



Agenda Date: 9/12/2006
Agenda Placement: 9B

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: Karen Gratton, Senior Management Analyst , 259-8748
SUBJECT: Purchase of Homeless Shelter

RECOMMENDATION

County Executive Officer requests the following actions related to the South Napa Homeless Shelter facility located at 100 Hartle Court, Napa, California:

1. Approval of the purchase of the facility from the Peter A. and Vernice H. Gasser Foundation for a purchase price of \$4,561,501 plus escrow fees;
2. Authorization for the County Executive Officer or her designee to sign all necessary documents related to the purchase;
3. Approval of Budget Transfer No. 8: (1) canceling part of an Accumulated Capital Outlay Fund designation in the amount of \$931,501 and appropriating \$931,501 in the Accumulated Capital Outlay Fund budget as an Operating Transfer Out to the Homeless Shelter budget in the County Center Improvement Fund; and (2) increasing the Operating Transfer In revenue line item in the Homeless Shelter budget by \$931,501 with an offsetting reduction in Miscellaneous Revenue; (4/5 vote required) and
4. Authorization to accept donations from the Community Foundation of Napa Valley South Shelter Capstone Fund totalling \$93,928.52.

EXECUTIVE SUMMARY

Under the terms of the Homeless Shelter Lease and Option to Purchase agreement, the County may exercise the purchase option by the end of the first year following completion of construction. On August 22, 2006, the Board authorized staff to publicly notice the intent to exercise the option to purchase the South Napa Homeless Shelter Facility for the purchase price of \$4,561,501. After subtracting a \$750,000 donation by the Gasser Foundation toward the cost of the purchase and the addition of closing costs (\$20,000), the actual net cost to the county will be \$3,831,501. Currently committed funds from the State, County Housing, City Housing, County General Fund and Auction Napa Valley total \$2,900,000 for a shortfall of \$931,501.

The FY 2006/07 Homeless Shelter budget included sufficient appropriations to exercise the purchase option, however, the budget assumed the receipt of an amount of grant funding sufficient to cover the net purchase price.

Since that grant funding has not yet materialized, it is necessary for the County to fully fund the shortfall between the cost of the purchase and the amount of committed funding (\$931,501). Staff is proposing to transfer this amount from the Accumulated Capital Outlay Fund, which will require cancellation of part of a budgeted designation for future capital facility needs.

Additionally, the Community Foundation of Napa Valley has collected donations totalling over \$93k for the furnishings and fixtures in the Shelter. Today's requested action officially authorizes acceptance of these generous donations.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Capital Improvement Program - Homeless Shelter
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The County, through a contract with Community Action Napa Valley (CANV), currently funds the homeless shelter program along with the City of Napa and CANV. A number of grant agreements have been signed in anticipation of the purchase of the Shelter via a Homeless Shelter Lease and Option to Purchase between the County and the Peter A. and Vernice H. Gasser Foundation (Foundation). The Foundation donated the land on which the shelter was constructed. Additionally, the Foundation designed and constructed the shelter itself, which was completed in May 2006. Finally, on August 22, 2006, the Board authorized staff to publicly notice its intent to exercise the option to purchase the South Napa Homeless Shelter Facility.
Is the general fund affected?	Yes
Future fiscal impact:	This action will transfer \$931,501 from the Accumulated Capital Outlay Fund to the Homeless Shelter budget and will require partial cancelation of a designation in that amount. The Accumulated Capital Outlay Fund has a budgeted designation for future capital needs of approximately \$12.8 million and if this action is approved that designation will be reduced to approximately \$11.9 million.
	Additionally, by exercising the option to purchase, the County will avoid future lease payments required under the existing lease-purchase agreement. Based on the purchase price of \$4,561,501 this would equate to about \$550k per year in savings in the second year after completion of construction, increasing annually by 4% for the remaining 23 years.
Consequences if not approved:	Lease payments would continue for a total of 25 years. Grants from the state (\$1m), County Affordable Housing Trust Fund (\$900k), City of Napa Housing Authority (\$500k) and Auction Napa Valley (\$750k) and the Gasser Foundation (over \$750k) will be lost.
Additional Information:	None

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

History

On April 8, 2003, the Gasser Foundation and the County of Napa entered into a Ground Lease (Napa County Agreement No. 5064). The Ground Lease resulted in the Gasser Foundation leasing to the County land adjacent to the South Napa Market Place for a proposed homeless shelter for one dollar per year for for 99 years. The land is valued at \$1,350,000.

