



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 11/22/2016

Agenda Placement: 6X

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Nancy Johnson for Lawrance Florin - Director
Housing and Intergovernmental Affairs

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

SUBJECT: Assignment of and change of terms on a predevelopment loan to Bridge Housing transferring to the Gasser Foundation

RECOMMENDATION

County Executive Officer requests adoption of a resolution approving an Assignment, Assumption and Modification Agreement to assign to the Gasser Foundation a predevelopment loan previously made to Bridge Norcal LLC and Bridge Housing Corporation from the Napa County Affordable Housing Fund for the development of affordable housing units which includes the following terms:

1. Transfers all rights and obligations to the Gasser Foundation related to an existing loan of \$1,317,985;
2. Transfers the property securing the loan to the Gasser Foundation;
3. Extends the term of the loan agreement to December 31, 2018; and
4. Modifies the provisions regarding applications for financing.

EXECUTIVE SUMMARY

In December 2014, the County closed on a predevelopment loan totaling \$1,317,985 to BRIDGE Norcal LLC for the development of 56 units (plus a manager's unit) of affordable housing located on Villa Verde Drive in Napa. The parcels include the old Sunrise Assisted Living building and an adjacent parcel. BRIDGE had been successful in obtaining entitlements for the project from the City of Napa, but litigation followed and the project stalled. The City of Napa eventually had to rescind the approvals after the environmental review was overturned by the court. BRIDGE marketed the parcels and recently accepted an offer from the Gasser Foundation. The Gasser Foundation will assume the predevelopment loan while they plan their own development of affordable housing at the site(s).

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The approval of the Assignment, Assumption, and Modification Agreement has no potential for causing a significant effect on the environment because it simply extends the term of an existing loan agreement and transfers the loan to another entity. Accordingly, it may be seen with certainty that there is no possibility that the approval of the Agreement may have a significant effect on the environment. (CEQA Guidelines Section 15061(b)(3).)

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 development on existing housing resources, and it ensures that developers will pay for their fair share of affordable housing.

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 the use of the available funds. In January 2011, the Board approved Resolution No. 2011-02, reserving Affordable Housing Funds in the amount of \$2,903,862 for the Napa Creekside apartments, to be developed by BRIDGE Housing Corporation (BRIDGE), a California non-profit corporation.

Although the City of Napa approved entitlements for a 56-unit project (including a manager's unit) for households with average incomes at 47.4% of the area median income, litigation was filed (Neighborhood Coalition to Protect Salvador Creek v. City of Napa), and the City was ordered to rescind its approvals and complete an EIR on the project. At that time, with increasing holding costs, the cost of an EIR and the predevelopment work that came before the litigation, BRIDGE housing had invested significant resources in the project and requested predevelopment funding from the County. In August 2014, the Board agreed to lend BRIDGE \$1,317,985 of the total award of \$2,903,862 to offset some of the costs BRIDGE had already incurred, and to enable BRIDGE to complete feasibility and environmental studies.

After looking at a variety of ways to structure a new project given the increased costs, BRIDGE determined that it could no longer develop a project given current budget constraints and that they would sell the property and repay the County's loan that was secured by the Sunrise parcel. Staff was notified by the Gasser Foundation on October 17th that they were the successful purchaser and would be willing to assume the predevelopment loan as they prepare plans to develop affordable housing on the parcel(s). The action today would include an Assignment, Assumption and Modification agreement allowing the Gasser Foundation to assume the predevelopment loan, consent to the sale of the property, and extend the term of the loan to December 31, 2018, with all entitlements to be received by June 30, 2018. Gasser intends to complete an EIR on its proposal. The Gasser Foundation will also indemnify the County against any third-party litigation resulting from the loan. Any future request for funding will follow the adopted guidelines for use of Affordable Housing Funds.

SUPPORTING DOCUMENTS

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CEO Recommendation: Approve

Reviewed By: Helene Franchi