



# Napa County

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## Legislation Text

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**File #:** 23-0166, **Version:** 1

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**TO:** Board of Supervisors  
**FROM:** David Morrison, Interim County Executive Officer  
**REPORT BY:** Jennifer Palmer, Director of Housing & Homeless Services  
**SUBJECT:** Agreement No. 230299B with How to ADU

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### **RECOMMENDATION**

Director of Housing & Homeless Services requests the approval of and authorization for the Chair to sign Agreement No. 230299B for \$35,250 with Ryan O'Connell, doing business as How to ADU, to provide educational videos and technical assistance for applicants with the County's Affordable Accessory Dwelling Unit (AADU) Forgivable Loan Program.

### **EXECUTIVE SUMMARY**

On November 29, 2022 the Board of Supervisors approved the Napa County AADU Forgivable Loan Program (Program) underwriting guidelines. The Program will provide forgivable loans for AADU development in exchange for the commitment to rent the unit at an affordable rate to households earning up to 80% Area Median Income for five years. Today's action will allow the County to contract with Ryan O'Connell, doing business as How to ADU, to produce and host an online video curriculum for homeowners and provide applicants to the Program with "Office Hours" technical assistance. The contract maximum for this agreement is \$35,250 for each fiscal year through June 30, 2025.

### **FISCAL & STRATEGIC PLAN IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Housing & Homeless Services
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	This item is discretionary in that there is no mandate to provide this specific service. However, the AADU Forgivable Loan Program requires that applicants receive technical assistance to be eligible for the County's AADU Forgivable Loan Program.

Is the general fund affected?	Yes
Future fiscal impact:	The agreement renews annually through June 30, 2025 and will be budgeted in future fiscal years.
Consequences if not approved:	If this item is not approved, the AADU Forgivable loan program will not operate per the BOS approved guidelines.
County Strategic Plan pillar addressed:	Healthy, Safe, and Welcoming Place to Live, Work, and Visit

## **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**

On February 8, 2022, the Board received a presentation on affordable housing program investment opportunities. The Board directed staff to return with recommendations supporting modification and further investments in the Proximity Workforce Housing Assistance Program and Accessory Dwelling Units (ADU's). On April 19, 2022, the Board received a second presentation which included possible actions and investments related to both programs. The Board directed staff to support increased ADU production by developing programs and forgivable loan underwriting guidelines that support market rate and affordable ADU production. On November 22, 2022, The Board received a third presentation on the proposed guidelines for the Affordable Accessory Dwelling Unit (AADU) Forgivable Loan Program. The Board unanimously approved the guidelines for the AADU Forgivable loan program.

The Program provides forgivable construction loans for ADU development to homeowners in Napa County who occupy their home as their primary residence in exchange for the following commitments:

1. The construction of a new ADU at their primary residence; and,
2. The commitment to rent the unit to an individual or household earning at-or-below 80% Area Median Income (AMI); and,
3. The commitment to a maximum monthly rental rate equal to or less than rent that is Affordable Rent for 80% AMI households for a period of not less than five years.

In exchange for these commitments, the County will offset a portion of the homeowner's cost of ADU construction. This will be through an AADU Forgivable Loan "Base Loan" that ranges in amount based on the number of bedrooms. In addition, homeowners participating in the program are eligible for certain additional loan incentive amounts for a maximum possible AADU Forgivable Loan Amount of: Studio ADU: \$ 45,000, 1-Bedroom ADU: \$ 80,000, 2-Bedroom ADU: \$105,000.

Loans are available to homeowners anywhere in Napa County who occupy their homes as their Primary Residence. All units assisted by the Program will be subject to an affordability covenant for the rental term of five years. For each 12-month period in which the borrower is compliant, 20% of the AADU Forgivable Loan will be forgiven, including interest. Upon certification of 5 years of program compliance the AADU Forgivable Loan will be fully forgiven. A borrower who has received an AADU Forgivable Loan may "opt out" of the Program at any time by reimbursing the County for remaining portion of the forgivable loan, including the

remaining interest due. At the time of either certification of 5 years of Program compliance, or op-out and repayment of the outstanding loan amount, the County will remove the Affordability Covenant recorded on the unit.

As an eligibility requirement to receive an AADU Forgivable Loan, a Homeowner must complete three educational classes to help them with the ADU development process. This agreement with How to ADU will establish the required educational services for the AADU Forgivable Loan Program. The focus of these videos will be to prepare homeowners with the unfamiliar and highly technical processes that they will need to successfully build their ADU's, and ensure they are fully aware of the function of the County AADU loan in combination with other conventional loan financing. Contents for the videos are:

#### Topic #1 Construction Management

- Three typical paths to managing a project
- How to make a good plan
- How to adapt when your plan changes
- Possible co-panelist: Someone who has overseen different ADUs in the county.

#### Topic #2 Money, Money, Money

- Typical ADU cost/budget
- Typical ADU financing
- The County's Forgivable Loan
- Details about how this combines the conventional financing
- Details about the opt out terms
- Additional incentive programs like the State grant
- Possible co-panelist: An ADU-savvy leading specialist

#### Topic #3 Rental Income Opportunities for your ADU (Landlord Roles and Responsibilities)

- Finding and managing ADU tenants
- Setting expectations about AADU tenant matching
- Educating about the tenant requirements for AADU
- Brief overview of the tenant-landlord relationship
- The nature of this specific loan and additional responsibilities

- Common questions (e.g., can I rent to a relative? Can I buy out of the loan and remove the deed restriction?)
- Discussion of further reading and tools you need to have the best possible experience and limit liability
- Possible co-panelist: Local tenant rights advocate.

The video series will be hosted on a log-in Learning Management System to track user access and course completion. Approved applicants for the AADU Loan will be referred to the website where they will log in using their LOAN ID# and watch the three 45-60min videos. Following the viewing, applicants will need to pass a short online test based on important course material and then receive certificates of completion. Homeowners will be required to upload the certificates of completion to the AADU Forgivable Loan Program Application Portal as part of the loan process. In addition to producing and hosting educational videos, How to ADU will host office hours for registered applicants who seek referrals to other technical experts or seek additional assistance with various aspects of planning, financing, and building an ADU.

Today's action allows the County to contract with How to ADU to produce and host educational videos to assist applicants of the AADU Forgivable Loan Program with ADU education and technical assistance. The contract maximum for this agreement is \$35,250 for each fiscal year through June 30, 2025.