



A Tradition of Stewardship  
A Commitment to Service

Agenda Date: 9/12/2017  
Agenda Placement: 9E  
Set Time: 9:50 AM  
Estimated Report Time: 30 Minutes

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors  
**FROM:** Minh Tran - Interim County Executive Officer  
Housing and Intergovernmental Affairs  
**REPORT BY:** Molly Rattigan, Deputy County Executive Officer - 253-4112  
**SUBJECT:** Housing Fund and Priorities

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### **RECOMMENDATION**

County Executive Officer requests discussion and possible direction on interests and priorities for housing in Napa County and the Affordable Housing Fund.

### **EXECUTIVE SUMMARY**

Staff will present an update on the County's housing activities and the Affordable Housing Fund. Staff is seeking discussion and possible direction on county housing priorities to begin work on a strategic plan for the County's Affordable Housing Fund monies. Specifically, staff seeks direction on:

1. Housing interests and priorities; and
2. Affordable Housing Fund priorities.

### **PROCEDURAL REQUIREMENTS**

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

### **FISCAL IMPACT**

Is there a Fiscal Impact?                      No

**ENVIRONMENTAL IMPACT**

There is no Environmental Impact for this item.

**BACKGROUND AND DISCUSSION****Background**

According to the Housing and Urban Development (HUD) Department, families that spend more than 30% of their income on housing are considered cost-burdened and may have difficulty affording other necessities like food, clothing, child care, medical care and transportation. HUD estimates 12 million renters in the country spend more than 50% of their income on housing. A family with one full-time minimum wage earner cannot afford a market rate two-bedroom unit in any region of the country. This is due to a severe housing shortage and has created an affordability crisis.

California, the Bay Area and Napa County are no exceptions. More than 1.5 million households in California are estimated to spend more than 50% of their income on rent. The median home price in Napa County is currently \$600,000 and the average rental price for a two-bedroom unit spans from \$1,000 per month (older apartment) to \$2,400 per month. A recent data report from the Gasser Foundation estimates that nearly 50% of Napa County's workforce earns at or below the County's median income.

<b>Income Category</b>	<b>Income Limit for 4 Person Household*</b>	<b>30% of Income for Monthly Rent</b>
Extremely Low Income (30% of Median Income)	\$27,950	\$700
Very Low Income (50% of Median Income)	\$46,550	\$1,165
Low Income (80% of Median Income)	\$74,500	\$1,863
Median Income	\$91,000	\$2,275
Moderate Income (120% of Median Income)	\$109,200	\$2,730

\*Chart updated for 2017 Income Limits

**Napa County's Affordable Housing Fund**

In 1992, the Board of Supervisors adopted Ordinance No. 1026, which created a Housing Trust Fund (now known as the Affordable Housing Fund) and established housing impact fees for non-residential development projects and affordable housing inclusionary requirements or in-lieu fees for residential development projects. The fees were established through a nexus study that documented the connection between construction, necessary services, jobs created and the need to house workers. Funds deposited into the Affordable Housing Fund must be used to build, preserve and maintain affordable housing. The non-residential fees were last updated in 2014 and residential construction fees for housing projects were updated in 2010.

Since the creation of the fund, \$26 million has been committed or loaned to build over 1,000 units in the

incorporated and unincorporated areas in Napa County. In 2010, the County held a significant balance in the Affordable Housing Fund and released a Notice of Funding Availability (NOFA) and new Underwriting Guidelines. Since that time, County staff has continued to make funds available on a revolving basis for projects that are developed within Napa County. While the project development has occurred within the incorporated cities, the County has the opportunity to enter into housing transfer agreements to obtain credit for developing housing.

The County's funds have traditionally been "gap funds," meaning that the primary financing source of the project comes from other loans, grants and tax credits while the County's funds are used to finance the amount necessary to complete the project or leverage additional funds. As a result, the County takes a secondary subordination position on projects. The County is eligible to receive a portion of the residual funds from each development. These residual funds are often relatively small each year and go toward paying down the long-term interest on the County loans. The loans are eligible for forgiveness after 40-55 years and convert to grants upon action by the Board of Supervisors. Finally, funds from the Affordable Housing Fund are used annually to support homeless services, Fair Housing Napa Valley, a home share match program, operations of the farmworker centers and all staff and legal expenses related to managing the fund and issuing loans.

