



Staff Reports Details (With Text)

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Date	Ver.	Action By	Action	Result
3/30/2023	1	CITY COUNCIL OF THE CITY OF NAPA		

To: Honorable Mayor and Members of City Council

From: Steve Potter, City Manager

Prepared By: Molly Rattigan, Deputy City Manager

TITLE:
Affordable Housing and Sustainable Communities Grants

RECOMMENDED ACTION:

Adopt a resolution authorizing the City Manager or Deputy City Manager to submit an Affordable Housing and Sustainable Communities (AHSC) grant application to the State of California as co-applicant with Heritage Housing Partners for The Crescent project located at 2344 Old Sonoma Road in an amount not to exceed \$50 million for the construction of 65 low-income and 47 moderate-income deed restricted for-sale units and related sustainable transportation infrastructure and determining that the actions authorized by this resolution are exempt from CEQA.

DISCUSSION:

The Affordable Housing and Sustainable Communities (AHSC) program is designed to reduce greenhouse gas (GHG) emissions through affordable housing development projects that implement land-use, housing, transportation, and agricultural land preservation practices to support infill and compact development that support related and coordinated public policy objectives including: reducing air pollution, improving conditions in disadvantaged communities, supporting and improving public health benefits, improving connectivity and accessibility to jobs and services, and increasing options for mobility and transit ridership.

On March 21, 2023, the City Council authorized staff to submit an AHSC application due to the State of California on April 4, 2023 for an affordable housing for-sale development project known as The Crescent, located at 2344 Old Sonoma, for which the City of Napa will be a co-applicant. The

developer has made modifications to the grant application that will increase the number of low-income units provided at the site and change the structure and timing of the AHSC funding for the project. Today's action supersedes the City Council's action on March 21, 2023.

Heritage Housing Partners is in the process of seeking all land use approvals for the development of The Crescent, a proposed mixed-income, mixed-use project which includes 154 condominium units and eight (8) single family residential units, all of which are ownership units, at 2344 Old Sonoma Road in the City of Napa.

Heritage House Partners had previously proposed that the AHSC funding be used to provide second mortgages directly to the purchasers of the deed-restricted affordable units. However, Heritage House Partners has since modified the AHSC grant application to request that \$35 million of the \$50 million in AHSC funds be provided to Heritage House Partners for construction of the affordable units. Following completion of the units, the construction loan would be converted to deed-restricted subordinate mortgages or an equity share agreement with the future buyers of the units to assure the buyers are able to secure a first mortgage that is affordable based on their household income.

If awarded, the AHSC construction funding would either go directly to the Heritage House Partners from the State or from the State to the City, in which case the City would then provide a construction loan to Heritage House Partners. In either case, staff would return to Council prior to acceptance of the award, and if the AHSC construction funding would be provided through the City, staff would also seek approval at that time of the terms of the loan to Heritage House Partners and to the future homebuyers.

AHSC funds of up to \$35 million will increase the number of for-sale units in the project affordable to low-income households (those with household incomes at or below 80% of area median income (AMI)) from 25 units to 65 units and increase the number of for-sale units affordable to moderate income households (those with household incomes at or below 120% of AMI) from 23 units to 47 units. This is a net impact of an additional 64 deed-restricted units.

AHSC funds will also be used for the design and construction of bicycle and pedestrian improvements by the City along W. Imola Avenue (from Foster Road to Freeway Drive), Old Sonoma Road (from Jefferson Street to Freeway Drive), and Walnut Street (from Old Sonoma Road to Laurel Street) and pedestrian improvements along Freeway Drive (from W. Imola Avenue to Old Sonoma Road) and S. Seymour Street, S. Montgomery Street, S. Hartson Street, Spruce Street (from S. Seymour to S. Jefferson Street), Locust Street, Hemlock Street (from S. Hartson Street to S. Jefferson Street), Webber Street, Minahen Street, Lernhart Street, and Hunt Street. The bicycle improvements include installation of Class III or Class II bicycle facilities and associated work including, but not limited to signage, striping, and pavement overlay. The pedestrian improvements include but are not limited to curb, gutter, sidewalk, curb ramps, signage, striping, and rectangular rapid flashing beacons. Funds may also be used by the Napa Valley Transportation Authority (NVRTA) for the purchase of an electric bus, charging stations at the Imola Park and Ride, and other transit related improvements. Staff is also exploring options for the placement of additional charging stations and the associated canopy and solar panels for the Napa Senior Center.

For-sale deed-restricted housing creates a wealth building opportunity for those that purchase homes. Instead of paying rents, buyers secure a first mortgage that is based on their income level and unit size. Subordinate mortgages are typically silent and have resale restrictions to keep the unit

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affordable over the long term. These mortgages also enable Low/Mod homeowners to build equity over time, as they pay down the principal on their first mortgages and as median incomes increase.

FINANCIAL IMPACTS:

If awarded funds, staff will return to the City Council with the necessary documents to accept the funds and enter into the necessary agreements for the construction of these units.

CEQA:

The City Manager has determined that the actions authorized in these resolutions are exempt from CEQA, pursuant to CEQA Guidelines Section 15301 (minor alterations to existing facilities) and Section 15303 (construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures).

DOCUMENTS ATTACHED:

ATCH 1 - Resolution

NOTIFICATION:

None.