



Agenda Date: 6/28/2005
Agenda Placement: 6HH

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Don Ridenhour for Robert Peterson - Director
Public Works
REPORT BY: Don Ridenhour, Asst Director, Public Works/Asst District Engineer, 259-8321
SUBJECT: Homeless Shelter Lease Agreements

RECOMMENDATION

Public Works Director requests approval of and authorization for the Chair to sign the following agreements with the Gasser Foundation:

1. Amendment No. 1 to Lease Agreement No. 5064, a land lease for property to be used for a homeless shelter, refining Exhibits A, A1 and B;
2. Sublease Agreement subleasing back to the Gasser Foundation property leased to the County under Agreement 5064, for the purposes of constructing a homeless shelter;
3. Lease Agreement that includes the option to purchase the 59 bed homeless shelter under the sublease in item two (2); and
4. Memorandum of Lease and any other documents necessary for the Recordation of Lease.

EXECUTIVE SUMMARY

The County, through a contract with Community Action Napa Valley (CANV), currently operates a homeless shelter program funded by the County, City and CANV. The largest of these shelters is located in the County owned Sullivan Building at the corner of Third and Coombs Streets, directly across the street from the County Administration Building, in downtown Napa. This has always been envisioned as a temporary facility.

In cooperation with the City of Napa and the Gasser Foundation, a permanent homeless shelter is planned on Gasser-owned property adjacent to the South Napa Market Place. This facility would be a significant improvement from the current facility, increase the number of beds available from 42 to 59, improve service delivery, and provide for separate facilities for women.

As proposed, the County would enter into a lease-purchase agreement with the Gasser Foundation, whereby the Foundation would build the shelter and lease it to the County with an option to purchase. The final actual purchase price would be set based on the cost of construction (as discounted to reflect a contribution from the Gasser Foundation), but is currently estimated to be \$3,986,826. If the County does not exercise the purchase option, the

long term lease rate would be set at 10% of the final purchase price plus \$100,000. Based on the current estimated purchase price, the long-term lease rate would be \$34,057 a month (\$2.59 a square foot) or \$408,684 a year.

The County has secured some funds that could be used to purchase the shelter facility, has identified other funds that could potentially be available and has hired a grant writer to assist in locating other funding opportunities. Currently, the County's commitment would include \$900,000 from the County Housing Trust Fund and \$280,000 from other sources to be identified, including possibly the General Fund or Tobacco Master Settlement Agreement funds. The City Housing Authority has committed \$500,000. The County has received tentative approval to use a State Emergency Housing Assistance Program (EHAP) forgivable loan in the amount of \$1,000,000 to purchase the Shelter, but has not yet received final approval. The County has applied for \$750,000 in grant funds from the Vintners Association, but no grants have yet been approved. The grant writer will work on identifying possible sources for the at least \$557,000 in additional funding needed for the project. If all of that funding cannot be obtained, the Gasser Foundation has agreed to split the cost of making up the difference with the County up to a maximum contribution of \$250,000.

If the purchase option is not exercised, the approximately \$409,000 in annual lease payments would be an obligation of the County. It is possible that some of the committed funding sources (such as the County Housing Trust monies) could be used to make lease payments. To the extent these sources cannot be used to make lease payments, the County would need to use General Fund or other County resources (such as Tobacco Master Settlement Agreement funds) to make the payments.

Because the County currently leases the property upon which the Shelter will be built from the Gasser Foundation, it will be necessary for the County to lease the property back to the Foundation to construct the Shelter and then lease the completed shelter back from the Foundation.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	The lease payments will likely begin at the end of Fiscal Year 2005-2006 or the beginning of Fiscal Year 2006-2007 and will be funded by the County with either General Funds, Tobacco Settlement Funds or as otherwise designated for the project. If the County Chooses to exercise its option to purchase, much of the funding has been identified and the County is currently working with a grant writer to raise additional funds. See the Financing section in the Background, below, for additional information.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The County's current homeless shelter is located in the Sullivan Building, a location always intended to be temporary, and the site is now identified as the location of a planned parking garage.
Is the general fund affected?	Yes
Future fiscal impact:	This Lease Agreement would commence at the end of Fiscal Year 2005-2006 or beginning of Fiscal Year 2006-2007 and would last 25 years. During the first year of the Lease following completion of the building the County would have the option of purchasing the building. During that first year of the lease,

