



A Tradition of Stewardship
A Commitment to Service

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NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Lawrance Florin - Director
Housing and Intergovernmental Affairs

REPORT BY: Nancy Johnson, Housing and Community Development Program Manager - 707-299-1352

SUBJECT: Presentation of a follow up to the Affordable Housing Task Force report on creating sustainable funding for the acquisition and/or construction of affordable housing

RECOMMENDATION

Director of Housing and Intergovernmental Affairs to present an update on the Napa County Affordable Housing Multi-Year Action Plan. (Chairman Mark Luce)

EXECUTIVE SUMMARY

The Director of Housing and Intergovernmental Affairs and Housing Program Manager will provide the Board with an update on affordable housing programs and projects related to the Affordable Housing Task Force report **Affordable Housing Multi-Year Action Plan**.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

At the February 11, 2014 Board of Supervisors meeting, Chairman Luce requested that staff present the findings of Affordable Housing Task Force as documented in the Napa County Affordable Housing Multi-Year Action Plan.

The task force began meeting in July 2012, after a joint presentation to the Napa City Council, Napa County Board of Supervisors and soon after, American Canyon City Council started the dialog on affordable housing in a post recession and redevelopment world. At the Board and City Council's recommendations, a task force was assembled with a diverse group of leaders from various industries with the goal of analyzing funding sources, land acquisition, government constraints and the relative cost of providing affordable housing. A final report titled **Affordable Housing Multi-Year Action Plan** was released on May 1, 2013 to the public and circulated to the Board of Supervisors (See attached).

The Affordable Housing Task Force met regularly over a nine month period in both large group meetings and in smaller working groups focused on a specific aspect of affordable housing needs and funding. Staff provided an overview of current practices, the Regional Housing Need Assessment (RHNA) and Federal and State budgetary impacts. The first work product was the identification of a set of strategies:

1. Determine the optimal mix of housing types
2. Maximize financing resources
3. Promote cost efficiencies
4. Implement non-monetary production opportunities
5. Provide adequate oversight and collect data to measure success

The Task Force agreed that there was not one single strategy that would solve the need for more affordable housing. Even if funding were not a concern, there would still be the lack of available sites, NIMBYism, zoning and general plan designation issues, and the need to provide a variety of social services to residents. The Napa Valley is a unique region that balances being a tourist destination with a strict desire to preserve agricultural resources and minimize environmental impacts.

Housing Context in Napa County

- | 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 (65% of the 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 St. Helena, and 1% in the unincorporated County.
- | Nearly 75% of affordable housing units are inhabited by very-low and low income residents (28% of very-low and 58% low income) Only Calistoga and St. Helena serve a higher percentage of very-low to low income 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 farm workers. 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 closed on 39 loans with recipients income averaging 91% of County median income.

The Task Force struggled with the actual need for affordable housing when it comes to number of units. The

question was debated on whether it was based on RHNA allocation, the Farm Worker Housing Needs Assessment, the number of people on the Section 8 waiting list, seniors, disabled, homeless or all of the above. The Task Force agreed that the number was larger than the community had the resources to meet. It was generally agreed that housing near employment centers and/or major transit nodes should be the priority and such housing would receive priority when allocating resources.

Page 51 of the Task Force report showcases the action steps identified and recommended for each of the five strategies.

Determine Optimal Mix of Housing Types:

- | Encourage affordable housing site selection near transit and employment centers.
- | Direct resources so that predominate type of assisted units are rental housing.
- | Direct resources so that assisted units include home ownership.
- | Target a mix of households.

Maximize Financing Resources:

- | Pursue consistent development impact fees throughout the county.
- | Increase CSA No. 4 assessment.
- | Direct tax increment and Business License revenues to a countywide pool.
- | Increase Transient Occupancy Tax (TOT)
- | Increase real estate transfer tax.

