and the General Fund’s precarious structural balance, but recognizing that the County currently has substantial General Fund reserves, the Budget Policies generally call for holding the line on spending and utilizing the Fiscal Contingency Strategy in the Board’s approved Strategic Financial Plan to structure the County’s response to fiscal difficulties.

Provisions of the Budget Policies which affect this discussion:

* Do not propose new or enhanced programs or positions unless those programs are fully funded by a grant or other dedicated revenue source, are related to implementation of Corrections Realignment, the Adult Correctional System Master Plan or the Major Capital Improvements Program or they involve the reallocation of General Fund resources to fund critical accountability, regulatory compliance or public health and safety needs.
* Pursue new revenues to the fullest extent possible for all services, as well as total cost identification for fee setting purposes.
* **Except where the Board has previously made a decision to earmark revenues for a particular purpose, wherever legally possible revenues are to be treated as discretionary revenues, rather than dedicated to a particular program or purpose.**

Currently, Discretionary revenues are not to be earmarked for specific purposes, according to Policy set by the Napa County Board of Supervisors.

1. **STRATEGIC FINANCIAL PLAN**: Additionally, according to the adopted Strategic Financial Plan:

*“Generally speaking, it is appropriate to use discretionary resources to fund programs or services that provide a broad public benefit. To the extent legally possible, programs or services that primarily benefit a smaller sub-group should be paid for with user fees or assessments.”*

Napa County staff recommendation is to avoid discretionary revenues for purposes of earmarking as programs usually require a nexus connection to a funding source.

**PROPOSITION 26**

Proposition 26 (Prop 26) was voted on in November, 2010.  In essence, it amended the constitution to say that all government fees are now taxes subject to 2/3 vote of the people unless they fit into one of the exceptions listed below.  It was drafted to address a court case that upheld the fee imposed on paint that was used to fund paint-related clean up, and a fee on cigarettes to fund anti-smoking campaigns.  In essence Prop 26 prohibits fees paid by one set of people in order to fund government activities benefiting another set of people or the public generally.  It only applies to new or increased fees after November, 2010.

The voting requirements of Prop 26 do not apply because:

It is a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the County of Napa of conferring the benefit or granting the privilege. (Planning permits, police permits, street closure permits, parking permits, some franchises.)

It is a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the County of Napa for providing the service or product. (User fees, public records copy fees, DUI emergency response fees, emergency medical and ambulance transport service fees, recreation classes, weed abatement fees charged to an individual.)

It is a charge imposed for the reasonable regulatory costs to the County of Napa for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof. (Permits for regulated commercial activities, e.g., massage parlor, firearm dealers, check cashing, bingo; fire, health, environmental, safety permits; police background checks; pet licenses; bicycle licenses.)

It is a charge imposed for entrance to or use of the County of Napa property or the purchase, rental or lease of County property. (Facility rental fees, room rental fees, equipment rental fees, on and off-street parking, tolls, franchise, park entrance, museum admission, tipping fees, golf green fees, et cetera.)

It is a fine, penalty, or other monetary charge imposed by the judicial branch of government or the County of Napa as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, et cetera. (Parking fines, code enforcement fees and penalties, late payment fees, interest charges, other violations of law.)

It is a charge imposed as a condition of property development. (Planning, CEQA, building permit fees, construction permits, development impact fees, mitigation fees.) It is an assessment or property related fee imposed in accordance with the provisions of Article XIIID.

**PROPOSITION 218**

Proposition 218 is a constitutional initiative approved by California voters in November of 1996. Proposition 218 is a response to Proposition 13 and aims to mitigate abuses when assessments and property related fees are allocated to general services rather than the intended service the revenue is supposed to service.

Proposition 218 changed the process for approving new fees, which used to be a decision of the local governing body with public hearings. Public involvement is now increased as the power of taxation has been shifted to the property owners and residents in a jurisdiction. It can be argued that this measure has weakened local governing bodies as they are still responsible for delivering services, and have less ability to raise revenues. This proposition also limits the number of elections which can be held to propose increases in revenues.

***DEFINITIONS***

***Tax****: A tax, as defined by the Legislative Analyst’s Office, is “a charge on an individual or business that pays for governmental services or facilities that benefit the public broadly.” Additionally, a general tax requires a majority vote, while a special tax requires a two-thirds vote. Examples: include property tax, sales tax, business license tax, hotel occupancy tax, and utility users tax.*

***Assessment****: An assessment, as defined by the Legislative Analyst’s Office, is “a charge levied on property to pay for a public improvement or service that benefits property.” Examples: include flood control improvements; streets; lighting; and landscaping.*

***Fee****: A fee, as defined by the Legislative Analyst’s Office, is “a charge imposed on an individual or business for a service or facility provided directly to an individual or business.”* ***A fee may not exceed the cost of government to provide the service.*** *Examples: includes park entrance fee; and building plan check.*

***Overlap****: According to the Legislative Analyst’s Office, these three overlap. An example would be a community may finance a street with revenue from all three sources.*

“In order to raise a new tax, assessment, or property-related fee, or to increase an existing one, local governments must comply with many of the same provision [listed above]. In general, these requirements are that local governments may use assessments and property-related fees only to finance projects and services that directly benefit property—and that most revenue-raising measures be approved in an election.”

1. Napa’s Transportation Future, found at [http://www.nctpa.net/pro-pro/pla-stu/trans-future.html on 11/5/](http://www.nctpa.net/pro-pro/pla-stu/trans-future.html%20on%2011/5/)12 [↑](#footnote-ref-1)
2. HUD defines Very-Low Income as less than 50% of the Area Median Income (AMI) and Low Income as less than 80% AMI. HUD’s calculation is based on a four-person family, with adjustments made for different family sizes. See <http://www.huduser.org/portal/datasets/il/fmr98/sect8.html>. [↑](#footnote-ref-2)
3. The California Constitution Article 34 Public Housing Project Law Section 1 <http://www.leginfo.ca.gov/.const/.article_34> [↑](#footnote-ref-3)
4. <http://www.hcd.ca.gov/2012_affordable_housing_cost_study.html> [↑](#footnote-ref-4)
5. Sonoma County Measure N Article 34 Housing Unincorporated Area <http://www.smartvoter.org/2004/11/02/ca/sn/meas/N/> [↑](#footnote-ref-5)
6. The California Department of Housing and Community Development defines special needs populations as Disabled Households, agricultural workers, single-parent households, survivors of physical abuse, homeless persons or persons at risk of becoming homeless, chronically ill persons including those with HIV and mental illness, displaced teenage parents (or expectant teenage parents), homeless youth as defined in Government Code section 11139.5, individuals exiting from institutional settings, chronic substance abusers, or other specific groups with unique housing needs as determined by the Department (Section 7301 (r) <http://www.hcd.ca.gov/fa/MHPandSHRegs5_14_05.pdf>) [↑](#footnote-ref-6)
7. [↑](#footnote-ref-7)