



A Tradition of Stewardship  
A Commitment to Service

**Napa County**  
**Review of Proximity Workforce Housing Assistance**  
**Program**

For the period of  
July 1, 2024 to June 30, 2025

**Tracy A. Schulze**  
**Auditor-Controller**  
Internal Audit Section  
September 15, 2025

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**Tracy A. Schulze**  
Auditor-Controller

September 15, 2025

To the Board of Supervisors  
Napa County, CA

### **Executive Summary**

The Internal Audit Section of the Napa County Auditor-Controller's Office (Internal Audit) has completed a compliance review of the Napa County Proximity Workforce Housing Assistance Program (Program) for the period of July 1, 2024, through June 30, 2025 (Audit Period). The Program is administered by the Department of Housing & Community Services, formerly the Housing & Homeless Services Division of the County Executive Office.

Our procedures were conducted in accordance with the Global Internal Audit Standards (Standards) issued by the Institute of Internal Auditors. These Standards require Internal Audit to obtain and evaluate sufficient and appropriate evidence to meet engagement objectives, and to perform all work with independence, objectivity, proficiency, and due professional care.

The objectives of this compliance review were to determine whether recipients of Program loans met the eligibility requirements to receive assistance, and to assess whether other key provisions of the Program were administered in accordance with the Napa County Proximity Workforce Housing Assistance Guidelines (Guidelines), as revised and approved by the Board of Supervisors on April 19, 2022.

Based on our review, we conclude that Program loan recipients met the eligibility requirements, and that other key provisions of the Program were being administered in accordance with the Guidelines. Internal Audit also observed notable improvements in program administration compared to prior audits, particularly in the areas of documentation and use of the Neighborly system. Where opportunities for improvement were identified, we have included observations and recommendations to strengthen internal processes.

This report is a matter of public record and is provided for the information and use of the Director of Housing & Community Services, the Chief Executive Officer, and the Board of Supervisors. We extend our appreciation to the Internal Audit team and the staff of Housing & Community Services for their professionalism and collaboration throughout this engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tracy Schulze", is written over the word "Sincerely,".

Tracy A. Schulze  
Auditor-Controller

## **Background**

The Department of Housing & Community Services oversees and administers the Proximity Workforce Housing Assistance Program (Program), which was established on December 7, 2010. The Program's purpose is to support low-to moderate-income households in purchasing homes near their place of employment. By expanding affordable housing opportunities, the Program is designed to strengthen the jobs-to-housing connection for Napa County's workforce and to reduce the displacement of workers who might otherwise be compelled to purchase homes outside the County due to lower housing costs.

Following the Board of Supervisors' approval of revised Guidelines on April 19, 2022, the Program now offers down payment assistance of up to 16.5% of the purchase price, provided in the form of a homebuyer assistance loan, for qualified applicants purchasing eligible properties.

To qualify for the Program, applicants must meet all of the following requirements:

- At least one household member must be employed in Napa County.
- The total household income may not exceed 120% of the County's Area Median Income (AMI), adjusted for household size.
- The purchase price of the home may not exceed 110% of the Median Home Price for the jurisdiction (city or town) in which the property is located.
- The property must be located within Napa County and within 20 miles of the applicant's place of employment.
- The home must be occupied as the owner's primary residence.

Household income limits are updated annually by the California Department of Housing and Community Development (HCD) for each county. The Program Director applies these updates to establish income eligibility thresholds, which require that total household income not exceed 120% of the Area Median Income (AMI).

In addition, each year the Program Director issues a memorandum setting the maximum down payment assistance amount, based on the current median home price within each jurisdiction.

The following tables present the applicable thresholds for fiscal year 2024–25, including income limits by household size and maximum home purchase prices by jurisdiction.



2024-25 Maximum Total Gross Household Income Limit for Napa County			
Household Size	Low Income (80%)	Median Income (100%)	Maximum Income (120%)
1	\$82,150	\$90,700	\$108,850
2	\$93,900	\$103,700	\$124,400
3	\$102,650	\$116,650	\$139,950
4	\$117,350	\$129,600	\$155,500
5	\$126,750	\$139,950	\$167,950
6	\$136,150	\$150,350	\$180,400
7	\$145,550	\$160,700	\$192,800
8	\$154,900	\$171,050	\$205,250

2024-25 Median Home Prices for Napa County			
Jurisdiction	Median Home Price	110% of Median Price	Maximum Proximity Loan Amount
American Canyon	\$743,001	\$817,305	\$134,855
Calistoga	\$907,166	\$997,882	\$164,651
City of Napa	\$892,860	\$982,146	\$162,054
Unincorporated County	\$907,166	\$997,882	\$164,651
St. Helena	\$907,166	\$997,882	\$164,651
Yountville	\$907,166	\$997,882	\$164,651

### **Objectives and Scope**

The objectives of this compliance review were to determine:

1. If applicants met the eligibility requirements to receive Program loans in accordance with the Program Guidelines; and
2. If other key requirements of the Program were administered in compliance with the Program Guidelines.

The scope included a review of the Program's records for the period from July 1, 2024 through June 30, 2025.

### **Procedures and Results**

Internal Audit reviewed the Proximity Workforce Housing Assistance Guidelines, as approved by the Board of Supervisors on April 19, 2022, and obtained training on the use of Neighborly, the online application platform utilized by the Department of Housing & Community Services, to access and review all applicant files within the Audit Period.

1. **Procedure One:** Reviewed all loan applications within the Audit Period to verify file completeness, including applications that were closed, denied, withdrawn, or funded.

