



May 10, 2019

Molly Rattigan  
Deputy County Executive Director  
County of Napa  
1195 Third Street  
Napa, CA 94559

Dear Molly,

Our Town St Helena (OTSH) respectfully request that the County of Napa revise the loan agreement with our organization for Brenkle Court , which is a USDA RD Mutual Self-Help Homeownership Project.

### **Background**

The County of Napa Board of Supervisors Resolution No. 2016-44 provided a loan to OTSH in the amount of \$280,000 to assist in the site development for eight self-help housing units to be built at 684 McCorkle in St. Helena – the Brenkle Court project. The terms of the loan required OTSH to roll over the loaned amount into silent seconds for the homeowners.

### **Current Situation**

As the applicants were being processed in Q4 2018, OTSH discovered that not all of the county funds were needed by the applicants – several were able to qualify for the total \$382,534 USDA 502 mortgage. OTSH did not realize that County funds that were spent on site development that were not rolled over to the participants would need to be paid back to the County.

In addition to not accounting for the loan balance payback, OTSH suffered significant delays in completing the site work (partially due to labor shortages caused by the 2017/18 fires) and in processing the 502 mortgages (government shut down and reboot). Lastly, as we prepared to close the participant loans in Q1 2019, three participants dropped out of the program causing further delays as we processed new applicants from our waitlist.

OTSH will receive a \$200K development fee at close of Phase One escrows. However, we have incurred approximately \$75K in cost (construction personnel, insurance, loan interest, etc.) during the five month delay in closing the project. If OTSH is required to reimburse the county for the balance of the loan not applied to the Owner/Builders on top of these unbudgeted expenses, our ability to complete Phase One (8 units) and developing Phase Two (11 units) will be jeopardized.

## **OTSH Request**

OTSH request that, after the rollover loans to the Brenkle Court Project Owner/Builders are applied, the County transfer the remaining loan balance to OTSH as an interest-free loan with the following terms:

- The amount of the extended loan to OTSH is currently estimated to be \$100,000 and the exact amount will be confirmed when USDA provides their final loan approvals
- The loan transfer to OTSH will occur during the closing of the eight escrows, which is expected to happen the week of 5/27
- Once OTSH finalizes purchase of a site for the Phase Two of the project, the County loan to OTSH will be secured by a lien on said property
- When the Phase Two Owners/Builders close escrow, the OTSH loan will rollover in the form of silent seconds for the participants
- If there are County loan funds remaining after all 19 units are complete, OTSH will repay County the balance of said funds
- Both Phase One and Phase Two of OTSH's Self-Help Homeownership units will include a resale restriction to assure that all units including County funds are income-qualified at the time of sale and for any resale for a period of 55 years
- Lastly, because of our cash flow challenges caused by repeated delay in developing this project, OTSH also request that the County to waive the \$5,000 origination fee, any accrued interest and any loan modification fee associated with this change

We realize that this solution is not the usual procedure in which the County of Napa assist non-profits in the development of affordable housing and we appreciate your willingness to work with OTSH to keep this project whole so we can close Phase One and develop Phase Two with the goal of providing 19 low-income home ownership opportunities in St. Helena.

Please let me know if you need additional information to proceed. We hope to close the loans in the month of May so we also thank you for any assistance you can provide to expedite this loan modification process.

Sincerely,

Mary Stephenson  
Board President  
707 849 2583

cc: Nancy Johnson, Liz Tracy, John Sales, Steve Goldfarb, Erica Roetman Sklar