



## Staff Reports

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**File #:** 1279-2018, **Version:** 1

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**To:** Honorable Chair and Commissioners

**From:** Rick Tooker, Community Development Director

**Prepared By:** Lark Ferrell, Housing Manager

**TITLE:**

Manzanita Family Apartments, a Proposed 51-unit rental Project located at 2951 Soscol Avenue

**RECOMMENDED ACTION:**

Adopt a resolution approving an award of 20 project-based vouchers to Satellite Affordable Housing Associates for the Manzanita Family Apartments Project, and determining the Project is exempt from CEQA.

**DISCUSSION:**

The Housing Authority of the City of Napa (the “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, the U.S. Department of Housing and Urban Development (HUD) allows a housing authority to set aside vouchers for a specific project (“project-based vouchers” or “PBVs”). This means the PBVs are tied to a property rather than to a tenant. The Authority’s Five Year 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 allow an affordable housing developer to borrow a larger mortgage, which in turn helps fund development of the affordable housing project. Thus, PBVs help finance construction of additional affordable housing in the community. Second, in a tight rental environment, such as currently exists in Napa County, tenants with Housing Choice vouchers often have a very difficult time finding housing. Because the the PBVs are tied to the units, the tenants do not have to compete on the open market for units.

As a general rule, a housing authority may allocate up to 20% of its annual budget authority for PBVs (with some exceptions). For the Authority, this equates to 269 PBVs. To date, the Authority has allocated a total of 25 PBVs subject to the cap.

Non-profit housing developer Satellite Affordable Housing Associates (SAHA) has requested 20 PBVs for its proposed Manzanita Family Apartments Project, a proposed 51-unit rental project (the “Project”). The proposed Project is located at 2951 Soscol Avenue, which is a site provided by the City of Napa from excess right-of-way. The Project recently received its entitlements. It includes 50 affordable units, comprised of 25 one-bedroom units, 13 two-bedroom units, and 13 three-bedroom units as well as one unrestricted manager’s unit. Rents in the Project would be well below market and

generally affordable to households earning no more than 60% of area median income. Currently, one of the PBV units is proposed to be set-aside for a homeless household referred through the County's homeless coordinated entry system. The County staff, Authority staff, and SAHA are in discussions regarding the possibility of designating additional homeless units. However, because this would require an amendment to the Authority's Administrative Plan, if this occurs, it would need to be considered separately as a future agenda item.

SAHA has been awarded Affordable Housing Program funds from the Federal Home Loan Bank for the Project and is currently pursuing numerous other funding sources, including tax credits, County funds, and various State grants. The PBVs would increase the Project's competitiveness for these other funds. Additionally, because PBVs would increase the Project's rental income, they would allow SAHA to qualify for an additional \$2.5 million in mortgage financing for the Project. SAHA plans to submit an application for 9% tax credits for the Project in the June round.

The award of PBVs can be done on a competitive or non-competitive basis. Based on HUD regulations and the Authority's Administrative Plan, the Project is eligible for an award of PBVs on a non-competitive basis as it was chosen for other funding through a competitive process by a local, State or federal government within the last three years, is located outside of a high poverty census tract, and expands the community's supply of affordable housing.

Prior to the start of construction and entering into a formal agreement for PBVs, the Project must complete environmental and financial reviews required by HUD. SAHA and the Authority would then enter into an Affordable Housing Assistance Payment Agreement (AHAP) for the Project. Post construction, SAHA would then 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 this contract, 20 units would be required to be rented through the Section 8 PBV program.

When the Project is ready for occupancy, households on the general Section 8 waiting list would be contacted to see if they are interested in living at Manzanita Family Apartments with a PBV. They would then be placed on a separate waiting list specifically for PBVs at the Project. If there was not sufficient interest, the PBV waiting list would then be opened to new applicants not currently on the Section 8 waiting list. The one PBV unit proposed to be set-aside for homeless households would be filled based on referrals from the County's coordinated entry system.

Staff recommends the Board approve an award of 20 PBVs to SAHA for Manzanita Family Apartments. This is an important piece of financing for the Project. It also would expand housing opportunities for Section 8 voucher holders. Additionally, it provides one unit of housing for a homeless household.

#### **FINANCIAL IMPACTS:**

This action would allocate approximately \$375,000 in annual Section 8 rental assistance over a 40-year period to be used for 20 rental units at Manzanita Family Apartments. If the Authority does not approve PBVs for the Project, the same amount of rental assistance would be used instead to fund tenant-based Housing Choice vouchers. Therefore, the net financial impact is zero.

#### **CEQA:**

City staff recommends that the Authority Board determine that the recommended action is exempt from

the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15332 which exempts in-fill development projects.

**DOCUMENTS ATTACHED:**

ATCH 1 - Resolution approving award of twenty project-based vouchers to Satellite Affordable Housing Associates for the Manzanita Family Apartments Project

**NOTIFICATION:**

Notification was provided to SAHA and the County.