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NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Britt Ferguson for Nancy Watt - County Executive Officer
Community Partnership Program
REPORT BY: Howard Siegel, Community Partnership Manager, 253-4621
SUBJECT: Proposed Loan from Affordable Housing Fund

RECOMMENDATION

County Executive Officer requests adoption of resolution authorizing a loan from the Affordable Housing Fund in the amount of \$1,200,000 to the Mid-Peninsula Housing Coalition to assist in the production of 145 affordable housing units in the City of American Canyon.

EXECUTIVE SUMMARY

The proposed action is to provide funding from the County's Affordable Housing Fund - in the amount of \$1.2 Million to assist in the development of an affordable housing project in the City of American Canyon that would provide 145 housing units that would be affordable to households earning \$47,000 per year and under.

Total cost is estimated to be about \$38 Million, with the proposed allocation of units (by affordability categories) as follows:

Low Income Households (earning 51 to 80% median income) - 86 units
Very Low Income Households (31% to 50% median income) - 28 units
Extremely Low Income Households (30% or below) - 30 units (including 15 for farmworker families)
(Note: Plus 1 unit for Site Manager)

This project proposes the highest level of affordability for a project this size in recent County history. It is consistent with policies of the City of American Canyon, the County and the Community Affordable Housing Advisory Board as well as with the Housing Agreement (MOU) between the City and County.

FISCAL IMPACT

Is there a Fiscal Impact? Yes

Is it currently budgeted?	No
What is the revenue source?	Affordable Housing Fund
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Referred to in Housing Agreement (MOU) between County and City of American Canyon, albeit not for a specific amount. Both City and County funding commitments were contemplated. The City is contributing \$2 million to this Project plus the land itself (an additional \$3 million or more in value).
Is the general fund affected?	No
Future fiscal impact:	none
Consequences if not approved:	Prospect of losing a major affordable housing opportunity, at relatively little cost to the County (32:1 leverage ratio).
Additional Information:	None

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 April 2004, Mid-Peninsula Housing Coalition (MPHC) was selected by the City of American Canyon as the developer of an 11-acre site owned by the City for a 145-unit affordable rental project on 7.41 acres of the site called Vineyard Crossings. The remainder of the site will be developed separately as a for-sale project with an affordable component for first time homebuyers.

The project proposes a very deep level of affordability with 72% (103) of all units targeted to very low income families (50% median income or below), including 21% (30) targeted to extremely low income families (30% median). The remaining 28% of all units (41) are targeted at low-income families (51% to 80% median income). Additionally, the developer is proposing to target 10% of these units (15) to extremely low income farmworker families throughout Napa County.

The overall cost of the affordable component of the development is estimated to be \$38,060,870 or \$262,489 per unit. The proposed County loan amounts to approximately 3% of the total development cost (\$8,276 per unit). Other projected funding sources are as follows:

Tax Exempt Bonds	\$ 5,320,516
Tax credit proceeds	14,873,367
Affordable Housing Program	900,000
Multip-Family Hsg Program	9,916,287
American Canyon Land	3,490,883
American Canyon Loan	2,039,433

Owner Equity Contribution	320,384
<u>County Housing Fund</u>	<u>1,200,000</u>
Total	\$36,060,870

The project is consistent with the goals and objectives of the City of American Canyon's Housing Element, its Southeast Area Specific Plan, the Memorandum of Understanding (MOU/Housing Agreement) between the City and the County, as well as the Settlement Agreement between the County and DeHaro, et. al. The MOU entails the transfer of 153 units of low and very-low income housing from the County to the City, whereby the Settlement Agreement requires financial support from the County to enable those units to be created. While the MOU did not specify particular dollar amounts, it did provide for funding from both the City and the County for this particular project. As the above listing indicates, the City has committed to providing a loan in excess of \$2 million to this project in addition to the land itself.

The proposed project is also consistent with the goals set forth by the Community Affordable Housing Advisory Board (CAHAB), including the development of extremely low income and farmworker units.

Fifteen (15) of these 145 units will be designated for extremely low-income farmworker families, partially fulfilling a need identified in the County's Housing Element. Twenty-four (24) of the units will be one-bedrooms that can be made available to seniors and other special needs families.

USE OF FUNDS

The proposed County funds would be used at the time of permanent loan closing on the project. Other funding will be used during the construction phase. It is anticipated that County funds will not be needed until Fiscal Year 07/08. However, as is the case with most projects utilizing County Affordable Housing funds, it is critical that the funding commitment be made early in the process so that it can be used to leverage other funding sources. In fact, this particular project would leverage County funds at a 32 to 1 ratio, far in excess of our average leverage ratio of approximately 11 to 1 during the 12 years that the Fund has been in existence.

The current available balance in the County's Affordable Housing Fund is approximately \$4.2 Million. Approval of the proposed loan would reduce that balance to \$3 million, an amount expected to increase by approximately \$1.5 to 2 million per year.

PROPOSED SCHEDULE

The current Project schedule presumes that the American Canyon City Council provides final land use and funding approval on March 17th and that the CAHAB recommends funding to your Board on March 21st. The uncharacteristically short time period between the CAHAB meeting and this Board meeting is a function of State and other grant funding deadlines at the beginning of April, the cancellation of the regular (March 14th) CAHAB meeting, and the lack of a Board meeting on March 29th.

Construction is slated to begin in early 2006 and complete approximately half of the units prior to June 30, 2007, which is the end of the current HCD/ABAG housing cycle.

LOAN TERMS AND CONDITIONS

As indicated in the attached resolution, the proposed terms and conditions of the loan are as follows:

1. Principal amount = \$1,200,000.
2. Loan term should be 55 years.
3. Interest rate shall be at 3.5% simple annual interest.
4. Repayments shall be from residual receipts.
5. MPHC shall ensure that the project meets the following targeted priorities:
 - a) 21% of all units (30) shall be affordable to extremely low income families (30% median income or below);
 - b) 10% of all units (15) shall be reserved for extremely low income farmworkers in Napa County
6. The loan shall be secured by a Deed of Trust and Regulatory Agreement recorded against the property. All such agreements shall be in a form acceptable to County Counsel.
7. MPHC shall secure all additional funding commitments necessary to complete the development prior to disbursement of any funds.
8. The City of American Canyon shall provide proof that the State of California Department of Housing and Community Development (HCD) has certified its Housing Element, as revised to include County-transferred units, within 60 days of loan approval or the County may, in its sole discretion, revoke this loan commitment to Mid-Peninsula Housing Coalition.
9. The applicant shall pay the Napa Valley Housing Authority (NVHA) a loan origination fee of 0.75% of the initial approved loan amount of \$1,200,000 (\$9,000) and an additional loan origination fee of 0.75% on any subsequently approved loan amounts.
10. The applicant shall pay the NVHA's reasonable attorney fees for preparation and review of the Loan Documents, at a cost not to exceed \$3,000.
11. MPHC shall provide a certificate of completion for the development prior to fund disbursement. At that time, funds would be disbursed into an escrow account for the close of the permanent financing for the project.

SUPPORTING DOCUMENTS

A . Resolution Approving Affordable Housing Fund Loan

CEO Recommendation: Approve

Reviewed By: Howard Siegel