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NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Britt Ferguson for Nancy Watt - County Executive Officer
County Executive Office
REPORT BY: Meegan Condon, Analyst, 259-8748
SUBJECT: South Napa Homeless Shelter Project Update

RECOMMENDATION

County Executive Officer and Director of Health and Human Services to present a report on the proposed South Napa Homeless Shelter.

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.

The cost of this project, including land valued at \$1.3 million and a development contribution of \$500,000 from the Gasser Foundation, is estimated to be \$5.73 million. The Gasser Foundation is currently preparing to develop the homeless shelter which it would lease, with an option to purchase, to the County. The estimated purchase price is \$3.93 million and would be funded with several sources including a forgivable loan from the state Emergency Housing Assistance Program (EHAP), the City of Napa Housing Authority, the County's Affordable Housing Fund.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The Board of Supervisors adopted a Negative Declaration for the project on February 1, 2005.

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 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.

Current Project Status

Since the County originally applied for the EHAP loan the Gasser Foundation has offered to take responsibility for the development of the Shelter and then lease, with an option to purchase, the facility to the County. The purchase price will be the cost of the improvements only. The final real estate ownership structure will remain the same as originally envisioned, with 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. This process will allow for a more expedient development and construction process and will insure that the shelter is architecturally consistent with the larger Gasser development planned for the area. The state has indicated their willingness to amend our current EHAP agreement, which is for development only, 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 at the end of June and will take approximately 10 months, which should allow the shelter to be relocated before construction on the parking garage begins, eliminating the need for a temporary shelter.

Draft language for the lease with option to purchase is currently being finalized and should be to your Board for approval in the coming weeks. Additionally an amendment to the original ground lease is being prepared as well as a sublease which will lease the Gasser property back to the Gasser Foundation for the construction period.

Financing

The proposed lease with an option to purchase would have a monthly rent of approximately \$28,000. If and when the option to purchase the shelter is exercised the County could apply a small portion of the monthly rent to the purchase price of the shelter. The rent charged to the County, approximately \$28,000 a month (or approximately \$2.15 per square foot) is associated with the loan payments the Gasser Foundation will be making on the project. Of that \$28,000 approximately \$4,000-\$6,000 is payment on the principal of the loan. The principal portion of all lease payments made to the Gasser Foundation will be discounted from the purchase price. The remaining \$22,000-\$24,000 will be a County expense.

The County of Napa, along with the City of Napa and our community partners have identified much of the funds that would be used for the purchase of the building if and when the option to purchase the building is exercised. The total estimated cost for the development of the project are approximately \$5.73 million, which includes a contribution by the Gasser Foundation of land valued at \$1.3 million and an additional \$500,000 for development costs, leaving the projected purchase price at an estimated \$3.93 million. Much of the \$3.93 million needed for the purchase of the Shelter is already identified, including \$1,000,000 from EHAP, \$900,000 from the County Affordable Housing Fund, \$500,000 from the City of Napa Housing Authority, and the County has applied for a \$750,000 grant from the Napa Valley Vintner's Association, Auction Napa Valley Grant Program. Additionally the project envisions a \$280,000 County Contribution which could come from the Tobacco Master Settlement Trust Fund, the General Fund, or as otherwise designated by your Board. For the final \$500,000 the County is currently working with a grant writer to identify additional sources of revenue. Should the County exercise its option to purchase the building we would have two years to complete purchase payments and if, at the end of that period, the final \$500,000 had not been raised the Gasser foundation has agreed to donate half of any shortfall, up to \$250,000, to the project. The County would be responsible for the other half of any shortfall.

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 (HHS) 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. HHS 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.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Britt Ferguson