



Legislation Text

File #: 23-0068, **Version:** 1

TO: Board of Supervisors
FROM: David Morrison, Interim County Executive Officer
REPORT BY: Jennifer Palmer, Director of Housing & Homeless Services
SUBJECT: Agreement No. 230270B with Napa Valley Community Foundation

RECOMMENDATION

Director of Housing & Homeless Services requests the approval of and authorization for the Chair to sign Agreement No. 230270B for \$125,000 with Napa Sonoma ADU to provide technical assistance 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 obtain expertise from Napa Sonoma ADU to assist applicants of the Program with ADU education and feasibility consults, technical assistance to jurisdictions in Napa County, and staff participation in a steering committee for Program oversight. The contract maximum for this agreement is \$125,000 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 access the County’s AADU Forgivable Loan Program, a Homeowner must obtain technical assistance to ensure that their ADU is successfully built. This agreement with Napa Sonoma ADU will establish the required services for the AADU Forgivable Loan Program. Napa Sonoma ADU will provide technical assistance for applicants to the County of Napa’s ADU Loan Program in the form of:

1. Homeowner Outreach & Education, including online webinars, marketing, media outreach, advertisements, and proactive referrals for the AADU Loan program.
2. ADU Tools & Resources including maintenance and expansion of the ADU Standard Plans pre-reviewed plan gallery, maintenance, and updates for the ADU Calculator Tool, and other online and print resources for homeowners and policy makers.
3. Homeowner Technical Assistance including referrals for feasibility consults for homeowners utilizing the County AADU Loan Program.
4. Technical Assistance to Jurisdictions inside Napa County (American Canyon, City of Napa, Town of Yountville, City of St. Helena, and City of Calistoga) for staff training, advising on ADU-related Housing Element implementation, and presentations to jurisdiction staff and elected officials at least one annually to answer questions on ADU State law updates/changes.
5. Participation in Program Steering Committee quarterly review and program oversight.

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