



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 3/7/2017
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Estimated Report Time: 30 Minutes

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Alice Hughey for Leanne Link - County Executive Officer
County Executive Office
REPORT BY: Molly Rattigan, Deputy County Executive Officer - 253-4112
SUBJECT: Affordable Housing Presentation

RECOMMENDATION

County Executive Officer requests the Board receive a presentation on the Affordable Housing Fund and affordable housing activities including farmworker housing.

EXECUTIVE SUMMARY

County staff will present a report on the Affordable Housing Fund and affordable housing activities including farmworker housing.

PROCEDURAL REQUIREMENTS

No required action.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

There is no Environmental Impact for this item.

BACKGROUND AND DISCUSSION**Affordable Housing Overview**

According to the Housing and Urban Development (HUD) Department, families that spend more than 30% of their income on housing are considered cost-burdened and may have difficulty affording other necessities like food, clothing, child care, medical care and transportation. HUD estimates 12 million renters in the country spend more than 50% of their income on housing. A family with one full-time minimum wage earner cannot afford a market rate two-bedroom unit in any region of the country. This is due to a severe housing shortage and has created an affordability crisis.

California, the Bay Area and Napa County are no exceptions. More than 1.5 million households in California are estimated to spend more than 50% of their income on rent. The median home price in Napa County is currently \$600,000 and the average rental price for a two-bedroom unit spans from \$1,000 per month (older apartment) to \$2,400 per month. A recent data report from the Gasser Foundation estimates that nearly 50% of Napa County's workforce earns at or below the County's median income.

Income Category	Income Limit for 4 Person Household	30% of Income for Monthly Rent
Extremely Low Income (30% of Median Income)	\$26,200	\$655
Very Low Income (50% of Median Income)	\$43,700	\$1,092
Low Income (80% of Median Income)	\$69,900	\$1,747
Median Income	\$86,100	\$2,153
Moderate Income (120% of Median Income)	\$103,300	\$2,582

Napa County's Affordable Housing Fund

In 1993, the Board of Supervisors adopted Ordinance No. 1026, which created a Housing Trust Fund (now known as the Affordable Housing Fund) and established housing impact fees for non-residential development projects and affordable housing inclusionary requirements or in-lieu fees for residential development projects. The fees were established through a study that documented the connection between construction, necessary services, jobs created and the need to house workers. Funds deposited into the Affordable Housing Fund must be used to build, preserve and maintain Affordable Housing. The non-residential fees were last updated in 2014 and residential construction fees for housing projects were updated in 2010.

Since the creation of the fund, \$22 million has been loaned to build over 1,000 units in the incorporated and unincorporated areas in Napa County. In 2010, the County held a significant balance in the Affordable Housing Fund and released a Notice of Funding Availability (NOFA) and Underwriting Guidelines. Since that time, County staff has used the NOFA process to make funds available on a revolving basis for projects that are developed within Napa County. While the project development has occurred within the incorporated cities, the County has the opportunity to enter into housing transfer agreements to obtain credit for developing housing. A complete list of Affordable Housing loans is attached as Exhibit A.

The County's funds have traditionally been "gap funds," meaning that the primary financing source of the project comes from another loan, grants or tax credits and the County's funds are used to finance the amount necessary to

complete the project. As a result, the County takes a secondary subordination position on projects. The County is eligible to receive a portion of the residual funds from each development. These residual funds are often relatively small each year and go toward paying down the long-term interest on the County loans. The loans are eligible for forgiveness after 40-55 years and convert to grants upon action by the Board of Supervisors. Finally, funds from the Affordable Housing Fund are used annually to support homeless services, Fair Housing Napa Valley, a home share match program, operations of the farmworker centers and all staff and legal expenses related to managing the fund and issuing loans.

Fund Balance of Affordable Housing Fund

Based on previously approved commitments and projected revenues and expenditures, County staff projects an available cash balance of \$1.2 million at the close of Fiscal Year 2016-2017. Staff further estimates revenues of \$2 million in Fiscal Year 2017-2018 for expenses and future projects. A detailed financial history and estimates are included as Exhibit B.

What's on the Horizon for the Affordable Housing Fund?

Exhibit B includes a list of future projects staff knows of that may seek funding from Napa County's Affordable Housing Fund. Staff is also in the process of developing a housing work plan and may include an update to the County's Notice of Funding Available and Underwriting Guidelines to begin the process of preparing for the 2022 Housing Element Cycle. Staff will return to the Board of Supervisors at a future meeting with a recommendation. For reference, the County's current Housing Element policies on Affordable Housing are attached as Exhibit C.

Farmworker Housing

Napa County is working on two bills in this State legislative session in regard to Farmworker Housing. Staff will provide an update as part of this presentation on Farmworker Housing, including the creation of family farmworker housing.

SUPPORTING DOCUMENTS

- A . Exhibit A-Affordable Housing Loan List
- B . Exhibit B-Affordable Housing Fund History and Estimates
- C . Exhibit C-Housing Element Policies

CEO Recommendation: Approve

Reviewed By: Carlos Solorio