



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 6/4/2013

Agenda Placement: 7V

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: Approval of a reservation of funds from the Affordable Housing Fund for the rehabilitation of a 15 unit apartment project and inclusion of a home that will be used for transitional housing

RECOMMENDATION

Director of Housing and Intergovernmental Affairs requests a reservation of funds from the Affordable Housing and CDBG Rehabilitation fund program, for the Gasser Foundation, in the amount of \$550,000, to rehabilitate two apartment buildings and a Victorian era house totaling 15 units for permanent low income and transitional housing located on Riverside Dr. in Napa.

EXECUTIVE SUMMARY

In 2010, the County issued a Notice of Funding Availability (NOFA) for the development of affordable housing projects in the County and at that time reserved funding for two projects, which are still in the predevelopment stage. The funding opportunity remained open for other projects to come forward and request funding.

The Gasser Foundation, who recently completed the supportive and transitional housing on Hartle Court, is applying for \$550,000 to aid in the rehabilitation and preservation of two apartment buildings and a victorian house on two parces on Riverside Dr. in Napa. The neighborhood has been in transition and includes a mix of neglected properties and newly refurbished homes as well. The project can be considered one of the neglected properties and the existing rents reflect the condition of the units. When completed, the apartments (13 two bedroom units, a four bedroom unit and a manager's unit) will be completely refurbished and the rents will be restricted through a regulatory agreement with the County, to be held at no more than 60% of County median income. The Victorian house will be converted and used for transitional housing like the Samaritan house, which will also be run by CANV.

Funding for the project could come from either the County's Affordable Housing Loan Fund, or from a previous grant that has been used for rehabilitation. If the funds come from the Affordable Housing Loan Fund then they

would be structured to be consistent with the loan fund terms with proceeds being paid out of net residual receipts. The Gasser Foundation is a local nonprofit that funds projects that serve the people of the Napa Valley.

The reservation of funds will serve as a commitment to fund the project if all of the conditions specified in this report are met. Staff would return with loan agreements once the conditions are met. The reservation of funds is necessary for the Gasser Foundation to commit its funding as well as the funding from other sources.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	\$261,000 in funding will come from the Affordable Housing Fund with \$289,000 coming from housing rehab loans that have been repaid.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The project is consistent with both the Affordable Housing Guidelines and the final report for the Affordable Housing Task Force, which encouraged rehabilitation of existing units for affordable housing.
Is the general fund affected?	No
Future fiscal impact:	Once all conditions are met by the Gasser Foundation, the funding will be released. There will be no further requests for funding for this project.
Consequences if not approved:	An opportunity to help a local foundation secure more units of affordable housing and add to the transitional housing stock will be lost.
Additional Information:	

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

In November 1992, the Board of Supervisors adopted Ordinance 1026 creating the Affordable Housing Fund to encourage the building and availability of affordable housing. The Fund was established to ensure the development and preservation of affordable housing to Napa County residents with low and moderate income. The fund offsets the impact of new nonresidential development on existing housing resources and it provides a means for developers to pay for their fair share of affordable housing.

The Affordable Housing ordinance established a housing fee for nonresidential developers. The fee is based on a jobs/housing nexus study that linked housing impacts with the various types nonresidential uses. It also established an inclusionary requirement for residential developments to provide affordable units or to pay a housing fee in-lieu of development. All residential and nonresidential fees are deposited into the County's Affordable Housing Fund to fund affordable housing projects and activities.

In 2010, the County issued a Notice of Funding Availability (NOFA) for the development of Affordable Housing projects in the County and reviewed proposals for use of available funds. The result of the NOFA was that two projects were selected and are in the predevelopment phase. The funding opportunity remains open for additional projects as funding permits. The Gasser Foundation has submitted an application to the Housing and Intergovernmental Affairs Division (HIA) to acquire and renovate the Riverside Apartment project, a 15-unit apartment project which will be designated affordable for very-low income households. The request is for a loan not-to-exceed \$550,000. HIA has two sources of funding that may be appropriate for this request, the Affordable Housing Fund or a housing rehabilitation fund, formerly CDBG funds that have been repaid to the county.

The purchase price of the project is \$2,010,000, which will be funded through a down payment from the Gasser Foundation and a bank loan that extends for a 20-year time frame. The County will receive payments on their loan through residual receipts that will be split in thirds between the County, City of Napa and the Gasser Foundation after the payments on the bank loan have been made.

The current budget indicates a funding gap of \$325,000 to be covered by the Gasser Foundation. The Gasser Foundation has indicated that they will apply for gap financing from the Federal Home Loan bank in 2014. The Gasser Foundation submitted an appraisal of the property. The post rehab appraised value is estimated to be \$2,190,000. The proposed loans on the property would total \$2,800,000, which is a total combined loan to value ratio of 128%, which exceeds the maximum loan to value ratio in the Joint City-County Underwriting Guidelines. Due to the uncertainty of the FHLB funds, and the high loan to value ratio staff recommends that the Gasser Foundation provide a loan guarantee to cover any potential shortfalls in funding.