Promote Cost Efficiencies:

- | Study alternate ways to lower costs.
- | Tie fees to actual costs for affordable units.
- | Facilitate legalization of 2nd units.
- | Establish countywide green ordinance.
- | Promote unit size appropriateness.

Implement Non-Monetary Production Opportunities:

- | Allow by-right affordable housing in residential zones.
- | Pursue greater density.
- | Prioritize methods to fast track development processes.
- | Hold Article 34 Election in order to allow more than 50% of the units in a project to be affordable.
- | Promote employee housing.
- | Generate proximity housing incentives and policies.

Provide Adequate Oversight and Collect Data to Inform Practice and Measure Success:

- | Provide internal monitoring system that will produce ongoing feedback.
- | Provide adequate oversight for plan implementation.

The County has made progress implementing some recommendations from the Task Force and a subset of Task Force members have continued to meet and pursue local involvement from all major business sectors in

developing a consistent funding source. Currently, vineyard owners have created a self assessment of producing vineyard land (CSA No. 4), which provides approximately \$450,000 per year to support operations of the three Napa County migrant farmworker centers. Members of CSA4 vote every five years to continue the assessment. The last vote was in 2012 and when staff approached the industry groups, there was little to no support of increasing the per acre charge at this time. The Task Force group is hoping to engage other industries such as hospitality, health and other local businesses to spread the funding of affordable housing over all industries that pay lower incomes to their workers.

The County's Workforce Proximity Loan Program has successfully funded over \$1.25 million in down payment assistance and closed 39 loans. The average percentage of County Median Income for those who have participated in the program is 91%. The program has been in existence for three years and has already had three loans repaid. The program has not only reduced vehicle miles traveled to work and a reduction in green house gasses, but provided home ownership opportunities for many who believed they would never be in a position to own their own home. A new Cap and Trade proposal is making it's way through the legislature that would be a new funding source for affordable housing for programs that are consistent with the Sustainable Communities Strategy and SB 375, promoting new housing near transit and jobs. This is relevant for the County given the Worker Proximity program was designed to provide home ownership opportunities within a 15 mile radius of applicant's place of employment, thus reducing green house gas emissions. The Affordable Housing Fund has supported the Worker Proximity program to date and the Cap and Trade fund would provide an additional source of funding for this program.

The current Housing Element includes a program (H-2d) that says "The County will update the Affordable Housing Ordinance to adjust the commercial housing impact fee not less frequently than every time the Housing Element is updated." The residential impact fees were updated in 2010, but the commercial fees have remained unchanged over the last ten years. The County has hired Keyser Marston Associates to prepare a Nexus study related to the commercial impact fees, which is still in process, but will likely be brought to the Board of Supervisors in June 2014. Both the residential and commercial impact fees are paid each time a building permit is issued and the funds are deposited directly in the Affordable Housing Fund. The County uses the fund to provide gap financing for affordable housing projects primarily within the cities and town in the valley. Development of affordable housing within the incorporated cities is not only a goal in the General Plan to direct growth to the incorporated areas and preserve agriculture, but is also cost efficient for affordable projects since sewer and water infrastructure is not provided in the unincorporated area and can be a costly improvement for affordable projects.

As a financing agent and not the permitting agency for most affordable projects, staff does not generally comment on unit size. Members of the Task Force were passionate about ensuring units were designed based on the minimum unit size required by the Tax Credit Allocation Committee (TCAC), which allow a minimum of 500 square feet for a one-bedroom unit, 750 square feet for a two-bedroom unit and 1,000 square feet for a three-bedroom unit. TCAC views these sizes as minimum. The Task Force would like to see units closer to the minimum in order to save money on construction costs and allow more units to be built. Staff will look closer at unit size in future projects.

Staff has agreed to support the Task Force members seeking to involve local business in creating solutions to affordable housing needs in Napa County by providing necessary information to support their discussions.

SUPPORTING DOCUMENTS

A . Affordable Housing Task Force Report

CEO Recommendation: Approve

Reviewed By: Molly Rattigan