



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 11/12/2019
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NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Minh Tran - County Executive Officer
County Executive Office
REPORT BY: Molly Rattigan, Deputy County Executive Officer - 253-4112
SUBJECT: Napa Pipe-Proposed Implementation Terms

RECOMMENDATION

County Executive Officer, Director of Planning, Building and Environmental Services, and Director of Housing and Homeless Services seek discussion and possible action on the following related to the Napa Pipe Development:

1. Approval of proposed terms related to a Memorandum of Understanding and Agreement defining the requirements to approve the conditional annexation of the Napa Pipe Property to the City of Napa;
2. Approval of the proposed terms related to the Development Agreement, Affordable Housing Plan, and the Memorandum of Agreement Regarding Regional Needs Allocations for Future Housing Element Planning Periods (the RHNA Agreement); and
3. Approval of the proposed terms related to the SB 235 agreement.

EXECUTIVE SUMMARY

Staff is seeking discussion and approval of the recommended actions regarding the Napa Pipe project and the implementation of a revised development agreement, conditional annexation, amended Affordable Housing and Regional Housing Needs Allocation (RHNA) agreements, and an agreement implementing SB 235. Staff will present the proposed timeline and requested actions to move the Napa Pipe project into the construction phase in 2020.

PROCEDURAL REQUIREMENTS

1. Staff Reports.
2. Public Comments.
3. Motion, second, discussion and vote on recommended actions.

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact?

No

County Strategic Plan pillar addressed: Livable Economy for All - Identify housing resources and remove barriers to maximize housing opportunities.

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. Board review of the term sheet does not constitute the approval of any project nor a commitment to any project and so is not a project as defined by CEQA. The purpose of the term sheet is to document certain preliminary terms that have been negotiated among the parties. The County retains the absolute sole discretion to determine whether or not to approve or modify the agreements contemplated in the term sheet. No legal obligations will exist unless and until the parties have negotiated, executed and delivered mutually acceptable agreements based upon information produced from any required environmental review under CEQA. Any agreements resulting from negotiations will become effective only if and after each agreement has been considered and approved by the Board of Supervisors following the conduct of all legally required procedures.

BACKGROUND AND DISCUSSION**History**

On October 8, 2013, the City and County of Napa entered into a "Memorandum of Understanding and Agreement" ("MOUA") regarding development of the Napa Pipe property, located at 1025 Kaiser Road (APNs 046-412-005 and 046-400-030). The MOUA was intended to memorialize the guiding principles and processes for review by the County and City of a series of development applications submitted by Napa Redevelopment Partners ("NRP" or "Developer") for the Napa Pipe property.

On December 16, 2014, the Board approved the Development Plan for the Napa Pipe project (Ordinance No. 1393) regarding zoning, General Plan, development standards, public facilities, circulation, open space, public benefits, and the Tentative Subdivision Map.

On January 13, 2015, the Board approved a Development Agreement with NRP. The Development Agreement governed the terms of approval for the development of the 153 acre Napa Pipe property. The project approved by the Development Agreement and various other County approvals consists of the following: (1) 700 dwelling units (up to 945 units with State density bonus), including 140 housing units affordable to low- and very low-income families; (2) a 150-unit continuing care retirement center for seniors; (3) 40,000 square feet of neighborhood serving retail uses; (4) 10,000 square feet of office; (5) 75,000 square feet of light industrial uses; (6) a 150-room hotel with supporting uses; (7) a 154,000 square foot membership warehouse store (such as a Costco) with a gas station; (8) publicly accessible and privately-maintained parks and open space; (9) community facilities/farm; (10) publicly accessible and privately-maintained roads; and (11) infrastructure.

On February 10, 2015, the Board approved the Design Guidelines (Ordinance No. 1397).

On August 25, 2015, the Board approved various agreements with the City of Napa including: sphere of influence (No. 8410); allocation of property tax, sales tax, and transient occupancy tax (No. 8411); regional housing needs allocation (RHNA Agreement) for future periods (No. 8412); and municipal services (No. 8413).

On September 22, 2015, the Board approved the first Amendment to the Development Agreement.

