

**SUMMARY REPORT PURSUANT TO GOVERNMENT CODE SECTION 52201
ON THE AMENDMENT TO PURCHASE AND SALE AGREEMENT
BY AND BETWEEN NAPA COUNTY AND NAPA COMMUNITY REAL
ESTATE FUND, LP.**

I. Introduction.

The County of Napa (the "County"), has prepared a summary report (the "Summary Report") as required by Section 52201 of the Government Code, with regards to the County's proposed execution of a Purchase and Sale Agreement and Escrow Instructions ("Agreement") by and between the County and Napa Community Real Estate Fund, LP, a Delaware limited partnership (the "Partnership"), for the sale of approximately 2,911 square feet of real property located within the County generally located at the northwest corner of 212 Walnut Street, Napa, California (the "Property") to the Partnership.

Government Code Section 52201, authorizes the County, to sell or lease property to which it holds title for the purpose of creating economic opportunity. The County must first secure approval of the proposed sale from the County Board of Supervisors after a public hearing. A copy of the proposed Agreement and a summary report that describes and contains specific financing elements of the proposed transaction is required to be available for public inspection prior to the public hearing. As contained in the Code, the following information is included in the summary report:

- The cost of the Agreement to the County, including land acquisition costs, clearance costs, relocation costs, and the costs of any improvements to be provided by the County, plus the expected interest on any loans or bonds to finance the agreement;
- The estimated value of the interest to be conveyed, determined at the highest and best use permitted under the general plan and zoning;
- The estimated value of the interest to be conveyed in accordance with the uses, conditions and covenants, and development costs required under the proposed Agreement, i.e., the fair reuse value of the property;
- An explanation of why the sale of the property will assist in the creation of economic opportunity;
- If the sale price is less than the fair market value of the interest to be conveyed, determined at the highest and best use consistent with the general plan and zoning, then the County must provide as part of the summary an explanation of the reasons for the difference.

II. Summary of Proposed Agreement.

Under the Agreement, the County will convey the Property to enable the Partnership to develop up to seven (7) affordable for-sale housing units on the Property (the "Improvements").

The salient aspects of the proposed Agreement are summarized as follows:

- The County commits to transfer Property to the Partnership for the construction of the Improvements.
- The County will convey the Property to the Partnership in fee in its "as-is" condition.
- The Partnership will pay the County \$58,220 for the Property.
- The Partnership will construct the Improvements on the Property.
- The County is not providing any direct or indirect financial assistance to the Partnership.
- The Partnership has agreed to record a Regulatory Agreement under which the Partnership will restrict for a term of 45 years: (a) one (1) housing unit for sale to a Low Income Household; and (b) six (6) housing units for sale to Moderate Income Households.
- The Partnership must comply with all government entities' regulatory and administrative processes related to the land use approvals required for the development of the Improvements.
- The Partnership is prohibited from any form of discrimination on the basis of race, color, creed, religion, sex, sexual orientation, marital status, national origin or ancestry, or source of income, in the hiring, firing, promoting or demoting of any person engaged in the construction of the Improvements.

III. Cost of Agreement

This section presents the total estimated cost of the Agreement to the County. Pursuant to California Government Code Section 52201 (a)(2)(B)(i), the cost of the Agreement to the County includes all land acquisition costs, clearance costs, relocation costs, the cost of any improvements to be provided by the County, plus the interest on any loans or bonds to finance project under the terms of the Agreement. The net cost can be either an actual cost, when expenditures exceed receipts, or a net gain, when revenues created by implementation of the Agreement exceed expenditures.

The County acquired the property in 1869 as part of a larger acquisition and the estimated

acquisition cost for the Property is \$9.08.

The County's holding costs for the properties is de minimis.

The County has or expects to incur approximately \$30,000 on internal staff costs and approximately \$11,000 on third party costs, including; broker fees, legal fees, consulting fees, and other fees associated with the negotiation of the Agreement and associated land transfer documents.

IV. Estimated Highest and Best Use Value of the Interest to be Conveyed

Section 52201 requires the County to identify the value of the interest being conveyed at the highest use permitted under the general plan and zoning in place on the property. The valuation must be based on the assumption that the Property is vacant, and that near-term development is required. The highest and best use of a property, is that use of the property that generates the highest property value and is physically possible, financially feasible, and legally permitted. The valuation does not take into consideration any extraordinary use, quality, and/or income restrictions being imposed on the development by the County. The value at highest and best use is based solely on the value created and not on whether or not that use carries out the development goals and policies for the County as set forth in the Agreement.

This section presents an analysis of the fair market value of the property to be conveyed at its highest and best use. This section explains the value of the properties to be sold to the Partnerships and the consideration being provided by the Partnerships. The section indicates that the consideration being provided is not less than the highest and best use value of the property being conveyed.

