



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 3/1/2016

Agenda Placement: 6I

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: Approval of a Development and Disposition agreement for 535 Coombsville Rd. property to support construction of a 20-unit affordable housing project

RECOMMENDATION

Director of Housing and Intergovernmental Affairs requests adoption of a resolution approving and authorizing the Chairman to sign a Disposition and Development Agreement and all related documents for the sale of the County-owned property located at 535 Coombsville Road, City of Napa, to Idaho Pacific West Communities, Inc. for a total of \$1,051,000 to develop 20 units of affordable housing and to enter into a loan commitment in the amount of \$1,051,000 in the form of seller carryback financing at close of escrow.

EXECUTIVE SUMMARY

Idaho Pacific West Communities Inc. ("Developer") entered into an exclusivity agreement with Napa County on August 12, 2014 and an extension on June 23, 2015, to explore the development of affordable housing at 535 Coombsville Road, a property owned by Napa County and purchased with Affordable Housing Funds. On February 16, 2016, the Developer received approval of entitlements for a 20-unit affordable housing development by the Napa City Council. The Developer plans to apply for 9% tax credits to finance the project on March 2, 2016 and subsequent rounds if not successful on the first round. The action today will approve a Disposition and Development Agreement that will demonstrate site control for the property for the tax credit application as well as a resolution and letter of support for the project to the Tax Credit Allocation Committee (TCAC). The property was recently appraised for a total of \$1,051,000, which will be the County's contribution, at this time, to the project.

FISCAL IMPACT

Is there a Fiscal Impact? Yes

Is it currently budgeted?	Yes
Where is it budgeted?	A total of \$1.3 million was loaned to Napa Valley Community Housing to purchase the property. When the developer was unable to get entitlements, the property came back to the County. At this time, no additional funds are being allocated to the project.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The County has owned the property for the past five years. The property was purchased using Affordable Housing Funds with the ultimate goal for an affordable housing project to be constructed on the parcel. The property has been shopped to various developers over the years. Idaho Pacific West Communities is the only developer able to secure entitlements for an affordable project on the parcel.
Is the general fund affected?	No
Future fiscal impact:	To secure 9% tax credits for the financing of the project, the County may find it necessary after the March 2, 2016 round, to contribute additional funds to the project to increase the project's score. Nine percent tax credits provide the deepest level of affordability (extremely low income units), but require large contributions from local entities to receive the award of tax credits.
Consequences if not approved:	The site will remain underused with no affordable housing.
Additional Information:	

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: A Mitigated Negative Declaration was approved by the Napa City Council on February 16, 2016. No subsequent or supplemental environmental review is required.

BACKGROUND AND DISCUSSION

Napa County originally loaned \$1.3 million to a local nonprofit affordable housing provider to construct 30 units on the 1.1-acre parcel located on Coombsville Road. Due to neighborhood concerns about the proposed three story structure, the project was never approved by the City of Napa, leaving the nonprofit with an unentitled parcel and no way to obtain funding for the project. The County assumed ownership of the parcel over five years ago. During that time, various developers have looked at the feasibility of building affordable units on the site, but none have succeeded in proposing a project that is financially viable while garnering the support of the neighboring community.

Idaho Pacific West Communities, Inc. ("Developer") is a vertically integrated company that can take projects from site acquisition through construction and on to asset management, a proven method to keep costs down. This Developer has built more than 5,000 units of market rate and affordable apartments, workforce housing, senior complexes and charter schools across eight western states. After due diligence, the Developer has received entitlements from the City of Napa for a 20-unit affordable project with a mix of one, two and three bedroom units. The Developer plans on receiving 9% tax credits as financing, which would allow the project to have four units of extremely low-income level units and is working with Health and Human Services in exploring the utilization of two units for permanent supportive housing.

The development consists of 16 units in a two story building and four units in a second two story building which will also house a manager's office, community room and laundry. The project includes four 1-bedroom units, ten 2-bedroom units, and six 3-bedroom units. A total of 43 parking spaces are provided, which exceeds both city and state standards and includes 20 carport spaces and 23 uncovered spaces.

The Developer plans on applying for 9% tax credit financing beginning with the March 2, 2016 round and at least two subsequent rounds if not awarded credits on the first try. Recent fund rounds of 9% credits have seen larger tiebreaker scores which are a result of large commitments of funding from the local jurisdictions. At this point, the County has committed the land value, which was recently appraised at \$1,051,000. The County will sell the property to the Developer for the appraised value but will make a seller carryback loan for the value of the property. Should the Developer not be awarded credits on the March round, the County and City may look at providing additional funding to ensure a more competitive tiebreaker score in the next round. Staff will analyze the results of the March funding round to determine if additional funding is prudent.

The County may sell property for affordable housing under Government Code Section 25539.4 without following the usual provisions for disposition of surplus land. The required findings are contained in the attached resolution. The loan will be made for 55 years at 3% interest; detailed underwriting will be completed when other funding is known. The DDA provides that the property will not be sold to the Developer until the Developer has obtained all building permits needed to construct the project, and all construction financing is ready to close. The agreement expires on December 31, 2017 if the Developer is unable to obtain financing and purchase the property by that date.

CEQA Status

On February 16, 2016, the City of Napa adopted a Mitigated Negative Declaration ("MND") for the development. No subsequent or supplemental environmental review is required for the development, in that no changes have been made in the development approved by the City; and there is no substantial evidence that any of the conditions listed in CEQA Guidelines Section 15162 exist that would require further environmental review, in that there are no changed circumstances since the MND was adopted that would involve new significant effects; and no new information shows that the development will have significant effects not discussed in the MND.

SUPPORTING DOCUMENTS

- A . Resolution
- B . TCAC Commitmet Letter
- C . Agreement

CEO Recommendation: Approve

Reviewed By: Helene Franchi