



A Tradition of Stewardship
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NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Nancy Johnson - Director
Housing and Intergovernmental Affairs

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

SUBJECT: Direction and possible adoption of a resolution approving a loan of Affordable Housing Funds totaling \$650,000 for the Turley Flats development in St. Helena.

RECOMMENDATION

County Executive Officer requests adoption of a resolution authorizing a loan from the Affordable Housing Fund totaling \$650,000 for the 8-unit Turley Flats development in St. Helena.

EXECUTIVE SUMMARY

The Turley Flats project is an 8-unit affordable modular development on a 9,500 square foot lot on Pope Street in St. Helena with a total development budget of \$3.1 million. The land was donated by vintner Larry Turley, who purchased the parcel after several families were evicted from the site when local code compliance found the home uninhabitable. Mr. Turley donated the parcel to Calistoga Affordable Housing (CAH), who has been in the process of developing the site for the past four years. Due to the small size, CAH has been using local sources and a traditional bank loan to finance construction as they are not eligible for State and Federal programs. In conjunction with the loan to CAH, a recommendation for a Regional Housing Needs Allocation (RHNA) transfer agreement with the City of St. Helena for two of the eight units based on the funding percentage is included in the resolution. Due to the slim budget for this project, the Napa County Housing Commission recommended that the County loan be in second lien position behind the bank loan. The City of St. Helena has required payment and performance bonds to ensure the project is completed.

PROCEDURAL REQUIREMENTS

1. Staff report.
2. Public comments.
3. Motion, second, discussion and vote on the item.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	The budget for use of Affordable Housing Funds includes a line item for potential projects.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The project would supply eight additional units of affordable housing in St. Helena, which has few options for affordable housing.
Is the general fund affected?	No
Future fiscal impact:	The funds will be spent for construction which could extend into the next fiscal year.
Consequences if not approved:	The project developer would have to find another source or it is possible because CAH is using all local funding, that the project will not be built.
Additional Information:	

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The City of St. Helena has found that the Project is categorically exempt as an infill development project under Section 15332 of the Guidelines implementing the California Environmental Quality Act and no additional environmental review is required for the County's approval of the loan, in that no changes have been made in the development approved by the City of St. Helena; and there is no substantial evidence that any of the conditions listed in CEQA Guidelines Section 15300.2 exist that would make the exemption inapplicable.

BACKGROUND AND DISCUSSION

Calistoga Affordable Housing is requesting \$650,000 for the construction of 8-units (Turley Flats) and while this is a more per unit than the typical project, the development has received only local financing and fits the model of smaller development for a town the size of St. Helena.

The project has a very tight budget with less than desirable contingencies for development and soft costs and no funding for CAH legal fees to review loan documents. County staff has discussed project concerns with City staff, and the City Council approved an additional \$60,000 to be used in the case of cost overruns and required the developer to obtain payment and performance bonds to make sure the project is completed. The Board resolution requires that the developer provide an updated project budget and construction contracts before the County funds the project so that the County can be assured that adequate funds are available to complete the project. Staff from the County of Napa and City of St. Helena continue to discuss this project and work on recommended conditions to better protect their investments.

St. Hehas a settlement agreement from a previous lawsuit regarding the lack of affordable housing, and has a

direct motivation to see this project reach completion. The St. Helena loan totals \$700,000, while the County loan is \$650,000. However, \$58,000 of the City loan will be returned to the City for permit fees.

The location on Pope Street puts residents near downtown for basic necessities and access to schools. The design of the units will blend in with surrounding development and St. Helena is one of the most expensive areas to live in the Napa Valley, so this project will provide units for those who work in town, but have been unable to live anywhere nearby. Once complete, this will be one of the only affordable projects that was funded solely through local sources.

The project will consist of modular units targeting residents earning below 80% of county median income. Each unit averages 847 square feet with a mix of two and three bedroom units. Previously, the site contained possibly two single family homes that housed eight families. There may be as many as two families still onsite, which will require a relocation plan and associated costs. It is the responsibility of the City to ensure all legal requirements involving relocation and associated costs will be taken care of either by the City or the Developer. Currently, CAH has only \$5,000 budgeted for relocation expenses. CAH anticipates the modular units will be built this spring with tenants moving in by the end of the year and those existing tenants, if low income, can move into the new project.

The proposed resolution includes a condition to enter into a Regional Housing Needs Allocation transfer agreement for two of the units for the next Housing Element cycle. Current law requires the Association of Bay Area Governments to approve these transfer agreements. The County's condition for request for two units represents 25% of the project, the proportion of the County's loan towards the project cost. With the exception of the recent \$280,000 loan to Our Town St. Helena, there have been few opportunities for Napa County to contribute affordable housing funds to the upvalley communities. Affordable housing is greatly needed in these communities and the lack of land to complete larger projects creates funding challenges and the request for higher than average local funding.

The Napa County Housing Commission recommended approval of the loan at their meeting on February 23, 2017 with the requirement that the County loan be in second lien position behind the bank financing. This is included as a condition in the attached resolution.

SUPPORTING DOCUMENTS

- A . Cover letter
- B . Project design
- C . Budget overview
- D . St. Helena City Council Staff Report
- E . Underwriting memo
- F . Resolution

CEO Recommendation: Approve

Reviewed By: Molly Rattigan