

RESOLUTION R2025-XX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NAPA, STATE OF CALIFORNIA, AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE DOCUMENTS TO MAKE TWO SEPARATE LOANS TO NAPA COMMUNITY REAL ESTATE FUND, LP AND NAPA CREF REDWOOD LLC FOR A TOTAL AMOUNT OF UP TO \$3,761,224, WITH .5% INTEREST, FROM THE CITY OF NAPA 1% TRANSIENT OCCUPANCY TAX FOR AFFORDABLE AND WORKFORCE HOUSING FUND FOR THE REDWOOD BUILDING OF THE CRESCENT PROJECT, WHICH INCLUDES 40 NEW CONSTRUCTION UNITS, LOCATED AT 2344 OLD SONOMA ROAD AND DETERMINING THAT THE POTENTIAL ENVIRONMENTAL EFFECTS OF THE ACTIONS AUTHORIZED BY THIS RESOLUTION WERE ADEQUATELY ANALYZED BY A PREVIOUS CEQA ACTION OR ARE EXEMPT FROM CEQA

WHEREAS, there is a significant need for both affordable housing and workforce housing in Napa; and

WHEREAS, the City awarded Heritage Housing Partners a loan reservation from the 1% Transient Occupancy Tax for Workforce and Affordable Housing ("1% TOT") Fund in the amount of \$3,761,224 for an affordable ownership project, named The Crescent, located at 2344 Old Sonoma Road ("the Project"); and

WHEREAS, The Crescent loan reservation is set to expire on October 4, 2026; and

WHEREAS, providing a loan to the Project will provide affordable homeownership opportunities for 15 households that meet the income target of 120% area median income; and

WHEREAS, the Project was entitled in May 2023 and has assembled all necessary financing to move the first phase of the project, named the Redwood Building, to construction; and

WHEREAS, the City's loans will be leveraged with a conventional construction loan, County of Napa funds, State of California CalHome, and New Markets Tax Credits; and

WHEREAS, to accommodate the New Markets Tax Credits financing structure, the City's total loan commitment will be disbursed as two loans made to two entities; and

WHEREAS, the first loan will be made as a loan directly to Napa Community Real Estate Fund LP as part of the New Markets Tax Credits structure to leverage the equity investment in the Project; and

WHEREAS, the second loan will be provided as a direct subordinate loan to Napa CREF Redwood LLC; and

WHEREAS, the funding utilized as leverage in the New Markets Tax Credit structure will be held by the Community Development Entity in the form of pro-rata mortgages with individual moderate-income homeowners for a seven-year tax credit compliance period; and

WHEREAS, at the end of the seven-year tax credit compliance period, the mortgages will be conveyed by the Community Development Entity to the city as repayment of its leverage loan; and

WHEREAS, upon sale of individual units to income qualified homebuyers, the City's direct subordinate loan will be converted to pro-rata mortgages for 15 homeowners in units targeted for affordability levels at 120% area median income; and

WHEREAS, by recording and enforcing an affordability covenant on the property during construction and recording and enforcing two distinct loan and security instruments related to the Project, affordability will be guaranteed for a 45-year period following the sale of individual units; and

WHEREAS, the City Council has considered all information related to this matter, as presented at the public meetings of the City Council identified herein, including any supporting reports by City Staff, and any information provided during public meetings.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Napa, as follows:

1. The City Council hereby finds that the facts set forth in the recitals to this Resolution are true and correct, and establish the factual basis for the City Council's adoption of this Resolution.

2. The City Council hereby determines that the action approved by this resolution (i) was adequately evaluated and addressed in the Napa General Plan Update Final EIR (SCH #2021010255) certified by the City Council on September 20, 2022 (the "2040 General Plan EIR"), the action will not have any new or substantially more severe environmental effects that were not identified and addressed in the 2040 General Plan EIR, and no additional environmental review is required, as mandated by and consistent with Public Resources Code Section 21083.3 and Sections 15168 and 15183 of the CEQA Guidelines or (ii) 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).

3. The City Council hereby authorizes the City Manager to negotiate and execute loan documents for two separate loans with Napa Community Real Estate Fund, LP and Napa CREF Redwood LLC in the total amount of up to \$3,761,224 from the City's 1% Transient Occupancy Tax for Affordable and Workforce Housing Fund to assist with the development of the Project, subject to approval of the form of loan documents by the City Attorney, which incorporate the following terms and conditions:

- A. The City's contribution shall be structured as two distinct loans, each bearing one half percent interest.
- B. The New Markets Tax Credit leverage loan shall be evidenced by a Loan Agreement and a Collateral Assignment of Fund Loan Documents, until the end of the seven-year tax credit compliance period when the loan will be conveyed to the City as pro-rata individual homeowner mortgages. All agreements shall be in a form acceptable to the City Attorney.
- C. The direct subordinate loan shall be evidenced by a Promissory Note and secured by a Deed of Trust and by an Affordability Covenant recorded against the property until such time that units are purchased by homeowners and the Affordability Covenant will be replaced with unit specific resale agreements. All agreements shall be in a form acceptable to the City Attorney.
- D. The Developer shall pay the City a loan origination fee of 1% in the amount of \$37,612.
- E. All other financing must be secured prior to disbursement of the loan and construction shall begin no later than October 1, 2026.

4. This Resolution shall take effect immediately upon its adoption.

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the City Council of the City of Napa at a public meeting of said City Council held on the 18th day of November, 2025, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST: _____

Tiffany Carranza
City Clerk

Approved as to for:

Christopher Diaz
Interim City Attorney