On March 22, 2016, the Board adopted a resolution authorizing the California Statewide Communities Authority to form a Community Facilities District (CFD) for the Napa Pipe property.

On July 5, 2018, NRP submitted a request to the County to consider changes to the Napa Pipe project. A formal application was submitted to the City of Napa on September 28, 2018. NRP's proposal would allow housing (both affordable and market-rate) to be developed as part of the first phase of a revised Napa Pipe project, as well as to accelerate construction of Costco. The proposed changes include:

- | Moving 375 market-rate residential units from the western parcel (unincorporated County) to the area designated for light-industrial uses on the eastern side (City of Napa);
- | Moving 50 affordable residential units from the western parcel (unincorporated County) to Parcel G on the eastern side (City of Napa);
- | Reducing the residential density on the western parcel to maintain the overall limit of 945 total residential units;
- | Allowing the senior care facility to be moved from the western to the eastern parcel;
- | Reducing the size of the community farm and incorporating it into the adjoining park;
- | Moving a park from the western parcel to the eastern parcel;
- | Reducing the number of bridges and wetland crossings from 3 to 1;
- | Reconfiguring the entry road alignment;
- | Combining the gas station site with the membership warehouse store (such as Costco) property; and
- | Revising the overall phasing plan to reflect the above changes.

Senate Bill 235

Most of the site (approximately 110 acres) is currently within City limits. Forty-three (43) acres along the Napa River, where all 945 housing units are currently approved, are currently located in the unincorporated County and under the approved development plan would remain in the County's jurisdiction until December 2022, unless early annexation is approved by the Local Agency Formation Commission ("LAFCO"). Since the Napa Pipe project exists within two jurisdictions, over the past year City and County staff have met several times to establish the most efficient approach for responding to the Developer's proposal.

The County's Housing Element identifies the Napa Pipe site as one of the key locations for achieving housing construction in the unincorporated County during the current housing cycle. As such, early annexation of the entire Napa Pipe project prior to 2022 would eliminate the opportunity for the County to issue residential building permits and help achieve the goals set forth in the County's Housing Element to meet the County's Regional Housing Needs Allocation ("RHNA"). The City's Housing Element does not recognize or include the Napa Pipe site as a housing site to achieve its RHNA goals in the current cycle. State law does not allow sharing of credit for issuing building permits between two jurisdictions.

At the request of both the City and County, Senator Bill Dodd sponsored SB 235, which identified the special and unique circumstances faced by Napa County related to the Napa Pipe site and provides the opportunity for the City and the County to enter into a credit sharing agreement for the Napa Pipe development in order to expedite the delivery of housing. SB 235 was signed by Governor Newsom on October 12, 2019. SB 235 allows the City to take the lead on project amendments and permitting for the proposed project modifications, while the County can report the approvals and building permits on the Annual Progress Reports submitted to the Department of Housing and Community Development ("HCD").

Today's Requested Discussion and Action

The Developer filed an application for early annexation of the remainder of the Napa Pipe project with LAFCO on June 7, 2019. The annexation hearing was initially scheduled for October 7, 2019 but continued because SB 235 had not yet been signed by the Governor. Following the signing of SB 235, County staff has met with City staff and the developer and is recommending approval of the terms detailed below in order to implement SB 235 and move Napa Pipe toward construction.

Proposed Terms

The terms listed below are those for which there is tentative agreement, subject to concurrence by the Napa City Council and the Napa County Board of Supervisors. Additionally, language will be drafted for inclusion in the LAFCO resolution set for consideration on November 18, 2019 to conditionally authorize annexation based on certification by Napa County and the City of Napa that the terms presented below were finalized and implemented.

Memorandum of Understanding and Agreement, Development Agreement (DA), and Affordable Housing Plan
Prior to the filing of the certificate of annexation, the City, County, and Developer will enter into an enforceable Memorandum of Understanding and Agreement that defines the terms to be included in the Development Agreement between the City and the Developer and the Affordable Housing Plan. The City and County will also reach agreement and sign amendments to the RHNA Agreement and the SB 235 agreement prior to annexation.

