



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 6/18/2019
Agenda Placement: 6QQ

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Minh Tran - County Executive Officer
County Executive Office
REPORT BY: Molly Rattigan, Deputy County Executive Officer - 253-4112
SUBJECT: Proximity Workforce Housing Assistance Program Guidelines

RECOMMENDATION

Director of Housing and Homeless Services requests approval of the revised Proximity Workforce Housing Assistance Guidelines as discussed following a compliance audit presented to the Board of Supervisors on June 4, 2019.

EXECUTIVE SUMMARY

The Compliance Audit Division of the Napa County Auditor-Controller's Office presented the results of a compliance review of the Proximity Workforce Housing Assistance Program on June 4, 2019. As part of this item, staff presented proposed recommendations to the program's guidelines including:

1. Add to Section 102. Definitions "Proximity Household Size" means the total number of members in the proximity household. Proximity household size shall be verified against the total number of people, including dependents, documented on the IRS Form 1040.
2. Prohibit proximity loans from being given to applicants who already own, and plan to retain, a residential property for rental income.
3. Limit the applicant's portion of the down payment, including gifts to a maximum of 10% of the purchase price.

Today's action seeks final approval of the revised guidelines.

FISCAL IMPACT

Is there a Fiscal Impact? No

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 an effort to assist low and moderate income households to purchase a home close to their place of work the Napa County Proximity Workforce Housing Assistance Program ("Program") was established on December 7, 2010. The Program provides down payment assistance in the form of a loan for up to 10% of the purchase price of an eligible home in Napa County within a fifteen mile radius of the applicant's place of work for qualified applicants. Recipients must be employed at least 30 hours per week or a minimum of 1,200 hours per year and have a gross household income which does not exceed one hundred twenty percent (120%) of the area median income. Upon transfer of ownership or a term of 55 years (whichever is sooner), the loan recipient is required to repay to the County the original loan amount plus the "Proximity Housing Share of Appreciation". The recipient may also choose to repay the loan through a refinance of the first mortgage. The Program requirements are detailed in the Napa County Proximity Housing Assistance Guidelines.

The Compliance Audit Division of the Napa County Auditor-Controller's Office completed a compliance review of the Proximity Workforce Housing Assistance Program. The time period covered by the review is January 1, 2014 through December 31, 2018.

On June 4, 2019, the Auditor-Controller and Director of Housing and Homeless Services presented the findings of the compliance review and sought direction on edits to the guidelines including:

1. **Source for Verifying Gross Household Income** - As discussed in the audit report, the maximum Gross Household Income is based on the number of persons in the applicant's household. Currently, there is no guidance specifying how to verify the household number claimed. Staff recommended adding to Section 102 Definitions "'Proximity Household Size' means the total number of members in the proximity household as verified against the total number of people, including dependents, documented on the IRS Form 1040."
2. **Ownership of Other Residential Properties** - The Guidelines only allow for the purchase of a single unit residence. However, they do not address whether a Proximity loan may be given to an applicant who owns another residential property as a source of rental income. Staff recommended the Guidelines be revised to prohibit Proximity loans from being given to applicants who already own, and plan to retain, other residential property for rental income.
3. **Large Down Payments** - While the Guidelines address the maximum gross household income, they do not address other potential sources of down payments like large gifts. For example, if an applicant meets the income requirements but also receives \$100,000 as a gift from a parent, under the current guidelines they are still eligible for the program. For them, the additional down payment assistance from the County would help them purchase a more expensive home. This does not appear consistent with the spirit of the Program which is to help proximity workers who would not otherwise be able to purchase a home in Napa County. The target population for these loans are applicants who do not have access to the financial resources required to purchase a home. Staff recommended that the Guidelines be revised to limit the applicant's portion of the down payment, including gifts, to a maximum of 10% of the purchase price.

The purpose of today's item is to seek final approval of the revised guidelines that include Staff's

recommendations noted above. A redlined version and a clean copy of the revised guidelines are attached to this agenda item. The revised guidelines will become effective immediately.

SUPPORTING DOCUMENTS

A . Proximity Program Guidelines-Redlined

B . Proximity Program Guidelines-Clean

CEO Recommendation: Approve

Reviewed By: Helene Franchi