



Napa County

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Legislation Text

File #: 23-0822, **Version:** 1

TO: Board of Supervisors

FROM: David Morrison, Interim County Executive Officer

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

SUBJECT: Adoption of a Resolution approving a reservation of \$3,000,000 for the first phase of affordable housing at Napa Pipe

RECOMMENDATION

Director of Housing & Homeless Services requests adoption of a Resolution reserving \$3,000,000 for the Joint Development Partnership for the Napa Pipe 85-unit affordable housing project known as “Sandpiper Place.”

EXECUTIVE SUMMARY

“Napa Pipe” refers to a development planned on four (4) parcels of real property in Napa County, located at 1025 Kaiser Road, which is comprised of 153 acres. The project includes development of 700 to 950 housing units, including 140 housing units affordable to low and very-low-income households, along with other facilities and amenities, office space, parks, and public open space. The owner of the Napa Pipe site, Napa Redevelopment Partners, LLC, a Delaware limited liability company, chose MidPen Housing Corporation (MPHC) to develop the affordable housing set out in the development agreement. MPHC and Napa Valley Community Housing (NVCH) have formed a Limited Partnership for the purposes of a Joint Development Partnership to develop 85 units of affordable housing on the first project of 85 units.

Affordable housing projects rely on early local funding commitments to show loan support for developments and successfully compete when applying for state and federal affordable housing funding. In addition, large projects incur significant expenses related to feasibility and pre-development design work over the course of project inception through to the start of construction represent a significant cost for developers to carry, making pre-development funding vital to long-term project success.

The financing plan for the Sandpiper Place project assumes a majority of permanent funding will come from both 4% Tax Credits and the California Department of Housing and Community Development (“HCD”) Super NOFA. Napa County approved a \$750,000 loan in December 2020 for pre-development expenses to help cover costs associated with the very beginning stages of development, including engineers, architects, and other related professional expenses. MPCH and NVCH are now requesting an additional \$3,000,000 funding commitment in advance of the HCD Super NOFA application in June 2023 to demonstrate strong local project

support and provide additional predevelopment funding through the start of construction.

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
Where is it budgeted?	Funding for the predevelopment loan would come from the Affordable Housing Fund. The current available balance is approximately \$6 million.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	By contractual agreement, Napa County agreed to assist in the development of three projects at the Napa Pipe site for affordable housing. Two of those sites have been combined to make a larger, financially feasibly 85-unit project.
Is the general fund affected?	No
Future fiscal impact:	This request is for a funding commitment. Staff will return at a future date in FY 23/24 with loan documents and a Budget Transfer increasing expenditures in Affordable Housing Fund - Affordable Housing Projects (Org 2080010) in the amount of \$3,000,000.
Consequences if not approved:	If not approved, MPCH and NVCH will have to locate alternate sources of funding and the project would be significantly less competitive for HCD Super NOFA funding
County Strategic Plan pillar addressed:	Livable Economy for All

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The City of Napa has conducted environmental review of the project and related approvals under the California Environmental Quality Act (“CEQA”). In particular, and Addendum to the Napa Pipe EIR was prepared by the city as an addendum to the Napa Pie Final Environmental Impact report certified by the Napa County Board of Supervisors on January 14, 2013. The 2019 Addendum concluded that none of the conditions described under CEQA Guidelines Section 15162 requiring further environmental review were present, and accordingly, no subsequent or supplemental environmental impact report or negative declaration was required for the Project. Likewise, no additional environmental review is required for the County’s approval of the loan in that no changes have been made to the contemplated development and related approvals under review by the City.

BACKGROUND AND DISCUSSION

On October 8, 2013, the City of Napa (“City”) and Napa County (“County”) entered into a Memorandum of Understanding (“MOU”) regarding the future development of four parcels of land in unincorporated Napa County comprising approximately 154 acres and commonly referred to as the Napa Pipe site (APNs 046-412-006, 046-412-007, 046-400-054 and 046-400-055, hereafter, “the Property”). Napa Pipe was designated in the County’s Housing Element as affordable housing sites that could accommodate the County’s Regional Housing

Needs Allocation (RHNA). When it became clear that the parcels would eventually annex to the City, the City and County worked together to ensure that annexation would occur without jeopardizing the County's Housing Element or taking away from the County's ability to meet future RHNA obligations. Thus, the parties entered into various agreements, including the MOU and the sharing of the County's RHNA in future housing element cycles, as allowed by statute.