On June 28, 2005, the Gasser Foundation and the County of Napa entered into a Sublease Agreement (Napa County Agreement No. 6476-2). This resulted in the County subleasing the property back to the Gasser Foundation to design and construct the South Napa Homeless Shelter Facility.

On June 28, 2005, the Gasser Foundation and the County of Napa also entered into a Homeless Shelter Lease and Option to Purchase Agreement (Napa County Agreement No. 6476-1). This agreement allowed the County to vacate the homeless shelter located in the Sullivan Building before the expected construction of the Parking Garage (which was to be located on that site at the time of the lease signing). The Agreement provided that it was the intention of the parties that the County would lease the building and related improvements comprising the South Napa Homeless Shelter for 25 years, with an option to purchase the facility within one year after completion. The term of this Agreement automatically commenced on the date of Completion of Construction of the South Napa Homeless Shelter as determined by Paragraph 6 of the Sublease. That date was May 18, 2006, when the facility commenced operations. On August 22, 2006 the Board authorized staff to publicly notice its intent to purchase the shelter for \$4,561,501 which represents the final construction cost of the Shelter.

Financing

The County has secured certain funds for the purchase of the building including a \$1,000,000 forgivable loan from the state Emergency Housing and Assistance Program (EHAP) fund. The Gasser Foundation has agreed to an initial contribution of \$500,000 as well as agreeing to split any shortfall up to \$500,000 (or \$250,000 each) with the County. Other sources include a contribution by the City of Napa Housing Authority (\$500,000) and the County's Affordable Housing Trust Fund (\$900,000). The County has previously committed \$280,000 from the General Fund (though only \$250,000 was included in the budget). Additionally, the County has applied for \$750,000 from the Napa Valley Vintner's Association, Auction Napa Valley Program (ANV) over three years and has received the first year of funding (\$250,000). Ultimately, if the purchase option is exercised, the County is responsible for making up any difference between the net purchase price and grants or other revenues received for this purpose.

There are sufficient appropriations in the Fiscal Year 2006/2007 Homeless Shelter budget for the purchase of the Shelter. However, the budget assumed a certain amount of grant revenue not yet realized and a certain amount of funding from the General Fund. Since this revenue and funding has not yet been realized in its entirety, the purchase requires Board action to provide additional County funds from some source to complete the purchase as follows:

Purchase Price	\$4,561,501
Estimated Closing Costs/Fees	\$20,000
<u>Gasser Foundation Donations</u>	<u>(\$750,000)</u>
Net Cost to County	\$3,831,501

Confirmed Sources of Funding:

State EHAP	(\$1,000,000)
County Housing	(\$900,000)
City Housing	(\$500,000)
County General Fund	(\$250,000)
<u>Vintners Auction Napa Valley</u>	<u>(\$250,000)</u>
Total Confirmed Funding	(\$2,900,000)

Revenue Shortfall \$931,501

As discussed at the August 22, 2006 meeting, staff is proposing to utilize money in the Accumulated Capital Outlay Fund to cover the revenue shortfall identified above. A budget transfer is needed to move funds to cover these costs and is included in the requested action. Funds in the Accumulated Capital Outlay Fund are primarily included in a designation for future capital needs. Thus, in order to transfer the \$931,501 from the Accumulated Capital Outlay Fund to the Homeless Shelter budget unit in the County Center Improvement Fund, it is necessary to cancel a portion of that designation and appropriate that money in the Accumulated Capital Outlay Fund budget.

Since the Napa Valley Vintner's Association, Auction Napa Valley Program has already committed the first year funding of \$250,000, staff is hopeful that the subsequent \$500,000 will be provided and can be used to reimburse the County for a portion of the County funds used to cover the revenue shortfall. While applications have been submitted for additional grant funding from other sources, staff is not optimistic that a significant amount of additional grant resources will be forthcoming. If the Napa Valley Vintner's Association provides the requested but as yet uncommitted \$500,000 and no additional grant funds are received, the net additional cost to the County for this purchase of the Shelter will be \$431,501.

Donations

As part of today's action, staff requests acceptance of donations to the Shelter. Under Government Code section 25355, a county board of supervisors may accept donations of money and other personal property. Donations from the Community Foundation of Napa Valley South Shelter Capstone Fund have been used for the purchase of furnishings and fixtures for the South Napa Shelter. Donations to date total \$93,930.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Karen Gratton