



Agenda Date: 9/27/2005
Agenda Placement: 6I

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Britt Ferguson for Nancy Watt - County Executive Officer
Community Partnership Program
REPORT BY: Howard Siegel, Community Partnership Manager, 253-4621
SUBJECT: Amendment to Loan Agreement with Napa Valley Community Housing

RECOMMENDATION

County Executive Officer requests approval of and authorization for the Chair to sign Amendment No. 2 to Loan Agreement No. 3655 with Napa Valley Community Housing (NVCH) and associated documents related to the prospective sale of White Cottage Ranch property in Angwin.

EXECUTIVE SUMMARY

Napa Valley Community Housing (NVCH) owns a 9-unit housing development in Angwin known as White Cottage Ranch. Part of the acquisition cost of this property when it was purchased in 1995 included a \$92,000 loan from the County's Affordable Housing Trust Fund. NVCH has been attempting to sell this property to help finance a new affordable housing project (31 units) in the City of Napa, known as Magnolia Park Townhomes.

Today's proposed action is for the Board to: a) approve the proposed sale of White Cottage Ranch property, b) forgive the County loan (both principal and interest) in the amount of \$118,894 in order to facilitate this sale, and with the caveat that any estimated but unspent relocation assistance costs that are not realized by NVCH are used to repay that portion of said County loan; and c) approving an agreement memorializing the aforementioned caveat.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	This action would require forgiveness of a loan made by the County to NVCH. The revenue loss would be \$118,894 to the Affordable Housing Fund, whose current unobligated balance is approximately \$5 Million.
Is it Mandatory or Discretionary?	Discretionary

Discretionary Justification:	In the event that this action is not taken, other outstanding County loans - on a related project (Magnolia Park) would be jeopardized. These loans are in the amounts of \$850,000 and \$409,000, also both made from the Affordable Housing Fund.
Is the general fund affected?	No
Future fiscal impact:	None.
Consequences if not approved:	As written above, other (larger) loans would be jeopardized as would 30 units of new affordable housing.
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

After attempts to obtain financing to improve this property proved unsuccessful, NVCH decided to put the property on the market. This was discussed with the Board in April 2002, when a loan to NVCH was approved - in the amount of \$850,000 - to develop Magnolia Park, with the understanding that part of the financing for this new project would be dependent upon the sale of the White Cottage Ranch property. In February 2004, an additional request was approved by the Board related to both of these properties - a \$409,000 bridge loan for a period of several months - that would enable NVCH to both complete the financing for Magnolia Park and to sell the White Cottage property. At the present time, it is anticipated that these funds will be needed from approximately November 1st until January 2006, pending the finalization of the sale of the White Cottage property.

The purchase of the White Cottage property by NVCH was financed in part by a federal Housing & Urban Development (HUD) HOME program loan (\$514,341 principal and accrued interest), in part by a loan from the County's Housing Trust Fund (\$118,894 principal and accrued interest) and in part by Low Income Housing Fund loans totalling \$283,990. If the property is sold, current agreements require that these loan amounts, totalling approximately \$917,000, be repaid to the respective lending agencies. HUD has, however, agreed that the principal owed on the HOME loan funds (\$406,000) can be transferred to the Magnolia Park project (and the interest-\$108,341- forgiven) and those HOME funds are critical to the financial feasibility of that project. In addition, if the White Cottage property is sold, there is a requirement that relocation assistance be provided to all occupants. It is estimated that this requirement would add approximately \$325,000 to the overall cost of the transaction. Thus, in order to pay back all outstanding loans, allow the transfer of HOME funds to the Magnolia Park project, meet federal requirements for paying relocation expenses and cover real estate fees and closing costs (estimated at approximately \$65,000), it would be necessary to sell the White Cottage property for a minimum of approximately \$1.2 million.

The White Cottage property is approximately 4.5 acres and located in Agricultural Land (AWOS General Plan designation), a legal non-conforming use. It has been appraised at \$1.4 Million. The property is in poor physical condition and has been on the market for a number of months. After several failed attempts to sell the property, there is currently a pending offer of approximately \$1,080,000, which is approximately \$119,000 less than the amount needed to meet the outstanding obligations described above. Therefore, to make it possible for the sale to go through, and thus free up the HOME funds for the Magnolia Park project, staff is recommending that the Board

forgive the \$118,894 in principal interest owed to the County Housing Trust Fund. If the HOME loan funds cannot be transferred to the Magnolia Park project, it might mean that NVCH would not be able to repay the County Housing Trust Fund the \$409,000 bridge loan.

In addition, the County as a lender must approve the proposed sale. An additional action being proposed is to execute an agreement between the County and NVCH requiring that any residual funds that may become available as a result of an underexpenditure of relocation funds would be used as partial repayment of the County Housing Fund loan.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Howard Siegel