



A Tradition of Stewardship  
A Commitment to Service

Agenda Date: 2/11/2020

Agenda Placement: 10A

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors

**FROM:** Molly Rattigan for Minh Tran - County Executive Officer  
Housing and Homeless Services

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

**SUBJECT:** Adoption of a resolution approving a predevelopment loan of \$750,000 to Midpen Housing for the first affordable project at Napa Pipe

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### **RECOMMENDATION**

Director of Housing and Homeless Services requests adoption of a resolution reserving \$750,000 for MidPen Housing predevelopment costs related to the first affordable housing project of 85 units at Napa Pipe.

(Item to be taken up immediately following Napa County Annual Report).

### **EXECUTIVE SUMMARY**

The developers of the Napa Pipe site have chosen MidPen Housing to develop the affordable housing set out in the development agreement. MidPen has chosen to partner with Napa Valley Community Housing on the first project of 85 units. The project is in its early stages and MidPen is just starting to look at what combination of funding sources will combine with 4% tax credits and the Multifamily Housing Program from the Department of Housing and Community Development (HCD) to complete the project. The predevelopment loan will help cover the costs associated with the beginning states of development from engineers, architects and other related professions.

The developer received Planning Commission approval in December 2019 and is slated to be heard by the City Council early this year. The Local Agency Formation Commission approved the remaining annexation of the parcels and the entirety of the project is now located within City of Napa boundaries. Legislation was passed late last year all allows the County to receive credit toward the current Housing Element cycle for permits issued even though the parcel is now within city limits.

### **PROCEDURAL REQUIREMENTS**

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

### **FISCAL & STRATEGIC PLAN IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Funding for the predevelopment loan would come from the Affordable Housing Fund. The current available fund balance is approximately \$3 million.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The County's current Housing Element was approved based on the construction of units at Napa Pipe. This is the first of two affordable housing projects at Napa Pipe.
Is the general fund affected?	No
Future fiscal impact:	This request is for predevelopment funding. Staff will return at a later date with a request for funding for construction.
Consequences if not approved:	If the County does not fund the affordable units at Napa Pipe, the units may not be constructed and the County may become out of compliance with RHNA efforts.
County Strategic Plan pillar addressed:	Livable Economy for All
Additional Information:	

### **ENVIRONMENTAL IMPACT**

ENVIRONMENTAL DETERMINATION: The City has conducted environmental review of the Project and related approvals under the California Environmental Quality Act ("CEQA"). In particular, an Addendum to the Napa Pipe EIR was prepared by the City as an addendum to the Napa Pipe Final Environmental Impact Report certified by the Napa County Board of Supervisors on January 14, 2013. The 2019 Addendum concluded that none of the conditions described under CEQA Guidelines Section 15162 requiring further environmental review were present, and accordingly, no subsequent or supplemental environmental impact report or negative declaration was required for the Project. Likewise, no additional environmental review is required for the County's approval of the loan reservation, in that no changes have been made to the contemplated development and related approvals under review by the City.

### **BACKGROUND AND DISCUSSION**

MidPen Housing, in partnership with Napa Valley Community Housing (NVCH) is requesting \$750,000 in predevelopment funding to pay initial architectural and engineering costs for the first affordable housing development at Napa Pipe. The funds will cover expenses incurred in the beginning stages of development and will use local funds to leverage other funding sources.

Predevelopment expenses are an allowed use of Affordable Housing Funds per the County's approved guidelines. County staff will also work with the developers to ensure the project includes a proportional number of Coordinated Entry System (CES) units that serve homeless or at risk of homelessness persons, which is also required for County funding.

The total number of units that will be developed (in two separate projects) will be 142. This includes two manager's units. The first project will be 85 units with a mix of one, two and three bedroom units. The building design is a three story walk up building and will serve individuals making between 30% to 60% of Area Median Income.

The initial anticipated funding sources are (subject to change)

- | A construction loan of \$32,131,166
- | Land donation of \$1,500,000
- | State HOME funds of \$2,498,750
- | Tax credit proceeds of \$1,860,058
- | GP Equity of \$3,440,916
- | Local Funds of \$1,475,000
- | Multifamily Housing Program funds of \$18,568,127

The Housing Commission recommended approval of the predevelopment financing at their meeting on January 23, 2020, but felt the architectural and engineering line item of \$1.3 million was excessive. The developer assured the Commission that they will seek out at least three bids for each of the trades to find the best price possible. The attached sources and uses is an initial attempt to attach costs to specific line items. This will all be subject to change as the project starts to come together and funding sources are finalized.

### **SUPPORTING DOCUMENTS**

- A . Predevelopment request
- B . Resolution

CEO Recommendation: Approve

Reviewed By: Helene Franchi