



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 1/29/2019

Agenda Placement: 10C

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Jennifer Yasumoto - Director
Health & Human Services Administration

REPORT BY: Shelli Brobst, Employee Support and Development/Contracts Manager - 253-4720

SUBJECT: No Place Like Home Program - Presentation and Adoption of Resolutions

RECOMMENDATION

Director of Health and Human Services requests that the Board of Supervisors receive a presentation about the No Place Like Home (NPLH) Program and adopt the following resolutions authorizing Napa County to submit an application for the Heritage House project with Burbank Housing as the Development Sponsor:

1. Participation In The NPLH Program;
2. Application for NPLH Program and Acceptance of Noncompetitive Allocation Award;
3. Application for the NPLH Program Projects Utilizing Competitive NPLH Allocation Funds; and
4. Transferring an existing loan in the project amount of \$1,317,985 from Gasser Foundation to Burbank Housing upon satisfaction of certain terms and conditions.

EXECUTIVE SUMMARY

On July 1, 2016, Governor Brown signed state legislation enacting the No Place Like Home (NPLH) Program. The NPLH Program dedicates up to \$2 billion in bond proceeds to invest in the creation of permanent supportive housing for persons with a serious mental illness or who are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness. The bonds are to be repaid by funding from the Mental Health Services Act (MHSA). Additionally, the state authorized \$6.2 million in NPLH Technical Assistance grant funding to support counties with planning, design, application for, and implementation of permanent supportive housing activities for this vulnerable population.

Staff recommends applying for Napa's Non-Competitive and Competitive Allocation funding, with Burbank Housing as its development sponsor, to assist in funding Heritage House.

Heritage House Project

Heritage House is a proposed 66-unit supportive housing community located in the City of Napa at 3700 Valle Verde Drive. As proposed in the NPLH application, the project consists of:

- | 32 units for households that meet the NPLH requirements that are supported by Project Based Section 8 vouchers assigned by the City of Napa Housing Authority;
- | 6 low income units reserved for chronically homeless households that are supported by Project Based Section 8 vouchers assigned by the City of Napa Housing Authority; and
- | 27 units reserved for households whose income does not exceed 50% of the Area Median Income (AMI), and 1 manager's unit.

The project will be built and managed by Burbank Housing, a non-profit housing developer with experience in development in Napa County. Abode Services will be the service provider. Abode is the non-profit that operates many components of the Homeless and Supportive Housing services system in Napa County, and has almost 30 years experience in providing supportive services and housing to vulnerable populations and operates programs in five bay-area counties.

The addition of these 65 units of housing (plus one manager's unit) dedicated to low income and vulnerable populations, combined with a robust service plan, represents a significant contribution to the housing needs for these populations.

In order to secure the NPLH funding, Napa County must submit resolutions authorizing the County to participate in the NPLH Program, apply for and accept their NPLH Noncompetitive Allocation Award, and apply for competitive allocation funds. Staff further recommends that the Board adopt a resolution outlining the County's conditions that must be met for the project to move forward.

PROCEDURAL REQUIREMENTS

1. Staff reports.
2. Public comments.
3. Motion, second, discussion and vote on the item.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	The No Place Like Home (NPLH) Program dedicates up to \$2 billion in bond proceeds to invest in the creation of permanent supportive housing for persons with a serious mental illness or who are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness, of which Napa County is eligible to apply for \$500,000 of non-competitive funding. The bonds are to be repaid by funding from the Mental Health Services Act (MHSA).
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	This item is discretionary in that there is no mandate to apply for this funding. However, this funding will allow the County to support persons with

	serious mental illness experiencing homelessness or risk of homelessness.
Is the general fund affected?	No
Future fiscal impact:	Counties must commit to provide mental health services at their mandated levels for 20 years and help coordinate access to other community-based supportive services for tenants in NPLH assisted units.
Consequences if not approved:	Napa County will be unable to apply for competitive and non-competitive funding to support persons with mental illness who are homeless or at risk of homelessness.
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

On July 1, 2016, Governor Brown signed state legislation enacting the No Place Like Home (NPLH) Program. The NPLH Program dedicates up to \$2 billion in bond proceeds to invest in the creation of permanent supportive housing for persons with a serious mental illness or who are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness. The bonds are to be repaid by funding from the Mental Health Services Act (MHSA). Additionally, the state authorized \$6.2 million in NPLH Technical Assistance grant funding to support counties with planning, design, application for, and implementation of permanent supportive housing activities for this vulnerable population.

