



Legislation Details (With Text)

File #: 23-0922 **Version:** 1

Type: Administrative **Status:** Agenda Ready

File created: 5/17/2023 **In control:** Housing Commission

On agenda: 5/24/2023 **Final action:**

Title: Director of Housing & Homeless Services requests the Housing Commissioners receive a report on the current state and scope of the Affordable Housing Fund Investment Portfolio.

Sponsors: Board of Supervisors

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
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TO: Napa County Housing Commission

FROM: Jennifer Palmer, Director of Housing & Homeless Services

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

SUBJECT: Affordable Housing Fund Investment Portfolio

RECOMMENDATION

Director of Housing & Homeless Services requests the Housing Commissioners receive a report on the current state and scope of the Affordable Housing Fund Investment Portfolio.

EXECUTIVE SUMMARY

Housing Commissioners requests a presentation on the current state and scope of the Affordable Housing Fund Investment Portfolio. Director of Housing & Homeless Service will present an overview of the programs, uses of funds and current loan portfolio.

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

The County of Napa Affordable Housing Fund Investment Portfolio includes programs, services and a loan portfolio funded by Affordable Housing Fees and Transient Occupancy Tax revenues.

Affordable Housing Fees

To mitigate the impact of nonresidential development on the need for affordable housing within its boundaries, the County has, since 1993, imposed commercial housing impact fees on nonresidential development projects. To implement the affordable housing goals adopted in the 2009 Housing Element Update, the Board of Supervisors adopted an updated affordable housing ordinance in 2010 that, among other things, authorized the imposition of housing fees for certain residential development projects to mitigate the impacts of such projects on the need for affordable housing in the County and continued to authorize the imposition of housing impact fees for nonresidential development. To ensure the housing fees adopted do not exceed the actual affordable housing impacts attributable to the development projects to which the fees relate, the County received and considered reports from Keyser Marston Associated in November 2009 and again in April 2014.

Napa County Code 18.107.040 requires affordable housing funds be used to increase, improve and preserve the supply of housing and shelter serving Napa County's workforce and affordable to moderate, low, very low and extremely low income households. Eligible uses include new construction of affordable units, acquisition of land for the development of affordable housing; conversion of market rate units to affordable units; preservation of existing affordable units; rehabilitation of affordable units at risk of loss; promotion of affordable workforce housing such that Napa County workers can find suitable housing near their place of employment; subsidies for operating costs, including operating costs of emergency shelters, transitional housing, and farmworker housing, to maintain the existing supply of affordable units and shelters or to provide additional affordable units and shelters, where such shelters serve the County's workforce; subsidies for affordable housing in Affordable Housing (:AH) Combination Districts as further described in Chapter 18.82; provision of infrastructure, utilities, and other improvements so long as they are necessary for the construction of affordable units; and housing support services, such as fair housing services. Monies deposited in the housing fund may be used within incorporated cities located in Napa County consistent with the County's need to meet its affordable housing goals. Deed restrictions are to be recorded against all parcels receiving housing funds and be effective for a minimum of forty years with respect to each affordable unit. Funds may also be used to pay for reasonable administrative costs not reimbursed through processing fees for the administration of the housing fund, provision of housing fund assistance and the monitoring of compliance with conditions related to the use of the housing fund.

Affordable Housing Fee revenues vary year-to-year based on actual permits and building rates. In the Fiscal Year 2021-2022, fee revenues were \$2,585,991.

Transient Occupancy Tax - 1% for Workforce Housing

In November of 2004, Napa County voters approved an increase in the Transient Occupancy Tax (TOT) rate charged to visitors renting hotel and motel rooms in the unincorporated area. The increase, from 10.5% to 12%,

took effect on January 1, 2005, and was not dedicated to any specific purpose, thus requiring only a majority vote to pass. In FY 2005-06, the first full year the additional 1.5% TOT rate was in effect, TOT revenue increased by \$930,000. Although the revenue generated by the additional 1.5% TOT rate is fully discretionary, the Board determined that the receipt of additional discretionary revenue provided an opportunity to consider County investments in projects or programs that were a Board priority. To that end, as part of the FY 2005-06 County Budget process, the Board established the Special Projects Fund.

In November 2018, Napa County voters approved an ordinance, known as “Measure I”, increasing the TOT by an additional 1%, to a total of 13%. Measure I amended the Napa County Code to designate the Hotel Tax be allocated as follows: 12% must be allocated to the County’s general fund and may be used for general governmental purposes, and 1% must be placed in a segregated account and restricted to affordable and workforce housing programs and services.

1% Workforce Housing Transient Occupancy Tax revenues vary year-to-year based on actual hotel occupancy rates and stays. In the Fiscal Year 2021-2022, 1% TOT revenues were \$1,139,987.

Staff will present an overview of the current set of programs and services offered by the County using these funds, as well as the overall state and scope of the Affordable Housing Fund loan portfolio.