Use of Funds	Cost
Acquisition	\$2,010,000
Rehab	\$1,208,842
Rehab Contingency	\$ 181,326
All Other Costs	\$ 250,000
Total	\$3,650,168

In terms of cost per unit, if the victorian is counted as three-units and the manager's unit is excluded since it is not income restricted, the per unit cost of the total project costs per unit is approximately \$214,000. This is 85,000 less per unit than the cost of the two new construction projects that were recently funded by the County. The per unit local subsidy is \$64,705 per affordable unit. This is lower than the average per unit subsidy of approximately \$83,000 for the two new construction projects proposed by non-profits that were allocated funds through the 2010 NOFA.

The Gasser Foundation has selected a site manager for the project who will also manage the landscaping and will make minor repairs to the complex. The foundation of the project is to help those who truly need the help by utilizing the talents of people who have been through homelessness, drug or alcohol rehabilitation or other programs, to work on the project. The project will fund maintenances reserves at \$300 per unit for a total of \$4,500 per year. The County's loan documents will require that the maintenance reserves will continue to be funded by the project on an annual basis.

The Riverside project will provide 15 units targeted to families with incomes at or below 60% of Area Median

Income (AMI). The rents do not include utilities because the Gasser Foundation will be installing solar for the whole of the project and will have control over the cost of electricity.

No. of Units	Unit Size	Proposed Rent	Annual Rent
14	2-Bedroom	\$1,100	\$184,800
1	4-Bedroom	\$1,325	\$ 15,900
1	8-Bedroom	\$ 0	\$ 0
16			\$200,700

The apartments will be renovated with up to date bathroom and kitchen fixtures and appliances. Unsafe wall heaters will be replaced with modern air-heat pump systems. The removal of the heater roof vents will permit solar panels to be added to the roof. A one bedroom units and a two bedroom units in the apartments will be converted to a four bedroom unit to accommodate larger, low income families. Site work will include new fencing, parking lot resurfacing with redesigned parking, landscaping, a new play area and storage for each tenant and a community barbecue area.

The Victorian house will be raised and will receive a new foundation and be converted to provide transitional housing for up to four families with a shared kitchen and bathrooms. Community Action Napa Valley (CANV) will be providing supportive services to the residents of the Victorian.

The budget for the rehabilitation totals \$1,290,379, which includes a 15% contingency. The cost per square foot is \$124. The applicant has not sought individual reports for the presence of mold, asbestos or lead based paint. As remediation of any of these hazards can be costly, the project proponent should either find additional funding, provide the County with a construction guarantee or provide reports that none of the hazards exist in the structures. The applicant intends to use the contingency to remediate the hazards, if found, during construction and approach the problems on a unit by unit basis.

The Gasser Foundation has hired a relocation attorney, although it is assumed that most, if not all, current residents will qualify for low income housing. The applicant is currently seeking quotes for the cost of moving residents from apartment to apartment as the rehabilitation progresses. Any costs for relocation will be funded by the applicant. One apartment has just become vacant, so if the project moves forward, the rehabilitation will start with the one vacant unit.

Another potential construction issue is that the project is located within a 100-year flood zone. Although it appears one of the apartment buildings and the victorian are sufficiently above elevation to qualify for a Letter of Napa Amendment (LOMA), the City of Napa's local floodplain ordinance would apply. This may require the building to be raised, which would be very costly, however, it is also possible this could be addressed through a berm in the sidewalk and/or parking lot.

The benefits to the project include rehabilitating an existing run down apartment complex in Napa, which would likely be converted to market rate units if the property is sold to a real estate investor. The project will provide housing options for lower income residents consistent with policies in the Housing Element. Existing residents, who are likely to be income qualified, will have safe, decent housing with the project is finished. The County's Department of Health and Human Services will work with CANV to run the transitional portion of the of the project in the victorian house. The project is also consistent with the report from the Affordable Housing Task Force, which recommended the rehabilitation of existing units as a method to enhance the amount of affordable units.

Before final funding is authorized the following conditions must be either resolved, or guaranteed by the Gasser

Foundation:

- The Gasser Foundation must provide a guarantee to provide any gap funding and must guarantee construction completion.
- The Gasser Foundation must continue to fund maintenance reserves on an annual basis.
- The project must comply with State relocation requirements.
- The Gasser Foundation will provide inspections for mold, asbestos and lead based paint and a remediation plan on how they will provide a clean building at the end of the construction period.
- The Gasser Foundation will correct all flood issues wither through LOMA on all buildings or by construction of berms if approved by FEMA.
- The project will comply with all ADA requirements.
- The Gasser Foundation will secure a historical consultation from a qualified source to determine the historical integrity of the victorian house.
- The project shall obtain all necessary building permits and use permits.
- The County shall have the right to inspect the property and to require professional property management if the existing property management is not deemed to be acceptable.

The reservation of funds will serve as a commitment to fund the project if all of the conditions specified in this report are met. Staff would return with loan agreements once the conditions are met. The reservation of funds is necessary for the Gasser Foundation to commit its funding as well as the funding from other sources.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Helene Franchi