Key features of the NPLH Program include the following:

- | Counties are eligible applicants (either solely or with a housing development partner).
- | Funding for permanent supportive housing must utilize low-barrier tenant selection practices that prioritize vulnerable populations and offer flexible, voluntary, and individualized supportive services.
- | Counties must commit to provide mental health services at their mandated levels for 20 years and help coordinate access to other community-based supportive services for tenants in NPLH assisted units.

NPLH Program funding is available in three allocations:

- | Technical Assistance funding - \$6.2 million available statewide based on county population size; Napa County's allocation is \$75,000 as a small county with population less than 200,000. Napa County has already applied for and was awarded Technical Assistance funding and has tentatively agreed to grant \$25,000 each to Burbank Housing and Abode Services to cover pre-development expenses associated with the proposed Heritage House supportive housing project. Napa County will reserve the remaining \$25,000 to use for consulting expenses related to either submitting an application for NPLH funding or development of another supportive housing project for a subsequent round of NPLH Competitive funding.
- | Non-Competitive Allocation funding - \$200 million available statewide based on each county's proportional share of the state's homeless population; Napa County's allocation is \$500,000 as the minimum amount established for counties.

- | Competitive Allocation funding - \$1.8 billion available statewide in at least four funding rounds. At least 8% of the competitive allocation will be made available to small counties. Napa County will compete with applications from other small counties with population less than 200,000. In the first round of funding, \$32 million is available to small counties.

Eligible activities – NPLH funding must be used for costs associated with one or more of the following activities:

- | Acquisition
- | Design
- | Construction
- | Rehabilitation
- | Preservation
- | Funding may also be used for capitalized operating subsidy reserves permitted under NPLH Program guidelines.

NPLH Non-Competitive Allocation Funding

- | Allocation formula - The allocation formula for Non-Competitive funding is based on each County's proportional share of the State's overall homeless population, as measured by the U.S. Department of Housing and Urban Development's most recent published unsheltered and sheltered Point-in-Time Count. All Counties are eligible to receive at least \$500,000 in Non-Competitive Allocation NPLH funding. Napa County is eligible for \$500,000 from this source.
- | Allowable uses - NPLH funds will be provided as post-construction permanent loans. NPLH funds may be used to acquire, design, construct, rehabilitate, or preserve Permanent Supportive Housing, which may include a Capitalized Operating Subsidy Reserve.
- | Funding period - The Notice of Funding Availability (NOFA) for the NPLH Non-Competitive Allocation funding was released on August 15, 2018. Counties must accept their Noncompetitive Allocation no later than August 15, 2019.

Counties must submit applications for permanent supportive housing projects of 5 or more units to Housing and Community Development (HCD) by February 15, 2021 or earlier depending on availability of funds. HCD plans to make award announcements 90 days from receipt of all documentation required to make a Project award. The expenditure deadline for Non-Competitive Allocation funding is August 15, 2023.

Program assistance shall have an initial term of 55 years or longer to match the period of affordability restrictions under the Low Income Housing Tax Credit Program, commencing with the date of recordation of HCD's NPLH regulatory agreement. Program loans shall be secured by the Project's real property and improvements, subject only to liens, encumbrances, and other matters of record approved by HCD.

NPLH Competitive Allocation Funding

Funding limits -

- | The maximum loan amount per project, including all eligible capital and Capitalized Operating Subsidy Reserve (COSR) costs, shall be \$20,000,000, including Competitive Allocation and any Non-Competitive Allocation funds. Funds from the County's Non-Competitive Allocation and the Competitive Allocation may be used on the same rental housing project as long as HCD's NPLH per-unit subsidy limits are not exceeded.
- | HCD has established NPLH per-unit subsidy limits for 9 percent tax credit projects and projects without 9

percent tax credits, based on the Area Median Income (AMI) levels being targeted and number of bedrooms per unit.

- | For Napa County, the baseline per-unit subsidy limits for households residing at 30% of area median income is: \$128,923 for projects with 9 percent tax credits, and \$180,492 for projects without 9 percent tax credits.

Allowable uses -

- | NPLH funds will be provided as post-construction permanent loans. All NPLH funds shall be used to acquire, design, construct, rehabilitate, or preserve Permanent Supportive Housing, which may include a Capitalized Operating Subsidy Reserve.

Funding period -

- | Program assistance shall have an initial term of 55 years or longer to match the period of affordability restrictions under the Low Income Housing Tax Credit Program, commencing with the date of recordation of HCD's NPLH regulatory agreement. Program loans shall be secured by the Project's real property and improvements, subject only to liens, encumbrances, and other matters of record approved by HCD.