The County estimates that the Property in its existing condition with its current land use designations would be valued at \$58,220 based upon the sale by the County to the Partnership of the adjoining property in November 2021. The purchase price of \$58,220 being paid by the Partnerships is based on the parties negotiation of the Property value extending the per square foot value that was paid by the Partnership for the adjoining property located at 2344 Old Sonoma Road in November 2021 and taking into account the impact on value of the property resulting from the use consistent with the Improvements to be developed. This price was established by a fair market value appraisal as \$7,500,000 which translates to a fair market value of the subject Property as equal to \$58,220.

V. Estimated Fair Re-Use Value of the Interest to be Conveyed

In calculating the fair re-use value, re-use value is defined as the highest price in terms of cash or its equivalent which a property or development right is expected to bring for a specified use in a competitive open market, subject to the covenants, conditions, and restrictions imposed by the Agreement. The Agreement covenants, conditions, or restrictions on the use of the Property are contained in the Regulatory Agreement.

The Partnership has elected to restrict the units to be constructed at the Property as for-sale affordable housing. The Agreement requires the Partnership to purchase the Property for the fair market value, at its highest and best use, which is the same price per square foot that the Partnership acquired the adjoining 8.6 acres of property.

The residual land value supported by the Improvements can be estimated as the difference between the total development costs (excluding acquisition costs) and the total available funding sources. The anticipated costs of development of the Improvements is estimated to be approximately \$600,000 to \$750,000 per unit for a total development cost of Improvements ranging from \$4,200,000 to \$5,250,000. The current affordable housing price range for low income units is between \$317,000 to \$360,000 and is between \$487,000 and \$552,000 for moderate income units. The Partnership estimates that the residual land value taking into account the affordability restriction is equal to or less than the proposed purchase price of \$58,220.

VI. Explanation of the Difference (if any) between the Compensation to be paid to the County under the Agreement and the Fair Market Value of the Property

Under Section 52201, the County is required to explain if the sale price is less than the fair market value of the interest to be conveyed, determined at the highest and best use consistent with the general plan and zoning, then the County must provide as part of this Summary Report an explanation of the reasons for the difference.

The Agreement and Regulatory Agreement imposes controls on the Property. Nonetheless, the Partnership has agreed to pay \$58,220 which is the equivalent of the estimated fair market value at the highest and best use under the allowable zoning, and equal to the fair reuse value.

VII. Creation of Economic Opportunity

The Improvements, when constructed, will create economic opportunity in the County. Section 52200.2 defines "economic opportunity" as any of the following:

- Development agreements, loan agreements, sale agreements, lease agreements, or other agreements that create, retain, or expand new jobs, at least one full-time equivalent, permanent job for every thirty-five thousand dollars (\$35,000) of County investment in the project after full capacity and implementation;
- Development agreements, loan agreements, sale agreements, lease agreements, or other agreements that increase property tax revenues to all property tax collecting entities, by at least 15 percent (15%) of total property tax resulting from the project at full implementation when compared to the year prior to the property being acquired by the government entity;

- Creation of affordable housing;
- Projects that meet the goals set forth in Chapter 728 of the Statutes of 2008 and have been included in an adopted sustainable communities strategy or alternative planning strategy or a project that specifically implements the goals of those adopted plans; or
- Transit priority projects, as defined in Section 21155 of the Public Resources Code.

The County is providing no direct or indirect financial assistance to the Partnership and the Partnership has agreed to create seven (7) units of affordable housing. The County has identified the following benefits that will result from implementation of the Agreement and will create economic opportunity as defined in Government Code Section 52200.2.

B. Creation of Affordable Housing

The creation of affordable housing to meet demonstrated affordable housing needs identified in the housing element of the County's general plan constitutes an economic opportunity. The County-adopted 2023-2031 Housing Element includes a housing needs assessment to adequately plan for the existing and projected future housing needs of residents. To meet projected housing needs to address the Regional Housing Needs Allocation (RHNA), the County's Housing Element identifies that 16 units of low income housing and 14 units of moderate income housing are needed. The Improvements to be constructed on the Property will thus increase, improve, or preserve the supply of quality affordable housing in the community. The development of the Improvements will result in seven (7) new for-sale affordable housing units on the Property for occupancy by low income and moderate income households.

C. Job Creation

Under Section 52200.2(a) economic opportunity is achieved is an agreement results in the creation, retention or expansions of new jobs, at least one full-time equivalent, permanent job for every thirty-five thousand dollars (\$35,000) of County investment in the project. As previously discussed, the County is not providing any financial assistance for the Improvements. Nevertheless, the sale of the Property under the Agreement will result in job creation as a result of the anticipated construction of the Improvements and the additional housing units to be developed on the adjacent property. During the construction of the Improvements and the additional housing units to be developed on the adjacent, it is anticipated approximately 55 full-time equivalent (FTE) temporary construction jobs. Upon completion and full implementation, the Improvements is also anticipated to generate an estimated 2.3 FTE permanent jobs.

D. Public Purpose

The transfer of the properties and construction of the Improvements will further the public purpose of economic development by creating jobs and much needed affordable housing.