The MOU between the City and County provides in Section 2.3(e) that the City and County may enter into a RHNA agreement as allowed under Government Code Section 65584.07 providing for the transfer to the City of eighty percent (80%) of the County's RHNA obligation for each housing element planning period commencing with the sixth and subsequent revisions (as defined in Government Code Section 65588), during such time as the County's Measure P (approved by the voters in November 2008) remains in effect, provided that certain requirements of the MOU are satisfied. The parties subsequently entered into a RHNA Agreement, as contemplated by Section 2.3(e) of the MOU.

Approval of the Project and successful implementation of the MOU was intended to allow the County to meet its RHNA for the 2014-2022 housing element planning period (fifth revision) and obtain a certified housing element. Under the terms of the Development Agreement, the parties anticipated the residential portions of the Project would be developed in phases, and as building permits were issued for each phase, the portions of the Property that had been developed would be annexed to the City.

An amended and restated MOU was entered into on December 12, 2019. The revised MOU provides for RHNA transfers from the County to the City in the sixth and subsequent housing element planning periods, so long as the County's Measure P remains in effect, for the benefit of both the City and the County and in furtherance of City and County policies to preserve agricultural lands in Napa County so as to maintain a viable agriculture-based economy, prevent urban sprawl, direct growth and development into existing cities, and promote infill and smart growth. The MOU amended and restated the original to reflect the intended annexation of the entire Property to the City and prioritize eighty (80%) of the County's Affordable Housing Funds to finance affordable housing projects within the City of Napa in recognition of the City's agreement to assume the County's ongoing RHNA obligation.

As part of the Project and as set forth in the Affordable Housing Plan in the Project Development Agreement, Napa Redevelopment Partners conveyed (at no cost to the City), two developable affordable housing parcels to the City to accommodate the development of up to 140 affordable housing units on the Property, and the City in turn conveyed the developable affordable housing parcels to a qualified affordable housing developer (at no cost to the developer) for the construction of the contemplated affordable housing units. The two affordable housing parcels are intended to be developed in two separate phases. MidPen Housing Corporation ("MPHC"), a nonprofit public benefit corporation, was the selected qualified affordable housing developer responsible for developing the affordable housing units.

On December 8, 2020, County Board of Supervisors approved a \$750,000 loan to MPHC for pre-development expenses to help cover costs associated with the beginning stages of development on the first phase, which will include an 85-unit development providing affordable housing to a variety of low and very-low-income residents, including 1, 2 and 3-bedroom units for households earning between 25% to 80% of Area Median Income. Eligible pre-development costs include such fees as those from engineers, architects, and other related professional expenses, and are an allowed use of Affordable Housing Funds per the County's approved

guidelines.

MPCH and Napa Valley Community Housing have since formed a Limited Partnership for the purposes of a Joint Development Partnership for the phase one project now known as “Sandpiper Place.” The Partnership is now requesting a second funding commitment in advance of the HCD Super NOFA application in June 2023 to demonstrate strong local project support. The Housing Commission has previously reviewed this project and recommended approval of project financing. Affordable Housing Fund guidelines also require a proportional number of the project units be set aside for the Coordinated Entry System (CES) serving individual experiencing or at-risk of experiencing homelessness. Similarly developed affordable multi-family residential recently funded projects have included CES MOU’s requiring between 9-12% of the total number of units in the project be set-aside for CES placements.

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The anticipated permanent funding sources for the project are (subject to change):

Permanent Loan: \$4,728,639 (\$55,631 per unit)

Tax Credit Investor Proceeds: \$22,924,422 (\$269,699 per unit)

GP Equity: \$5,481,051 (\$64,483 per unit)

Land Donation: \$1,500,000 (\$17,647 per unit)

Napa Pipe Community Linkage Fee: \$725,000 (\$8,529 per unit)

2019 Affordable Housing Fund Loan: \$750,000 (\$8,824 per unit)

State HOME Funds: \$1,076,529 (\$12,665 per unit)

2023 Affordable Housing Fund Loan: \$3,000,000 (\$35,294 per unit)

Affordable Housing Program, FHFA: \$1,260,000 (\$14,824)

Total Permanent Sources: \$63,674,468 (\$749,111 per unit)

Today’s action requests adoption of a resolution reserving \$3,000,000 for the Joint Development Partnership for the phase one Napa Pipe 85-unit affordable housing project known as “Sandpiper Place.” Staff will return at a future meeting with a request for loan approval and award.