The County represented to HCD and the Legislature that SB 235 was intended to simply move the approved Napa Pipe development from the County to the City and that the annexation would not result in any decrease in density or reduction of affordable units below that shown in the County's Housing Element. The County's Housing Element shows the following, which were also requirements of the County-Developer DA: Actual affordability level: 140 lower income units; 50 moderate income units; the remainder above moderate-income units; Density: 304 units built at a minimum density of 20 units per acre (202 "by right"), with the remaining units built at *up to* 20 units per acre. The DA provided the County with \$1 million for its Proximity Housing Program.

Proposed terms are:

- | The Development Agreement and relevant attachments/exhibits will be revised to make the County a third party beneficiary with regards to the dedication of land, construction of infrastructure, and other commitments by Developer to accommodate a minimum of 140 low and very low income affordable housing units. Practically, the County would be a third party beneficiary to most of the provisions of the Affordable Housing Plan, which is an exhibit to the Development Agreement.
- | The Development Agreement and relevant attachments/exhibits will be revised to make the County a third party beneficiary to ensure that the development plan includes a minimum of 304 units at a minimum density of 20 dwelling units per acre (as measured within residential blocks), with 202 units permitted by right, consistent with the County's Housing Element and Government Code sections 65583.2(c)(3) and (i). The remaining 641 units may be built at densities up to 20 dwelling units per acre, except where a density bonus is obtained. The City and Developer may increase the density of the dwelling units per acre, however, the permitted density shall not be less than what is stated in the County's approved 5th Cycle Housing Element.
- | The Development Agreement will be revised to make the County a third party beneficiary to provisions requiring that 6% of the units in each phase of residential development will be developed for moderate incomes, with a minimum of 44 units, either for sale or for rent. (The County has already met its 50-unit moderate-income obligation.)
- | Developer will pay the City \$1 million as a Workforce Housing Contribution. The City will use these amounts solely to assist households that include members who work in the County of Napa to purchase homes developed on the property. Guidelines for use of the funds will be submitted to the County Director of Housing and Homeless Services, and the City will consider in good faith any additional recommendations

regarding the City's use of the Workforce Housing Contribution. This is to ensure that the program serves the same purpose as the County's Proximity Housing Program, which provides *homeownership* opportunities for the County's workforce.

- | Minor amendments to the RNHA Agreement will be made to reflect the revised Development Agreement and expected annexation of Napa Pipe to the City. The RHNA agreement will also be updated to reflect that the County will no longer receive fees related to the project.
- | The annexation will be conditioned by LAFCO and not certified until an enforceable Memorandum of Understanding and Agreement is entered into by the County, City and Developer placing the terms in this staff report into effect.

SB 235 Agreement

In addition to the proposed terms listed above, the County and City will need to enter into an agreement to implement SB 235 before annexation becomes effective. The terms to be included in the SB 235 Agreement include

- | The County may include lower income units developed at Napa Pipe (up to 140 units) on the County's Annual Progress Report required to be submitted to the state Department of Housing and Community Development (HCD).
- | If the City contributes funds or housing vouchers to these 140 lower income units (excluding fees paid by Developer to the City and recycled into the project), the City and County will share the credit and report the units on a proportional basis.

Tentative Timeline

The following is the anticipated timeline to implement the proposed terms and move the Napa Pipe project into construction:

- | November 5, 2019: City staff presented proposed terms to City Council
- | November 12, 2019: County staff presents proposed terms to Board of Supervisors
- | November 18, 2019: LAFCO hearing on conditional annexation
- | Prior to November 30, 2019: Staff complete drafts of all documents to be amended or proposed to Board of Supervisors for approval
- | December 2019/Early January 2020: County staff presents agreements for consideration by the Board of Supervisors
- | December 5, 2019: Napa City Planning Commission considers Development Agreement between City of Napa and Developer
- | Early December 2019: Airport Land Use Commission
- | January 21, 2020: Napa City Council considers Development Agreement between City of Napa and Developer
- | Spring 2020: Final infrastructure plans and permit applications submitted to City of Napa
- | Summer/Fall 2020: Napa Pipe Groundbreaking

SUPPORTING DOCUMENTS

A . Proposed Terms

CEO Recommendation: Approve

Reviewed By: Leigh Sharp