



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 2/5/2019
Agenda Placement: 10B

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Minh Tran - County Executive Officer
County Executive Office

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

SUBJECT: Adoption of a resolution to loan \$500,000 of Affordable Housing Funds to Satellite Affordable Housing for the 51 unit Manzanita Apartments

RECOMMENDATION

County Executive Officer requests adoption of a resolution authorizing a pre-development loan in the amount of \$500,000 to Satellite Affordable Housing Associates for the development of 50 affordable units and one manager's apartment at the Manzanita Family Apartments in Napa.

EXECUTIVE SUMMARY

The Board has previously reserved funding of \$500,000 from the Affordable Housing Fund for the Manzanita Family Apartments located on Soscol Avenue in Napa. The project will have 50 permanently affordable apartments for low-income families earning at or below 60% of Area Median Income (AMI) and one manager's unit. The developer, Satellite Affordable Housing Associates (SAHA), plans a unit mix of 25 one-bedroom apartments, 13 two-bedroom apartments and 13 three-bedroom units. Three units will be set aside as permanent supportive housing. Today's requested action is to authorize a the loan agreement for pre-development expenses.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	The funds have been reserved in the Affordable Housing Fund.
Is it Mandatory or Discretionary?	Discretionary

Discretionary Justification:	The development is consistent with the guidelines for loans from the Affordable Housing Fund.
Is the general fund affected?	No
Future fiscal impact:	The funds are for pre-development expenses and would be drawn down as soon as the loan documents are available and executed. The commitment of funding is also important as it leverages other funding sources.
Consequences if not approved:	The developers would have to look for additional resources and the project may be at risk of moving forward.
Additional Information:	

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The City of Napa found the project to be exempt from CEQA pursuant to CEQA Guidelines Section 15332, which exempts in-fill development projects.

BACKGROUND AND DISCUSSION

The Manzanita project began with a surplus piece of property owned by the City of Napa when north Soscol Avenue was realigned. The City offered the land as surplus and SAHA was the chosen development partner. The development vision incorporates not only an opportunity to expand housing in the region, but also a chance to shift toward a greener, more public-transit oriented economy, as SAHA and the Napa Valley Transportation Authority plan to partner to expand bus service in the project's immediate area, thereby reducing greenhouse gasses.

The proposed housing development is envisioned as a vibrant community that complements the character of the existing single family and multi-family neighborhood while achieving a density that promotes financial feasibility and long-term operational sustainability. SAHA actively engaged neighbors and local stakeholders throughout the design process to ensure that local input was incorporated into the project.

The development consists of a single three story structure surrounding a central landscaped courtyard design. Parking includes 85 surface parking spaces. The site is designed with a loop driveway with two entrances that connect each end of the project to Soscol Avenue. As part of the entitlement process, a traffic light will be installed at the Old Soscol Way intersection to facilitate traffic flow through the area. The project also includes a children's play area and community garden.

In addition, SAHA has agreed to reserving three units as permanent supportive housing, which is part of the County's plan to address homelessness.

The Board of Supervisors initially approved a reservation of \$2 million in funds for this project on January 31, 2017. On April 18, 2017, based on a request from SAHA, the Board of Supervisors rescinded the \$2 million reservation of funds and redirected \$1.5 million of the reserved funds to SAHA's other project, Valley View in American Canyon. On January 9, 2018, the Board of Supervisors adopted a resolution re-reserving the remaining \$500,000 in funds for the Manzanita Project. The funds have been reserved in the Affordable Housing Fund specifically for this purpose.

Today's requested action authorizing the loan of the \$500,000 set aside for this project for pre-development expenses to continue the project. Pre-development loans are made to continue the design and site preparation

process, prior to the construction expenditures and funding sources reaching finality. The City of Napa has also contributed \$300,000 of its commitment to pre-development costs.

Since January 2018, SAHA has worked on the funding scenarios for the project and is in the process of completing grant and other funding applications to complete the project. The project's current pro forma has been reviewed by the County's underwriter and assumes the following funding sources for a total project cost of \$31.2 Million:

1. Competitive Funding Sources through Housing and Community Development*-\$10.7 Million
2. City of Napa (includes land value)-\$2.35 Million
3. County of Napa- \$500,000
4. General Partner Contribution- \$2.1 Million
5. Tax Credits- \$11.4 Million
6. Other Sources- \$800,000

*SAHA will be a direct applicant and the County will not participate in the application process.

SAHA is still determining the best grant and funding sources for the project. If the pre-development loan is approved, County staff will continue to work with SAHA and the City of Napa to move this project into the construction phase. County staff has informed staff at SAHA that given the limited housing funds available, the funds put into SAHA's Valley View Project and with development at Napa Pipe on the horizon, staff would not be recommending additional funding to the Manzanita project and that non-county funding sources would need to be identified to cover any cost overruns or gaps identified as the project moves into the development phase.

The Housing Commission recommended approval of the loan at their meeting on December 20, 2018 with one dissenting vote from a Commissioner who does not believe that County funds should be used for predevelopment costs. Concern was also expressed about the total cost per unit of the project. After much thoughtful discussion, it was determined that many of the grant and tax credit funding sources do not fund pre-development expenditures and it is local funds that are often the first in the project to prepare a project for construction financing. While this is not ideal, housing policy and funding sources, have not yet caught up with the reality of the cost of financing affordable housing. As the State rolls our funding programs under SB 2 and Proposition 1, this will be an opportunity to seek pre-development funding.

If the Board of Supervisors approves this loan, County staff will return with a consent item to complete the accounting mechanisms necessary to process the loan payments.

SUPPORTING DOCUMENTS

- A . Resolution
- B . Underwriting memo
- C . City of Napa staff report
- D . Previous Resolution Adopted January 9, 2018

CEO Recommendation: Approve

Reviewed By: Molly Rattigan