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Agenda Date: 2/3/2015  
Agenda Placement: 10B

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors  
**FROM:** Tracy Schulze - Auditor-Controller  
Auditor - Controller  
**REPORT BY:** Kaitlin Esser, ACCOUNTANT-AUDITOR I - 707-265-2342  
**SUBJECT:** Proximity Workforce Housing Assistance Program Agreed-Upon Procedures Engagement

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### **RECOMMENDATION**

Auditor-Controller and Director of Housing and Intergovernmental Affairs request the following:

1. The Board accept, and instruct the Clerk of the Board to file, the Compliance Audit Division's Agreed-Upon Procedures Report of the Napa County Proximity Workforce Housing Assistance Program administered by the Department of Housing and Intergovernmental Affairs for the period from December 7, 2010 through December 31, 2013; and
2. Discussion and direction on revisions to the Proximity Workforce Housing Assistant Program Guidelines.

### **EXECUTIVE SUMMARY**

The Compliance Audit Division of the Napa County Auditor-Controller's Office has performed an agreed-upon procedures engagement of the Proximity Workforce Housing Assistance Program administered by the Department of Housing and Intergovernmental Affairs for the period from December 7, 2010 through December 31, 2013. Acceptance of said compliance audit report is requested.

In addition Department of Housing and Intergovernmental Affairs staff is requesting the following changes to the guidelines:

1. Amend the current maximum 15 mile radius calculated as the crow flies to a maximum of 20 miles over roads, and
2. Establish a maximum home value of 110% median price of a comparable property within the County of Napa, using a standardized metric as written in the guidelines.

**FISCAL IMPACT**

Is there a Fiscal Impact?                      No

**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**

In an effort to assist low and moderate income households to purchase a home close to their place of work, and to reduce greenhouse gas emissions and vehicle miles traveled, the Napa County Proximity Workforce Housing Assistance Program ("Program") was established on December 7, 2010. The Program provides down payment assistance in the form of a loan for up to 10% of the purchase price of an eligible home in Napa County within a fifteen mile radius of the applicant's place of work. Recipients must be employed at least 30 hours per week or a minimum of 1,200 hours per year and have a gross household income which does not exceed one hundred twenty percent (120%) of the area median income. Upon transfer of ownership or a term of 55 years (whichever is sooner), the loan recipient is required to repay to the County the original loan amount plus the "Proximity Housing Share of Appreciation". The recipient may also choose to repay the loan through a refinance of the first mortgage. The Program requirements are detailed in the Napa County Proximity Housing Assistance Guidelines.

The Compliance Audit Division of the Napa County Auditor-Controller's Office has completed an agreed-upon procedures engagement of the Proximity Workforce Housing Assistance Program. The scope of the procedures covered from inception of the Program on December 7, 2010 through December 31, 2013. The objectives of the engagement were to determine if recipients of financial assistance from the Program were eligible to receive the loans and whether certain other requirements of the Program were being met in accordance with the Napa County Proximity Housing Assistance Guidelines.

The Compliance Audit Division reviewed all 35 applicant files maintained by the Department of Housing and Intergovernmental Affairs for this period. As a result of the engagement the following documents were issued:

- | Cover letter from Auditor-Controller;
- | Attachment A - Agreed-Upon Procedures report and results; and
- | Attachment B - Current Proximity Workforce Housing Assistance Guidelines with associated concerns and recommendations.

As a result of this audit, program staff concur with the concerns and recommendations of the Napa County Auditor-Controller's Office. The program continues to generate interest and many potential homebuyers are waiting for an additional funding allocation and revisions to the guidelines. Staff would like to return to the Board of Supervisors in the near future to request these revisions and an additional funding allocation. Staff is seeking direction on the recommendations made by the Auditor-Controller, particularly these two items:

1. **Fifteen Mile "As The Crow Flies" Radius-** As discussed in the audit report, the use of "as the crow flies" to determine the worker proximity radius is inconsistent with the goal to reduce greenhouse gas emissions. This definition is difficult for staff to determine eligibility and in some instances, has led to commutes of 25+ miles on roadways and increases well beyond what the applicant was previously commuting. Additionally, the 15 mile radius, even when defined as "as the crow flies" is prohibitive for some that work in St. Helena

where housing stock is minimal and cost prohibitive. Program staff recommends amending the guidelines to set the radius at 20 road miles. This would alleviate the challenges with calculating "as the crow flies," provide a more clear guideline and create more opportunities for applicants that work in St. Helena and the immediate adjacent area.

2. **Maximum Home Value Amount** - The median loan amount to date has been approximately \$30,000. In recent months, with the increase in housing prices, the amount that has been requested has also been increasing. In addition, despite the fact that there is a maximum annual median income requirement to qualify for the program, there is no limit on the amount that can be loaned to the borrower. Staff's concern is that with limited resources to fund the program, a few disproportionately large loans could have an impact on the number of loans that can be made. In order to reach the community population anticipated for assistance through use of the affordable housing fund, we wish to cap the maximum home price to be funded through this program. Consistent with the Affordable Housing Guidelines, staff is proposing to establish a maximum home value of 110% median price of a comparable property within the County of Napa, using a standardized metric as written in the loan program guidelines.

### **SUPPORTING DOCUMENTS**

- A . Auditor-Controller's Letter to the Board
- B . Proximity Workforce Housing Assistance Program Agreed-Upon Procedures Report
- C . Proximity Program Guidelines with Concerns and Recommendations

CEO Recommendation: Approve

Reviewed By: Helene Franchi