In 2011, the Board of Supervisors created a Worker Proximity Loan program to provide up to 10% in down payment assistance for those working in Napa County who fall at or below 120% of median income. In turn, the County maintains a silent second mortgage and receives an equity share upon repayment of the loans. Since the creation of the program, 114 loans have closed totaling \$4,236,781 in down payment assistance. Of this amount, \$757,218 was generated through loans repaid to the county (and subsequent funded new loans) and \$292,968 was generated through equity interest. There are currently six families approved under the program and actively searching for a home and funds available for one additional loan.

#### **Purpose of Today's Item**

Staff is seeking discussion and possible direction on county housing priorities to begin work on a strategic plan for the County's Affordable Housing Fund monies. Specifically, staff seeks direction on:

1. Housing interests and priorities; and
2. Affordable Housing Fund priorities.

#### **Current Status of the Affordable Housing Fund**

Attached to this agenda item is an updated history of the commitments made by the fund. As requested by the Board, staff has added a column that lists the Regional Housing Needs Allocation (RHNA) credits negotiated for each project for the County's Sixth Housing Element, which will be due in approximately 2023. For each Housing Element Cycle, the County is assigned a RHNA number that represents the number of units the County is required to plan for building in that cycle. By exchanging housing funds for RHNA credits, the County secures agreement for the other jurisdiction to accept a transfer of a portion of the County's RHNA, as authorized by Government Code Section 65584.03. The transfer becomes final when it is approved by ABAG during the Housing Element review process.

At the conclusion of Fiscal Year 2017-2018, housing staff worked with the Auditor-Controller's Office to complete a reconciliation the fund. Staff created subdivisions within the Affordable Housing Fund so that committed funds could be appropriately reserved for expenditure. As of the writing of this agenda item and assuming no additional revenue and accounting for budgeted expenditures for contractual services, support for farmworker housing and homeless services and administrative costs, the available uncommitted fund balance is \$2.8 million. Based on previous fiscal years, it is reasonable to assume the County will receive at least another \$1 million in revenue in Fiscal Year 2017-2018.

### Affordable Housing Fund Guidelines and Strategic Plan

At the March 7, 2017 Board of Supervisors meeting, the Board expressed a desire to look comprehensively at how funds are spent from the Affordable Housing Fund and how projects are prioritized. The County has been operating under the Affordable Housing Fund Guidelines (attached) developed in 2010 at a time when the fund had a significant balance available and had not contributed to housing projects in some time. The Guidelines were developed and released via a request for proposal for projects.

In June 2010, the County issued a Notice of Funding Availability (NOFA) in order to allocate up to \$5 million of Affordable Housing Funds to facilitate the development of affordable rental housing projects. Simultaneously, the City of Napa made \$3.5 million available for projects located within the City's boundaries. The County received five proposals, all of which were for development of properties located in the City of Napa. After a rigorous selection process, County and City staff selected two developments for funding. In addition to the \$5 million for general affordable housing, the County also offered an additional \$2 million for projects that served the farmworker community. Unfortunately, there were no proposals for the farmworker funding option. The two projects selected were Oak Creek Terrace, developed by Napa Valley Community Housing, which completed construction in 2016, and the Bridge Housing proposal at the end of Valle Verde Drive that proposed a 57-unit development, but was sidelined by legal battles and the property was eventually sold when the project was no longer financially viable.

Since the 2010 process and the lack of competition for affordable housing funds, the County has maintained a rolling application process, meaning that viable projects eligible for funds can simply apply using the same application process created in 2010.

Staff has engaged the County's underwriting consultant, LeSar and Associates, to complete a comprehensive review and update of the 2010 Guidelines. Staff is seeking feedback or direction on the Guidelines to be incorporated in the rewrite process. Further, staff is seeking direction on what other elements the Board would like included in the Guidelines. Per the County's agreement with the City of Napa regarding the Napa Pipe project and the City of Napa's assumption of 80% of the RHNA allocation through the life of Measure P (2058) or its successor, the County committed to prioritizing a commensurate amount of the County's Affordable Housing funds to the City of Napa, leaving very little for funding other jurisdictions.

Additionally, adequate funds must be reserved to implement the programs in the current Housing Element, including funding of farmworker housing and other affordable housing projects in the unincorporated area. Funds generated from development of the Napa Pipe project must be committed to affordable housing at the Napa Pipe project to meet the housing element program at the site. Staff has identified \$100,000 in funds from the Housing Rehab Fund that could be used to develop and pilot an accessory dwelling unit loan program should the Board of Supervisors be interested.

### **SUPPORTING DOCUMENTS**

- A . Housing Element-Programs and Priorities
- B . Housing Loan Summary

CEO Recommendation: Approve

Reviewed By: Helene Franchi