or until the County exercises the purchase option if that occurs before the end of that year, the County would pay lease payments equal to the principal and interest payments on the construction loan obtained by the Gasser Foundation, which is estimated to be approximately \$28,284 a month (\$2.14 a square foot). Approximately \$5,000 of that monthly amount would be counted toward the purchase price if the option is exercised. If the purchase option is not exercised, at the end of the first year following completion of construction the lease rate would increase to \$34,057 monthly (\$2.59 a square foot), which equates to approximately \$409,000 annually. This amount would increase by 4% each year thereafter through the term of the lease agreement. If the purchase option is exercised, the purchase price will be approximately \$3,986,826. The County would then have two years to pay the full purchase price. Until the full purchase price is paid, the County will pay Gasser an amount equal to the interest owed on any outstanding construction loan amount. See the Financing section in the Background, below, for additional information.

Consequences if not approved: Another permanent location for the homeless shelter currently located in the Sullivan Building would have to be identified, which could take some time. To meet the parking garage schedule agreed to with the City, it is likely that the shelter would need to be moved to a temporary site. One option is the California Boulevard property the County recently leased. If it is not possible to relocate the shelter in the relevant time period, it would result in a delay in the Parking Garage construction schedule.

Additional Information: None

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: On February 1, 2005 the Board of Supervisors adopted Resolution 05-19 approving a Negative Declaration for the South Napa Homeless Shelter. According to the certified Negative Declaration, the proposed project would have no potentially significant environmental impacts. This project site is not on any of the lists of hazardous waste sites enumerated under Government Code Section 65962.5.

BACKGROUND AND DISCUSSION

History

The County, working with our partners at the City of Napa and in the community, has been seeking a permanent site for the homeless shelter, now located downtown in a deteriorating County owned building on a site the County has identified for the development of a parking garage, for a number of years. The current shelter is not conducive to most effectively connecting Napa homeless with the services and supports they need to find permanent housing. The Gasser Foundation, a local non-profit philanthropic organization that has provided a great deal of funding over the years to assist non-profit agencies in the delivery of social services, has offered to utilize a portion of their property to develop a new 59-bed homeless shelter. The County currently has a 99 year lease with the Gasser Foundation for one dollar per year for land adjacent to the South Napa Market Place for the proposed homeless shelter. The land is valued at \$1,350,000.

The County, in the spring of 2003, applied for and received a \$500,000 forgivable loan from the state Emergency

Housing and Assistance Program (EHAP) made possible by the Emergency Shelter Trust fund Act of 2002 (Proposition 46) to develop a homeless shelter on the site made available by the Gasser Foundation. This original \$500,000 forgivable loan was subsequently increased to \$1,000,000 in the spring of 2004.

Since the County originally applied for the EHAP loan the Gasser Foundation has offered to take responsibility for the development of the Shelter, including a \$500,000 contribution to the development costs, and then lease, with an option to purchase, the facility to the County. The purchase price is the cost of the improvements less the \$500,000 contribution by the Gasser Foundation, which is currently estimated to be \$3,986,826. The final real estate ownership structure will involve the Gasser Foundation leasing the land to the County for 99 years, at one dollar per year and the County owning the improvements if it chooses to exercise the purchase option in the lease or leasing the improvements for 25 years if it chooses not to exercise the purchase option. This lease will allow for the County to vacate the current homeless shelter before construction of the Parking Garage needs to start and before the County has obtained all the funds that would otherwise be necessary to purchase or build a facility for use as a homeless shelter. The state has indicated their willingness to amend our current EHAP agreement, which is for development, to an acquisition loan that could be used if the County chooses to exercise its option to purchase the completed homeless shelter. The state is currently reviewing a formal request to make this change.

The Gasser Foundation, with input from the County, City and the Homeless Services Planning Council for Napa County which includes service providers, has completed the design of the building, contracted with a developer and is preparing to begin construction of the homeless shelter once all necessary approvals are received. Environmental review requirements under CEQA have been addressed by your Board's approval of a Negative Declaration for the project on February 1, 2005. Construction is targeted to begin in July and will take approximately 10-12 months, which should allow the shelter to be relocated before construction on the parking garage begins, eliminating the need for a temporary shelter.

