



Staff Reports Details (With Text)

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Title: Heritage House Apartments Loan
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Date	Ver.	Action By	Action	Result
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2/18/2020 1 CITY COUNCIL OF THE CITY OF NAPA

To: Honorable Mayor and Members of City Council

From: Vincent Smith, Community Development Director

Prepared By: Lark Ferrell, Housing Manager

TITLE:
Heritage House Apartments Loan

RECOMMENDED ACTION:

Adopt a resolution authorizing the City Manager to negotiate and execute loan documents with Heritage House Partners LP for a 55-year residual receipts loan of up to \$2,200,000, with 3 % interest, from the City of Napa Affordable Housing Impact Fee Fund for the Heritage House Apartments Project, which includes 66 rehabilitated and repurposed units, located at 3700 Valle Verde Drive and determining that the potential environmental effects of the actions authorized by this resolution were adequately analyzed by a previous CEQA action.

DISCUSSION:

In January 2019, City Council approved a loan reservation of \$2.2 million of Affordable Housing Impact Fees for the Heritage House Apartments, a 66-unit affordable rental project proposed at the site of the abandoned Sunrise Assisted Living Facility located at 3700 Valle Verde Drive (the "Project"). Non-profit housing agencies Burbank Housing Development Corporation and Abode Services have formed a limited partnership, Heritage House Partners LP (the "Developer") for the Project. The Project would include 58 studios and eight one-bedroom units. There would be one unrestricted manager's unit and 65 units affordable to very-low income households, of which 33 would be permanent supportive housing (PSH) for formerly homeless. As noted at the time the City approved the loan reservation, formal loan approval would occur after the Project's environmental impact report was certified and the Project land use entitlements were approved. These approvals occurred at the February 4, 2020 and February 18, 2020 City Council meetings. This agenda item

would provide the formal loan approval for the City's loan.

The City's loan would be leveraged with a number of funding sources. Other sources of proposed financing include the County of Napa, State No Place Like Home Program, State Multifamily Housing Program, Gasser Foundation, Partnership Health Plan of California, and tax credit equity. The Project would also include 38 Section 8 project-based vouchers. The Developer anticipates the Project being completed by October 2021 and fully occupied by January 2022

The City's \$2.2 million loan would be at a 3% interest rate for a term of 55 years. It would be repayable from residual receipts. The loan would be secured by a Deed of Trust and a Regulatory Agreement recorded against the property. Also as part of the loan terms, the Developer has agreed to pay for the cost of a Housing Specialist for up to one-year (estimated at \$150,000) to ensure the City's Housing Division has the capacity to efficiently issue the 38 project-based vouchers.

The entire Project would be professionally managed by Burbank Housing Development Corporation. On and off-site supportive services would be provided by Abode Services and the County of Napa. As part of the joint City/County homeless system re-design, 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. This Project would provide permanent, stable housing for 33 of Napa's most vulnerable community members. Additionally, the remaining units would provide much-needed affordable housing to very-low income tenants, including members of the local workforce. Both Burbank Housing Development Corporation and Abode Services have experience operating affordable housing developments which include PSH units.

FINANCIAL IMPACTS:

This item has no impact to the General Fund. The funding was previously committed in the City's Affordable Housing Impact Fee Fund (22201-58608). There is currently an uncommitted fund balance of approximately \$4.67 million available for other affordable housing projects. 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 staff person, the net financial impact of this would also be zero. Approval of a limited term Housing Specialist would be handled through the City's FY2021-2022 budget at a future Council meeting.

CEQA:

Staff recommends that the City Council determine that the potential environmental effects of the Project were adequately examined in the environmental impact report prepared for the Heritage House Valle Verde Project (File No. PL17-0114) that was certified by the City Council on February 4, 2020, which included necessary findings and statements of overriding considerations, and mitigation, monitoring and reporting program for the Project.

DOCUMENTS ATTACHED:

ATCH 1 - Resolution

NOTIFICATION:

Burbank Housing Development Corporation, Abode Services, the County, and Gasser Foundation were notified of this agenda item.