Application process -

- | HCD released the Round 1 Competitive Allocation NOFA on October 15, 2018. Counties will compete for available Round 1 Competitive Allocation funds with other Counties of a similar population size. The initial amounts available under Round 1 within each population group are as follows:
 - a. \$87,506,178 for Large Counties with population greater than 750,000
 - b. \$56,632,713 for Medium Counties with population between 200,000 to 750,000
 - c. \$32,000,000 for Small Counties with population less than 200,000

Project applications submitted under this NOFA will be funded on a competitive basis, subject to the availability of funds.

A complete original application must be received by HCD no later than January 30, 2019.

Staff recommends applying for Napa's Non-Competitive and Competitive Allocation funding, with Burbank Housing as the development sponsor, to assist in funding Heritage House. Abode Services is the service provider in the project application.

Heritage House Project

Heritage House is a proposed 66-unit supportive housing community located in the City of Napa at 3700 Valle Verde Drive. This property was originally purchased by Bridge Housing in 2012 and the County's pre-development loan was transferred to the Gasser Foundation in 2016. The Gasser Foundation currently owns the property and is working with Napa City, Napa County, Burbank Housing and Abode Services in the development of this project. When the project completes the City of Napa's entitlement process and moves into the construction phase, Gasser Foundation will transfer the property to Burbank Housing.

As proposed in the NPLH application, the project consists of:

- | 32 units for households that meet the NPLH requirements that are supported by Project Based Section 8 vouchers assigned by the City of Napa Housing Authority,

- | 6 low income units reserved for chronically homeless households that are supported by Project Based Section 8 vouchers assigned by the City of Napa Housing Authority,
- | 27 units reserved for households whose income does not exceed 50% of AMI, and
- | 1 manager's unit.

As the housing development partner, Burbank Housing has completed the application for NPLH Non-Competitive and Competitive Allocation funding for the Heritage House project, which is included in this report as Attachment A. The County's consultant, LeSar Development Consultants, has reviewed the project budget and believes it to be realistic. Additionally, they consider Napa County's application to be a strong application for NPLH funds (see memo from LeSar, included in this report as Attachment B).

As with any development project, there are a number of unknowns that may impact the viability of this project. Chief among those are increases in construction costs and the possibility of not securing funding at the needed levels. In order to mitigate the potential for these economic impacts, staff has worked with the City of Napa, Gasser Foundation, and the Heritage House development team to craft an agreement that limits future public contributions to the project without diminishing the County's overall support for the project. Staff has discussed a Regional Housing Needs Allocation Transfer Agreement with Napa City staff and has included that as a condition of transferring an existing loan on the property. The County conditions related to the project are included in the resolution that would authorize transfer of the property from Gasser to Burbank. Included as one of the conditions, is a limitation on additional funds that can be requested from the County to fill any gaps in the project. At this time, the County does not have additional housing funds to dedicate to the project unless the Board of Supervisors is interested in utilizing Tobacco Master Settlement Agreement funding.

In order to secure the NPLH funding, Napa County has to submit a resolution authorizing the County to apply for and accept their NPLH Noncompetitive Allocation award, a resolution to commit the NPLH Noncompetitive Allocation award to the Heritage House project, and another resolution authorizing the County to apply for and if awarded, accept the NPLH Program Competitive funds. These resolutions are based on the format and content requested by the Department of Housing and Community Development.

By adopting the above resolutions, the County accepts certain responsibilities. Primary among those are the requirement that the County, or the County's lead service provider for the Project, coordinate the provisions of, or referral to, services needed by individual tenants for 20 years. The Heritage House project's service provider is Abode Services. The Heritage House application makes it clear that Abode will, with the exception of one service for which the County is responsible, meet this requirement. Abode and Burbank Housing will enter into an MOU that further reinforces this service commitment.

The service that the County remains responsible for is to provide mental health services to the NPLH households for a period of twenty years. In order to occupy a unit funded by NPLH, individuals are required to have a Severely Mentally Ill (SMI) diagnosis. Individuals with that diagnosis are the individuals for whom the County has a statutory responsibility to provide mental health services, should they be desired. This means that the 20 year service provision requirement is the same as the statutory service responsibilities that the County currently provides programming to meet. Based on current dollars, the value of the 20 year service commitment is approximately \$2.3M.

SUPPORTING DOCUMENTS

- A . Resolution Authorizing Participation in NPLH Program
- B . Resolution for NPLH (Noncompetitive)

- C . Resolution for NPLH (Competitive)
- D . Resolution for County Conditions and Loan Transfer
- E . Letter from County Staff to Gasser and Burbank
- F . Letter from Gasser and Burbank
- G . Underwriting Finance Memo Prepared for Napa County

CEO Recommendation: Approve

Reviewed By: Ben Guerrieri