Today's Actions

Before you today are four actions. The first agreement is an amendment to the original ground lease with the Gasser Foundation that refines exhibits A, A1 and B to include a more accurate description of the leased property. Second, is a Sublease which leases back to the Gasser Foundation the property identified in the ground lease to allow the Gasser Foundation to construct a homeless shelter on the property. The third action would approve the Lease of the building itself from the Gasser Foundation to the County. This Lease includes an option to purchase the building within the first year after the building is constructed. Finally this item will allow the Chair to sign the memorandum of lease and any other documents required for the recordation of the Lease Agreement.

Financing

These actions will allow the Gasser Foundation to develop a homeless shelter which it would lease, with an option to purchase, to the County. The monthly rent for the facility for the first year following completion of construction would be an adjustable rate based on the Gasser Foundation's construction financing costs. The monthly lease rate is currently projected at \$28,284, of which approximately \$5,000 would be credited towards the cost of purchasing the building if the option to purchase is exercised. At the end of the first year following completion of the building and commencement of the facilities lease the option to purchase the building would expire and the annual rent would increase to 10% of the purchase price plus \$100,000, increasing annually by 4%. Based on the current estimated purchase price, this would equate to \$34,057 per month, or \$409,000 per year, in the second year after completion of construction.

Under the terms of the lease agreement, the County would have to decide whether or not to exercise the purchase option by the end of the first year following completion of construction. Should the County choose to exercise the option to purchase the building the purchase price would be \$3,986,826 adjustable only by changes to the building construction cost which are agreed to by the County Executive Officer. After exercising the option the County would

have up to two years to complete payment on the purchase. During this period the County would make payments to the Gasser Foundation equal to the interest on the as-yet unpaid purchase price amortized over 25 years.

The County is currently working to secure funds for the possible purchase of the building. These sources include an already secured contribution by the City of Napa Housing Authority (\$500,000) and the County's Affordable Housing Trust Fund (\$900,000). The County would also commit \$280,000 in other funds not yet identified, that could include the General Fund or possibly Tobacco Master Settlement Agreement funds. Additionally the County has applied for \$750,000 from the Napa Valley Vinter's Association, Auction Napa Valley Program and has recieved conseputal approval to convert the \$1,000,000 forgivable state loan for construction of a homeless shelter to an agreement that would allow the purchase of a homeless shelter. For the remaining \$556,862 the County is currently working with a grant writer to pursue funding oportunities. If the County is unable to raise the additional \$556,826 the Gasser Foundation would split any shortfall, up to \$250,000 with the County. The remaining shortfall would be the responsibility of the County.

If the County does not exercise the purchase option, the annual lease payment of approximtely \$409,000 will be a County obligation. It is possible that some of the funding sources identified for the purchase of the building (such as the County's Affordable Housing Trust Fund) could be used to make lease payments. To the extent these sources cannot be used, the lease obligation will need to be met from the General Fund or other sources that can be identified, such as possibly Tobacco Master Settlement Agreement funds.

During the development of the homeless shelter the County Public Works department will experience in-kind staffing costs as well as direct costs related to monitoring the development of the shelter. These costs will include plan checks, inspection and testing and could up be up to \$100,000.

Shelter Services

Napa County Health and Human Services Agency (HHSA) has, through contracts with local nonprofits, operated a homeless shelter program for approximately 15 years. The shelter program is a joint venture with the City of Napa and Community Action of Napa Valley who each fund approximately one-third of the shelter program which includes the Sullivan Shelter as well as the Samaritan Family Shelter, also located in Napa. The largest of these shelters is the Sullivan Shelter located at the corner of Third and Coombs Streets, directly across the street from the County Administration Building in a site always envisioned as only a temporary facility.

The proposed new shelter would increase the number of beds from 42 in the current Sullivan Shelter to a maximum of 59 beds. It is not envisioned that the shelter population would immediately increase to meet this new capacity. Additionally the new shelter will have separate spaces for men and women; clinic space for providers, such as Clinic Ole; to provide services in the evening; sick beds for individuals recovering from illnesses; the capacity to temporarily house, during the day, individuals who are employed at night; and a warming kitchen for food service. HHSA is currently in the process of developing a request for proposals for the operator of the proposed South Napa Shelter. The operation of the new shelter will be funded at a similar level and proportion as the Sullivan Shelter with the City, County and Operator all sharing in the costs.

The County, through a contract with Community Action Napa Valley (CANV), currently operates a homeless shelter program funded by the County, City and CANV. The largest of these shelters is located in the county owned Sullivan Building at the corner of Third and Coombs Streets, directly across the street from the County Administration Building, in downtown Napa. This has always been envisioned as a temporary facility.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Britt Ferguson