**Results:** Exception noted.

- i. **CASE ID 31565:** The Title Company did not provide a recorded copy of the Second Mortgage Agreement.

Program Management Response

*Program Staff acknowledge the missing Second Mortgage Agreement for Case ID 31565 and will upload the executed copies once available.*

**2. Procedure Two:** Reviewed all loans funded in the Audit Period to:

- a. Confirm that the purchase price of each home did not exceed 110% of the median home price for the same jurisdiction (Guidelines, Section 201 – Proximity Housing Assistance):

**Results:** No exceptions noted.

- b. Confirm that the first mortgage, excluding closing costs and insurance, did not exceed 82% of the value of the purchased home (Guidelines, Section 201 – Proximity Housing Assistance).

**Results:** No exceptions noted.

- c. Confirm that the total down payment amount contributed by the applicant, including gifts, did not exceed 16.5% of the purchase price.

**Results:** No exceptions noted.

- d. Confirm that the Program loan amount did not exceed 16.5% of the home purchase price (Guidelines, Section 201 – Proximity Housing Assistance).

**Results:** No exception noted.

- e. Review executed Second Mortgage Agreements to ensure required provisions for maintenance, insurance, and refinancing were included and signed by the Buyer(s) (Guidelines, Section 404 – Other).

**Results:** No exceptions noted.

- f. Confirm that the property purchased was located within 20 (road) miles of the place of employment of the Proximity Workforce household member (Guidelines, Section 201 – Proximity Housing Assistance).

**Results:** No exception noted.

- g. Verify that at least one household member was certified as a Proximity Workforce Member at the time of purchase execution (Guidelines, Section 301 – Qualification to Receive Proximity Housing Assistance).

**Results:** No exceptions noted.

- h. Review written requests, if any, from applicants for a special review of variances from the Board-approved Guidelines due to unusual hardship, and the outcomes determined by the special review committee (Guidelines, Section 501 – Special Review).

**Results:** No variances were on file.

- i. Review grievances, if any, filed with the Board of Supervisors by applicants appealing determinations made by County staff, and the outcomes from the Board's review (Guidelines, Section 502 – Grievance Procedures).

**Results:** No grievances were on file.

- j. Confirm that total disbursements for all funded loans agreed with the Promissory Notes, wire transfers, and department general ledger records.

**Results:** No exceptions noted.

### **Observations and Recommendations**

Effective July 1, 2024, and in agreement with the Program Director, the audit period was revised from a calendar year to a fiscal year. The tables below illustrate the significant growth of the Program since 2022.

Between 2019 and 2022, the number of loans funded declined, influenced by factors such as economic uncertainty, rising mortgage rates, and the impacts of the COVID-19 pandemic. However, while the number of loans funded under both the 2019 Guidelines and the 2022 Guidelines remained consistent, total loan disbursements increased by 115%. This growth reflects both rising home values and the expanded down payment assistance of up to 16.5% provided under the revised 2022 Guidelines.

<b>2019 Guidelines</b>	<b>Loans Funded</b>	<b>Total Funded</b>	<b>Avg WPH Loan</b>
2019-2021	47	\$ 2,381,337	\$ 50,956
<b>2022 Guidelines</b>	<b>Loans Funded</b>	<b>Total Funded</b>	<b>Avg WPH Loan</b>
2022-2025	48	\$ 5,128,673	\$ 109,769
<b>% Increase in Funding</b>		<b>115%</b>	<b>115%</b>



<b>Funding per WPH Program Records</b>				
<b>Calendar Year</b>	<b>Total Applications</b>	<b>Total Funded</b>	<b>Total Amount Loaned</b>	<b>Average Loan</b>
2019	31	22	\$ 1,128,567	\$ 51,299
2020	29	15	711,200	47,413
2021	24	10	541,570	54,157
2022	22	3	342,704	114,235
2023	24	21	2,227,500	106,071
2024 (Jan-Jun)	4	4	454,245	113,561
<b>Fiscal Year Ended</b>				
Jun 2025	56	20	2,104,194	105,210
<b>Total</b>	<b>190</b>	<b>95</b>	<b>\$ 7,509,980</b>	<b>\$ 84,564</b>

The increasing number of applications continues to place demands on staffing resources, as each file contains between 40 and 90 documents requiring collection, review, and verification. At the same time, Internal Audit noted marked improvements compared to prior years, particularly with the implementation of the Neighborly online application and document management system. This has streamlined processes, enhanced consistency, and improved overall efficiency.

During our review, we noted that one version of escrow instructions currently in circulation is no longer consistent with the revised Guidelines. This version requires Title Companies to verify a borrower contribution of at least 3.5% toward the down payment prior to closing, a requirement not reflected in the current Guidelines. To prevent confusion among Title Companies and borrowers, we recommend that this outdated version be removed from use.

Additionally, Internal Audit recommends implementing a post-closing checklist to ensure each file contains all required documentation to demonstrate compliance with Program Guidelines, as well as all documents required to be recorded by the Title Companies. This control would help ensure completeness and consistency across Program records.

#### Program Management Response

*Program staff agree with the recommendations provided. The Guidelines were updated in July 2023 and reduced the borrower contribution to 1.5% from 3.5%. Program staff will ensure the older version of the escrow instructions is archived. Program staff have a post-closing checklist to ensure each file contains all required documentation, as well as each document required to be recorded by the Title Company. First Mortgage Notes are not held in Proximity Program files.*