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Agenda Date: 12/17/2019  
Agenda Placement: 9E  
Set Time: 9:05 AM  
Estimated Report Time: 10 Minutes

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors

**FROM:** David Morrison - Director  
Planning, Building and Environmental Services

**REPORT BY:** David Morrison, Director, Planning, Building & Environmental Servi - (707) 253-4805

**SUBJECT:** Napa Pipe-Approval of Memorandum of Understanding and Amendments to Existing Agreements

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### **RECOMMENDATION**

County Executive Officer, Director of Planning, Building and Environmental Services, and Director of Housing and Homeless Services request a public hearing regarding the following related to the Napa Pipe Development:

1. Approval of and authorization for the Chair to sign the "Memorandum of Understanding and Agreement Between Napa County, the City of Napa, and Napa Redevelopment Partners LLC Relating to Development of the Napa Pipe Project" to ensure that the Development Agreement and Affordable Housing Plan incorporate the commitments made in the County Housing Element related to the provision of housing within the Napa Pipe Project;
2. Approval of and authorization for the Chair to sign the "Agreement between the City of Napa and Napa County Regarding Annual Reporting of Affordable Housing Production" to allow the County to include in its Annual Report those entitlements, building permits and certificates of occupancy issued by the City for the Napa Pipe Project as authorized by SB 235;
3. Approval of and authorization for the Chair to sign an amendment to the "Memorandum of Agreement between the City of Napa and Napa County Regarding Regional Housing Needs Allocations for Future Housing Element Planning Periods" (formerly Agreement No. 8412) to allow for RHNA transfers from the County to the City beginning in 2023 through at least 2058; and
4. Authorization for the Chair to sign a letter to the Local Agency Formation Commission upon implementation of the above named agreements certifying the conditions for annexation of the western parcel of the Napa Pipe Project has been fully satisfied.

### **EXECUTIVE SUMMARY**

Staff is seeking approval of recommended actions and agreements regarding the Napa Pipe project, consistent

with the terms approved by the Board of Supervisors on November 12, 2019. Approval of the requested actions will allow for the completion of the early annexation of the western parcel to the City of Napa and will facilitate construction of the Napa Pipe project 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.

### **BACKGROUND AND DISCUSSION**

#### **History**

On October 8, 2013, the City and County of Napa entered into a "Memorandum of Understanding and Agreement" ("MOU") regarding development of the Napa Pipe property, located at 1025 Kaiser Road. The MOU 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.

### **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").

### **Annexation of the Western Parcel of the Napa Pipe Property**

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 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. On November 12, 2019, the Board of Supervisors reviewed the proposed terms related to the annexation and the implementation of the agreements necessary to put SB 235 in action. On November 18, 2019, the Local Agency Formation Commission took action to approve the annexation based on the condition that the City of Napa and Napa County certified that specific actions have been met.

### **Today's Requested Action**

Today's requested action implements the agreements necessary to annex the western parcel of the Napa Pipe property and implement SB 235.

Memorandum of Understanding and Agreement Between Napa County, the City of Napa, and Napa Redevelopment Partners LLC Relating to the Development of the Napa Pipe Property

This is a new agreement which insures that the commitments made in the County Housing Element are incorporated into the Development Agreement and the Affordable Housing Plan, which are attached to the agreement as exhibits. The County is not a signatory to either the Development Agreement or the Affordable Housing Plan, which are provided as referenced in the MOU. The County is a third party beneficiary to specific portions of the two documents.

Section 15.1.1 of the Development Agreement is revised to make the County a third party beneficiary to insure that the project will provide:

- | Up to 945 residential housing units, of which approximately 20% would be deed restricted as affordable to moderate, low- and very-low income households;
- | 304 units at a minimum density of 20 dwelling units per acre (with 202 of those units permitted by right); and
- | The remaining housing units would be allowed, but not required, to be built at densities up to 20 units per acre (plus any requested density bonus).

