



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 5/21/2019

Agenda Placement: 10C

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: Our Town St. Helena for the Brenkle Court

RECOMMENDATION

County Executive Officer requests adoption of a resolution modifying the Loan Agreement with Our Town St. Helena to:

1. Waive interest on the pre-development loan of \$280,000;
2. Allow the remaining balance of the predevelopment loan to stay with Our Town St. Helena until land is located in the next 12 months for the second 11 units;
3. A waiver of loan fees of \$5,000; and
4. A waiver of loan modification fees of \$2,500.

EXECUTIVE SUMMARY

Our Town St. Helena is the nonprofit developing Brenkle Court, a sweat equity project in St. Helena, that will ultimately provide ownership opportunities for eight low-income families in St. Helena. The families will build their units with the help of friends and a construction manager and will move in when all the units are completed. The County provided \$280,000 for predevelopment expenses that would then be rolled into the individual loans for the applicants. Due to favorable interest rates on the individual mortgages from USDA, the applicants need less assistance than anticipated. To ensure the long term viability of Our Town St. Helena, staff requests the remaining funds stay with Our Town until the second parcel is purchased within the next 12 months, for another 11 units. The remaining funds will be secured by the second parcel.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	The Predevelopment loan of \$280,000 was budgeted in the Affordable Housing Fund.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Our Town St. Helena has helped the homeowners to get favorable mortgage rates from USDA, therefore the applicants needed less funds from the County for their loans. All applicants will receive at least \$5,000 with those with the lowest incomes receiving more (\$25,000, \$30,000 and \$43,000). Our Town would like all funds to stay in the project due to costs they have incurred during the process.
Is the general fund affected?	No
Future fiscal impact:	Rather than receive funds back at the end of the project, the \$280,000 will stay in the project.
Consequences if not approved:	The applicant would need to find another financing source to repay the County.
Additional Information:	

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

On March 24, 2016, the Board approved a predevelopment loan of \$280,000 to assist in the development of eight "sweat equity" townhomes in St. Helena with a rollover of the funds into the mortgages of the eight chosen families. Our Town St. Helena is ready to close on the mortgages with the families and start construction. During the last three years, prices have gone up significantly, so Our Town is now requesting that the funds that do not go to the applicants stay in the project until Our Town is successful in purchasing a second property for an additional 11 units of housing rather than being returned to the County. Our Town is also requesting a waiver of the \$5,000 application fee and the \$2,500 fee for modifications to loan documents as well as confirmation that the interest rate is 0% and not 3%. Our Town St. Helena is required to build a total of 19 units to comply with federal funding sources.

Small projects are often more difficult to finance due to all the fees attached to each funding source. It is not unusual to waive fees and interest on a sweat equity project and maintain a deed restriction for affordability based on the base loan. At roughly one third of the cost of the Turley Flats project (also eight units), the project provides home ownership opportunity in an area where the average costs over \$1 million dollars. Our Town St. Helena has planned for an additional 11 units to be located in St. Helena and are currently searching for a property to accommodate those units. Any remaining funds from the County loan will be secured by the second parcel and the future owners of the home built. If there are funds remaining at the completion of the full project, they will be returned to the County.

SUPPORTING DOCUMENTS

A . Letter from Our Town St. Helena

B . Resolution

CEO Recommendation: Approve

Reviewed By: Molly Rattigan