



Staff Reports

File #: 095-2023, **Version:** 1

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:

1. 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 development of 49 low-income and 47 moderate income deed restricted for-sale units and related sustainable transportation infrastructure, and authorizing AHSC funding and determining that the actions authorized by this resolution are exempt from CEQA; and
2. Adopt a resolution authorizing the Public Works Director to execute an Affordable Housing and Sustainable Communities (AHSC) Implementation, Indemnity and Cooperative Agreement with Napa Valley Community Housing and execute all documents necessary to secure AHSC funds for the construction of certain sustainable transportation infrastructure related to the proposed Monarch Landing development, a 77-unit affordable rental project located at 1000 Shelter Avenue 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.

Staff is seeking authority to participate in the submittal of two AHSC applications due to the State of California on April 4, 2023. The first project is 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 second project is a deed-restricted rental project known as Monarch Landing, located at 1000 Shetler in Napa, to be constructed by Napa Valley Community Housing and for which the City will not be a co-applicant but would receive AHSC funds from NVCH to cover the costs of constructing certain sustainable transportation improvements.

The Crescent

Heritage Housing Partners is in the process of seeking all land use approvals for the development of The Crescent, a proposed 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.

Since this project is a for-sale development, the City of Napa would be a co-applicant to allow for AHSC funds to be used to provide deed-restricted subordinate mortgages or an equity share agreement directly with the future buyers of the units to assure the buyers are able to secure a first mortgage that is affordable to their household income. No AHSC funds will be expended during the construction phase, and the City of Napa would enter into loan agreements and deed restrictions with each buyer of the affordable units upon close of escrow.

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 49 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 48 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 (NVTA) 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 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.

It is important to note that for-sale affordable housing funding sources operate differently than rental funding sources. The development of for-sale housing has limited funding options and funding sources are not always subject to prevailing wage for the construction of the units. It is not anticipated that this project, even with the receipt of AHSC funds, will be a prevailing wage project.

Monarch Landing

Napa Valley Community Housing is in the process of seeking AHSC funds for the Monarch Landing project, a 77-unit deed-restricted rental project at 1000 Shetler in Napa. Since this is a rental project, the City of Napa does not need to be a co-applicant but has the option of entering into a cooperation agreement with NVCH pursuant to which NVCH will provide AHSC funds to the City to fund the construction of certain sustainable transportation improvements related to this project.

Under this AHSC application, up to \$5 million would be available for the City of Napa for the design and construction of bicycle and pedestrian improvements along Shetler Avenue (from Soscol Avenue to Sommer Street) and pedestrian improvements along Shurtluff Avenue (from Terrace Drive to Seville Drive). NVTA is also eligible for AHSC funding for transit and transportation related improvements.

The requested action related to Monarch Landing is for the Public Works Director to enter into the necessary agreements with NVCH for AHSC funding to complete the related transportation improvements. Staff will return to the Council for any necessary budget actions.

FINANCIAL IMPACTS:

This item seeks grant funding under the Affordable Housing and Sustainable Communities grant program for the development of affordable housing and related infrastructure. If grant funds are awarded, staff will return at a future meeting date with the necessary budget requests.

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- AHSC Resolution for The Crescent
ATCH 2- AHSC Resolution for Monarch Landing

NOTIFICATION:

Napa Valley Community Housing
Heritage Housing Partners
Napa Valley Transportation Authority