



Staff Reports

File #: 144-2021, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Vincent Smith, Community Development Director

Prepared By: Lark Ferrell, Housing Manager

TITLE:

Community Development Block Grant Disaster Recovery (CDBG-DR) Loan Reservation in the Amount of \$2,664,774 for the Heritage House/Valle Verde Project, a 90-Unit Affordable Housing Project

RECOMMENDED ACTION:

Adopt a resolution authorizing a reservation of CDBG Disaster Recovery Multifamily Housing Program (CDBG-DR) funds in the amount of \$2,664,774 for development of the Heritage House/Valle Verde Project located at 3700 and 3710 Valle Verde Drive and determining that the actions authorized by this resolution were adequately analyzed by a previous CEQA action.

DISCUSSION:

The City has been awarded a \$2,889,774 CDBG Disaster Recovery Multifamily Housing Program (CDBG-DR) grant by the State of California Department of Housing and Community Development (HCD) due to the October 2017 wine country fires. The CDBG-DR funds must be used to assist in the creation of affordable rental housing. The grant provides \$225,000 for the City's program delivery costs and \$2,664,774 for deferred loans for the development of affordable rental housing projects. The State also awarded \$420,094 in CDBG-DR funding to the County.

Ninety-nine percent of the City's grant must be used for affordable housing projects in the 94558 zip code. This zip code was identified by the State as a Most Impacted and Distressed (MID) area. The County of Napa's CDBG-DR funding can be spent countywide. CDBG-DR funding must also be used to assist projects that meet one or more of the following criteria:

- Providing a greater percentage of affordable rental units to overall units
- Providing Permanent Supportive housing
- Providing housing for extremely low-income households
- Providing deep affordability with at least 10% of the units targeted to households at or below 30% of median income
- Providing housing for elderly households
- Providing housing for disabled households
- Providing housing to low-income immigrants

The City and County issued a joint Notice of Funding Available (NOFA) on February 8, 2021 with applications due by March 15, 2021 after which any unclaimed funding would be made available on

an over-the-counter basis. The City notified potential applicants of the CDBG-DR funding opportunity by posting notices to its website, publishing an ad in the Napa Valley Register, and sending out e-mail notifications to its developer interest list. The City received one application under its CDBG-DR funding allocation. The application is from Heritage House Partners L.P. for the Heritage House/Valle Verde Project, a 90-unit affordable housing project. This project is located within the 94558 zip code and appears to meet all CDBG-DR requirements. It includes permanent supportive housing and anticipates including units for households with incomes of 20% to 60% of area median income or below.

The recommended action would reserve CDBG-DR funds for development of the Project. In order for the City to make a firm funding commitment, it must submit the application to HCD for final review and approval. The Project must also comply with various federal overlay requirements and receive HCD's and the U.S. Department of Housing and Urban Development (HUD) approval of the federally required environmental review. This assessment was prepared for the Project as part of the Project's environmental assessment approved by City Council in February 2020. However, because at that point, it was still unclear which specific federal funding sources the Project would be utilizing, the environmental review forms have not yet been submitted for HCD/HUD approval.

If Council approves a loan reservation, staff would return at a future City Council meeting for approval of the loan provided that the California Department of Housing and Community Development (HCD) and the U.S. Department of Housing and Urban Development approve the Project's Environment Assessment under the National Environmental Policy Act, and HCD provides the City with a notice to proceed for issuance of the loan. As a condition of the City's loan, the Project would be subject to a 55-year affordability restriction to ensure the Project remains affordable to very-low income tenants.

Heritage House Partners, L.P. anticipates submitting a number of funding applications in the next several months and is hoping to secure all remaining funding and begin construction by late 2021, with anticipated occupancy in spring 2023.

FINANCIAL IMPACTS:

This agenda item would reserve \$2,664,774 in the CDBG-DR fund (23151-58608) for the Project. This use of CDBG-DR funds was approved as a budget adjustment by City Council in December and is funded fully by CDBG-DR grant revenue.

CEQA:

Staff recommends that the City Council determine that the potential environmental effects of the Recommended Action described in this staff report 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:

Notice of this item was placed on an agenda at least 72 hours in advance of the meeting. Heritage House Partners, L.P. was also notified of this agenda item.