



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 8/14/2018

Agenda Placement: 10G

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Mary Booher for Minh Tran - County Executive Officer
Housing and Intergovernmental Affairs

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

SUBJECT: Approval of a resolution increasing the funding for the Turley Flats project by \$148,000 from the Affordable Housing Fund

RECOMMENDATION

County Executive Officer requests adoption of a resolution reserving an additional \$148,000 in Affordable Housing Funds for the Turley Flats project in St. Helena and authorizing the Chair to sign all related loan documents with Calistoga Affordable Housing.

EXECUTIVE SUMMARY

On June 13, 2017 the Board adopted Resolution 2017-95 approving a loan to Calistoga Affordable Housing (CAH) in the amount of \$650,000 for the eight unit, modular project know as Turley Flats. The project site is a 9,500 square foot lot on Pope Street in St. Helena. The total development budget when the construction loans closed was \$3.1 million, but since that time varying factors such as contaminated soil removal, underground water and sewer pipe configuration and a delay in closing that caused a backup at the factory where the units were built.

CAH is now requesting an additional \$148,000 to cover cost overruns, thus allowing the primary lender to continue processing funding requests.

PROCEDURAL REQUIREMENTS

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

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Affordable Housing Funds
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The modular units have been constructed and are waiting for complete installation. If the County chooses not to provide additional funding, the project could be stalled, resulting in additional cost overruns.
Is the general fund affected?	No
Future fiscal impact:	None. Construction should be complete by October 2018.
Consequences if not approved:	The project would stay where it is now and the constructed units would deteriorate as they are exposed to the weather.
Additional Information:	If this item is approved, staff will return to the Board on August 28, 2018 with the appropriate budget adjustment.

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**Background**

On June 13, 2017, the Board of Supervisors approved a \$650,000 loan from the Affordable Housing Fund to Calistoga Affordable Housing (CAH) for an 8-unit affordable housing project in St. Helena called Turley Flats. The project is under construction and is a modular construction apartment complex that is replacing a single family home that was demolished, on Pope St. in St. Helena. Local vintner, Larry Turley, bought the parcel and donated it to CAH to develop housing that is affordable. The initial loan terms included a Regional Housing Needs Allocation transfer agreement with the City of St. Helena for two units and an intercreditor agreement that spells out how funds will be disbursed in case of a foreclosure.

Due to the small size of the project, CAH has had to use local funding sources and a traditional bank loan to finance the project. Staff from the City and County and their respective attorneys and underwriters have worked closely with the bank and Calistoga Affordable Housing to see this project to completion. Calistoga Affordable Housing has run into a few unexpected difficulties with the project that have resulted in delays and increased in cost. For example, when construction began on the site, a strong gasoline odor occurred. The environmental case related to the gasoline plume had been settled and closed by the State of California, leaving little left for the developer to do but hire a remediation consultant and remove the bad soil. Additionally, when the developer went to

connect the water and sewer pipes to the property, they found an off configuration of the pipes in the street that had to be rerouted before they could connect to the units on site.

The City of St. Helena initially contributed \$700,000 in cash to the project and has since added \$135,000 to the project to cover the initial anticipated cost increases due to the unanticipated issues.

Current Request

The developer currently has a \$148,000 financing gap that has stopped payments from the bank and threatened to halt construction of the project. Halting construction will only lead to further delays which could increase costs and risk a project close to completion to go uncompleted. Further, a local contractor is contracted for the project and is currently awaiting payment for work completed to date. The County's underwriter from LeSar Development Associates has reviewed the request and validated the funding gap (See attached memo and letter from Calistoga Affordable Housing).

The City of St. Helena has limited affordable housing funds available and is currently reviewing a request to fund a financing gap on another project. Based on review of the project and discussion with staff at the City of St. Helena, County staff is recommending the Board of Supervisors commit an additional \$148,000 to Turley Flats with the following conditions in addition to those already included in the loan:

1. Amend the Regional Housing Needs Allocation agreement with the City of St. Helena to increase by one unit to a total of three units
2. St. Helena will commit at least \$27,000 in contingency funds for any further cost overruns to see the project to full completion
3. Calistoga Affordable Housing will not receive funds towards their developer fee until construction is complete and the project is open in operational

Status of the Affordable Housing Fund and Loan Information

The Affordable Housing Fund ended Fiscal Year 2018-2019 with an available Fund Balance of \$3.6 million. Additionally, the Affordable Housing Fund received an unanticipated project loan repayment of \$500,000 in early July for a total of \$4.1 million in available funds. Staff estimates \$3 million in revenue in Fiscal Year 2018-2019 and \$2.3 million in expenses. Staff is recommending that \$148,000 of the \$500,000 loan repayment be directed to fill this gap. This will leave \$352,000 for the Board of Supervisors to determine whether to direct to another affordable housing project, return to the Available Fund Balance for a future purpose or dedicate to another affordable housing program. Staff will include this discussion in the Annual Affordable Housing Report and Discussion scheduled for August 28, 2018.

Staff is aware of four projects that have requested/may submit an application for funding in the near future:

- l Redwood Grove (City of Napa)- \$650,000 request from Burbank Housing to fill a financing gap; request received and under staff review
- l Manzanita (City of Napa)- Request for additional funds; application received and under staff review
- l City of Calistoga Project- Approximately \$500,000; staff engaging in initial discussions with City staff and developer
- l Napa Pipe-Unknown cost; staff engaging in discussions with developer and City of Napa

Attached, for the Board of Supervisors information is a chart that shows loans approved within the last five years, the cost per unit contributed to the County and the cost per RHNA credit received.

SUPPORTING DOCUMENTS

- A . Resolution
- B . Funding Request from Calistoga Affordable Housing
- C . Underwriting Memo
- D . County Housing Loan Chart

CEO Recommendation: Approve

Reviewed By: Molly Rattigan