



Staff Reports Details (With Text)

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2/18/2020	1	HOUSING AUTHORITY	adopted	Pass

To: Honorable Chair and Commissioners

From: Vincent Smith, Community Development Director

Prepared By: Lark Ferrell, Housing Manager

TITLE:
Heritage House Apartments Project-Based Vouchers

RECOMMENDED ACTION:

Adopt a resolution approving an award of 38 project based vouchers to Heritage House Partners LP for the Heritage House Apartments Project, a 66-unit affordable housing project, including 33 units of permanent supportive housing, located at 3700 Valle Verde Drive and determining that the actions authorized by this resolution were adequately analyzed by a previous CEQA action.

DISCUSSION:

The Housing Authority provides Section 8 rental assistance throughout the County of Napa. Typically, this rental assistance is in the form of Housing Choice vouchers which are tied to the tenant. However, HUD allows a housing authority to set aside up to approximately 20% of its authorized units for a specific project ("project based vouchers" or "PBVs"). This means the PBV's are tied to a property rather than to a tenant. The Housing Authority's Five-Year Annual Plan identifies funding PBVs as a strategy to expand housing opportunities for lower-income households.

PBVs have several advantages over Housing Choice vouchers. First, because the vouchers provide for higher rents than are typically received for rent restricted affordable units, PBVs typically allow an affordable housing developer to borrow a larger mortgage, which in turn helps fund development of the affordable housing or, in the case of permanent supportive housing projects, the higher rents help provide funding to pay for the costs required to provide supportive services for the project's residents. Secondly, in a tight rental environment, such as currently exists in Napa County, tenants with

vouchers often have a very difficult time finding housing. Because the Section 8 assistance is tied to the units, the tenants do not have to compete on the open market for units.

The non-profit housing agencies Burbank Housing Development Corporation and Abode Services (collectively, the “Developer”) are proposing to acquire and rehabilitate the former Sunrise Assisted Living Facility located at 3700 Valle Verde Drive (“Site”). This Site was acquired by the Gasser Foundation to be developed, along with an adjacent site, into affordable housing. The Developer is proposing to repurpose the abandoned building on the Site into a 66-unit affordable rental project (“Project”). The Project would include one unrestricted manager’s unit and 65 affordable housing units for very low-income households, with 33 units being operated as permanent supportive housing (PSH) for formerly homeless. The Project includes 58 studio units and eight one-bedroom units.

The Developer has requested the Housing Authority provide 38 PBVs for the Project. Thirty-three of the PBV units would be allocated to the 33 PSH units. These units would be for formerly homeless tenants referred through the County’s Coordinated Entry System. The remaining five PBV units would be made available to very-low income households referred from the Housing Authority’s PBV project-specific waiting list.

The Project’s proposed financing includes funding from the County of Napa, City of Napa, State No Place Like Home Program, State Multifamily Housing Program, Gasser Foundation, and Partnership Health Plan of California, and tax credit equity. The Developer anticipates the Project being completed by October 2021. Currently the Project’s budget includes \$2.5 million to fund a supportive services reserve to cover future costs of providing supportive services for the residents. Without the PBVs, this reserve would need to increase by an additional \$8.2 million.

The award of PBVs can be done on a competitive or non-competitive basis. Based on HUD regulations and the Housing Authority’s Administrative Plan, the Housing Authority may use a non-competitive request for proposal basis if a project meets certain criteria. Specifically, the project must have been chosen for other funding through a State, federal, or local competitive selection process, must be located outside a high poverty census tract, and must expand the community’s supply of affordable housing. Based on these requirements, the Developer is eligible to apply non-competitively for PBVs for Heritage House.

Based on its experience with previous PBV projects, Housing Division staff anticipates the initial issuance for the 38 PBVs would require extensive staff time and coordination with the Developer. Because existing staff does not have extra capacity to easily take this on, the Developer would pay for a full-time limited term Housing Specialist for up to one-year. The estimated cost is approximately \$150,000. This would allow there to be staff dedicated to this Project which would help ensure the lease-up and initial operations go smoothly.

The Project already completed the environmental review required by HUD as part of the environmental review completed for the Project and a 24-unit affordable new construction project proposed on an adjacent site. However, prior to the start of construction and the Housing Authority and Developer entering into a formal agreement for the PBVs, the Project must complete a subsidy layering review. The Housing Authority would then enter into an Affordable Housing Assistance Payment Agreement (AHAP) with the Developer, or the limited partnership formed by the Developer for the Heritage House Apartments Project to ensure the Project complies with all HUD requirements during the renovations. Upon completion of the construction, the Developer would enter into a 20-year Housing Assistance Payment (HAP) contract along with a simultaneous 20-year extension

which would provide for a total term of 40 years. Under the HAP contract the Housing Authority would require that 38 units be rented through the Section PBV Program.

The entire Project would be professionally managed by Burbank Housing. On and off-site supportive services would be provided to the PSH residents. These services would be provided by Abode Services and the County of Napa. As part of the joint City/County redesign of the community's homeless system, national experts Corporation for Supportive Housing and National Alliance to End Homelessness identified increasing the community's supply of PSH units as a critical part of solving homelessness in Napa. Providing PBVs for permanent supportive housing for formerly homeless is part of the Housing Authority's Five-Year Plan and aligns with HUD's national priority to end homelessness.

FINANCIAL IMPACTS:

This action would allocate an estimated \$636,912 in annual rental assistance over a 40-year period to be used for 38 units at Heritage House. If the Housing Authority does not approve project-based vouchers for the Project, the same amount of rental assistance would instead be used to fund tenant-based vouchers. Therefore, no budget authority is needed for this action. Also, as described above, the Developer has agreed to fund a limited term Housing Specialist, estimated to cost approximately \$150,000. Because the City would have to hire an additional limited term staff person, the net financial impact of this would also be zero. Although no additional budget authority is required, the Housing Division would submit a request to add this additional limited term staff as part of the FY2021-22 budget.

CEQA:

City staff recommends the Housing Authority determine the potential environmental effects of the Project were adequately examined by the Environmental Impact Report (EIR) prepared for the Valle Verde and Heritage House Continuum of Housing Project (SCH #2018082019), certified by the City Council on February 4, 2020 pursuant to CEQA Guidelines Section 15162.

DOCUMENTS ATTACHED:

ATCH 1- Resolution

NOTIFICATION:

Notification was provided to Burbank Housing Development Corporation, Abode Services, the County, and the Gasser Foundation.