Section 36.2 of the Development Agreement is revised to make the County no longer a party with respect to the Development Agreement, except that the County will remain a third-party beneficiary to Section 15.1.1 of the Development Agreement and Sections 2, 3, 4, and 5.1 of the Affordable Housing Plan.

Section 36.3 of the Development Agreement is revised to require the City to provide notice to the County of any changes to the referenced sections of the Development Agreement and/or Affordable Housing Plan to which the County is a third-party beneficiary.

Section 2 of the Affordable Housing Plan requires that the greater of 44 market rate units or 6.6 percent of the market rate units be affordable for families with moderate level household income. It also directs the applicant to pay \$1 million to the City that was previously designated for the County Workforce Proximity Housing Fund.

Section 3 of the Affordable Housing Plan directs the applicant to dedicate two parcels to the City, sufficient to accommodate at least 140 affordable housing units, and designates the City in all matters relating to site development.

Section 4 of the Affordable Housing Plan describes the applicant's responsibilities and City rights with regards to moderate income housing, including the continuing care facility.

Section 5.1.1 of the Affordable Housing Plan requires that the \$1 million paid by the applicant to the City in lieu of the County Workforce Proximity Housing Program must be used in accordance with guidelines approved by the County Housing Director, to serve the same overall purpose as the Workforce Proximity Housing Program.

Memorandum of Agreement Between the City of Napa and Napa County Regarding Regional Housing Needs Allocations for Future Housing Element Planning Periods

Changes to the previously adopted agreement include the following:

- | Clarification of the number of parcels and Assessor Parcel Numbers (APNs) for the project, which have changed since the original agreement was approved.
- | Addition of language that references the Subregion's role in determining RHNA for the sixth Housing Cycle.
- | Sections added regarding dispute procedure, severability, modification, entirety of the agreement, and signing authority.

### Agreement Between the City of Napa and Napa County Regarding Annual Reporting of Affordable Housing Production

This is a new agreement that implements the provisions of Senate Bill 235 (2019). The terms of the Agreement include:

- | The County shall include in its Annual Housing Report to the Department of Housing Community Development (HCD) all completed entitlements, building permits, and certificates of occupancy for the following:
  - | One hundred percent (100%) of the Affordable Homes constructed on the Property during "Phase One" of the Project;
  - | One hundred percent (100%) of the Affordable Homes constructed on the Property during "Phase Two" of the Project for which building permits are issued on or before December 31, 2022; and
  - | Ninety percent (90%) of the Affordable Homes constructed on the Property during "Phase Two" of the Project for which building permits are issued on or after January 1, 2023.
- | The City shall include in its Annual Housing Report to HCD all completed entitlements, building permits, and certificates of occupancy for the following:
  - | The remaining ten percent (10%) of the Affordable Homes constructed on the Property during Phase Two of the Project for which building permits are issued on or after January 1, 2023;
  - | One hundred percent (100%) of the Moderate Income Units and one hundred percent (100%) of the Market Rate Residential Units constructed on the Property;
  - | All Affordable Homes constructed on the Property in excess of 140 units; and
  - | The number of Affordable Homes equivalent to the percentage of funding contributed by the City to the development of Affordable Homes within the Property (excluding Affordable Housing Impact Fees or other fees generated by the Napa Pipe project). For example, if the City provides 20% of the funding for 100 Affordable Homes, they City would be include 20 Affordable Homes in their Annual Housing Report.

### Timeline

The following is the anticipated timeline to move the Napa Pipe project into construction:

- | December 18, 2019: Airport Land Use Commission (ALUC) will review the revised Napa Pipe project
- | 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 . RHNA Agreement
- B . RHNA Agreement-Redlined

- C . MOU between City County Landowner
- D . SB 235 Agreement
- E . Development Agreement
- F . Development Agreement-Redlined
- G . Affordable Housing Plan
- H . Affordable Housing Plan-Redlined
- I . Letter from NVTa Regarding Subregion

CEO Recommendation: Approve

Reviewed By: Leigh Sharp