



Legislation Details (With Text)

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Title: County Executive Officer and Director of Housing and Homeless Services requests approval of the following actions to complete payment on the 20-unit affordable housing project located at 535 Coombsville Road in the City of Napa, known as "Napa Courtyards":

Approval of a Budget Transfer for the following (4/5 vote required):

- a. Increase appropriations by \$130,000 in the Affordable Housing Subdivision (20800-00), Account 57900, with an increase of revenue in the Affordable Housing Projects Subdivision (20800-10);
- b. Increase appropriations by \$130,000 in Affordable Housing Projects (2080-Subdivision 20800-10, Account 56500) to provide funding for the outstanding loan payment.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Letter to CEO, 2. Resolution, 3. Correction Memorandum (added after meeting)

Date	Ver.	Action By	Action	Result
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TO: Board of Supervisors

FROM: Minh C. Tran, County Executive Officer

REPORT BY: Jennifer Palmer, Director of Housing & Homeless Services

SUBJECT: Affordable Housing Loans - Final Payment for Napa Courtyards

RECOMMENDATION

County Executive Officer and Director of Housing and Homeless Services requests approval of the following actions to complete payment on the 20-unit affordable housing project located at 535 Coombsville Road in the City of Napa, known as "Napa Courtyards":

Approval of a Budget Transfer for the following (4/5 vote required):

- a. Increase appropriations by \$130,000 in the Affordable Housing Subdivision (20800-00), Account 57900,

with an increase of revenue in the Affordable Housing Projects Subdivision (20800-10);

b. Increase appropriations by \$130,000 in Affordable Housing Projects (2080-Subdivision 20800-10, Account 56500) to provide funding for the outstanding loan payment.

EXECUTIVE SUMMARY

This action requires an additional appropriation and transfer of funds.

On March 1, 2016, the Board of Supervisors approved a Development and Disposition Agreement for the sale of county owned property at 535 Coombsville Road in the City of Napa for the purpose of affordable housing. Idaho based Pacific West Communities proposed to construct 20 units of affordable housing in a range of unit sizes. The final breakdown was 4 one-bedroom units, 10 two-bedroom units, and 6 three-bedroom units for households earning between 30-60% of Area Median Income (AMI). Pacific West further agreed to set-aside two units for permanent supportive housing placements to be referred through the Continuum of Care’s (CoC) Coordinated Entry System (CES).

On June 21, 2016, the Board of Supervisors adopted a resolution (2016-81) approving a loan of \$1.3 million to Pacific West Communities and transferred the land, valued at \$1,051,000 for the development of the 20 units, and authorized the Chair to sign all related documents. Pacific West Communities successfully competed for 9% tax credits in the amount of \$4,401,500. All financing on the project closed in April 2018 and the project moved into the construction phase. A 55-year affordability covenant was recorded, requiring all of the units except the manager’s unit be deed-restricted to households with incomes between 30-60% AMI. The project received its certificate of occupancy in the Fall of 2019.

Today’s action provides appropriation for and approves final disbursement of \$130,000 on the project’s loan.

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
Is it Mandatory or Discretionary?	Mandatory
Is the general fund affected?	No
Future fiscal impact:	None
Consequences if not approved:	The County would be in breach of contract with Pacific West Communities
County Strategic Plan pillar addressed:	Healthy, Safe, and Welcoming Place to Live, Work, and Visit

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The City of Napa found the Project exempt under the California Environmental Quality Act (CEQA) and no additional environmental review was required for the County's

approval of the loan.

BACKGROUND AND DISCUSSION

On March 1, 2016, the Board of Supervisors approved a Development and Disposition Agreement for the sale of county owned property at 535 Coombsville Road in the City of Napa for the purpose of affordable housing. Idaho based Pacific West Communities proposed to construct 20 units of affordable housing in a range of unit sizes. The final breakdown was 4 one-bedroom units, 10 two-bedroom units, and 6 three-bedroom units for households earning between 30-60% of Area Median Income (AMI). Pacific West further agreed to set-aside two units for permanent supportive housing placements to be referred through the CoC Coordinated Entry System (CES).

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The related Loan Agreement (A-180271B) with Napa Pacific Associates was signed on March 26, 2018.

- The first drawdown request for \$715,253 was received on 1-14-2019 (and processed on 1/22/2019).
- The second drawdown request for \$454,747 was received on 1-14-2019 (and processed on 2/26/2019).
- The final request for drawdown for \$130,000 was sent on 11-18-2019, and was not processed.

The discovery of the outstanding third and final invoice is unfortunate, and the following is a summary of the background on how this occurred, and importantly, what corrective actions have been taken to ensure it does not happen in the future.

The Housing and Homeless Services Division was established July 1, 2019. The new Division merged services and staff from Homeless Program and Services in the Health and Human Services Agency Division with County Affordable Housing and Napa County Housing Authority in the CEO's office. It further required the hiring of several new staff and transfer of fiscal responsibilities for Homeless Programs and Services from HHSA fiscal to staff in the new Division.

The process of transferring fiscal responsibilities was more complicated than initially envisioned, given the high volume of invoices already processed for the Housing Authority and related Farmworker Center operations and the complexity of Housing & Homeless Programs' contracts and invoices. To balance workloads and ensure grant and contract compliance, several months after the initial merger, the previous fiscal analyst from Health & Human Services was re-assigned to support the new Division while a better long-term plan for managing the fiscal side of the Division was developed. In the process of the initial transition/transfer of assignments, the invoice from an affordable housing developer, Napa Pacific Associates, was overlooked and/or not routed to the proper team member for processing.

A corrective action plan to implement the controls/checks and balances necessary to ensure this is a non-recurring event, which has been guided and approved by the County Auditor-Controller, includes:

1. The confirmation of proper accruals for all existing loan agreements for fund 2080 prior to year-end;
2. Proactive communication with developers to ensure delays in invoice submissions do not result in missed payments during the proper fiscal year; and
3. Clear delineation of roles within the team with identification of responsibility between distinct team members for payment/invoice processing versus monthly review for errors and gaps in budget versus actual activity.

Today’s action requests approval for the following budget transfers and appropriation to complete loan disbursement on the 20-unit affordable housing project located at 535 Coombsville Road in the City of Napa, known as “Napa Courtyards”:

FUND: 2080 DIVISION: 20800 (2080000 and 2080010)

To increase revenue in Fund 2080 Affordable Housing, Subdivision 20800-10 Affordable Housing Projects, offset by use of available fund balance in the Subdivision 20800-00 Affordable Housing.

<u>Revenue</u>	<u>Increase (Decrease)</u>
2080-2080010-49900 Intrafund Transfer In	\$130,000

<u>Expenditure</u>	<u>Increase (Decrease)</u>
2080-2080000-57900 Intrafund Expenditures	\$130,000
2080-2080010-56500 Long Term Loans	\$130,000

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