



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 10/30/2018

Agenda Placement: 60

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Minh Tran - County Executive Officer
County Executive Office
REPORT BY: Molly Rattigan, Deputy County Executive Officer - 253-4112
SUBJECT: Junior Accessory Dwelling Unit Program

RECOMMENDATION

County Executive Officer requests adoption of a resolution amending the Junior Accessory Dwelling Unit Loan Program guidelines to include existing secondary structures that can be converted to accessory dwelling units as eligible for the loan program.

EXECUTIVE SUMMARY

Today's requested action amends the existing guidelines for the Junior Accessory Dwelling Unit Loan Pilot Program to include the conversion of existing secondary structures that can be converted to accessory dwelling units at a cost comparable to a Junior Accessory Dwelling unit as eligible for the loan program.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Affordable Housing Fund and Housing Rehabilitation Funds
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	This item is discretionary in that there is no mandate to implement a Junior Accessory Dwelling Unit Loan Program. The County collects mitigation fees for affordable housing and the proposed program is one way in which the County could allocate funds to create affordable housing units for low-income

families.

Is the general fund affected? No

Future fiscal impact: The proposed pilot program would be limited to Fiscal Year 2018-2019.

Consequences if not approved: The Board of Supervisors will need to provide direction on other ways to implement affordable housing programs.

Additional Information:

ENVIRONMENTAL IMPACT

There is no Environmental Impact for this item.

BACKGROUND AND DISCUSSION

On May 3, 2017, the Board of Supervisors adopted Ordinance No. 2017-007 to comply with State law and authorize the creation of Junior Accessory Dwelling Units (JADU). A JADU is defined as a type of second dwelling unit that includes the conversion of an existing bedroom to a second unit in an existing single family residence. A JADU features a door leading to the interior of the primary dwelling unit as well as a door to the exterior. A JADU must not have a full kitchen and may share bathroom facilities with the principal dwelling unit. A JADU is a more economical alternative to a traditional attached second dwelling unit in that JADU's benefit from cost saving measures including: exemption from utility connections, exemption from parking requirements, the required utility kitchen is least costly and because it is not a new unit, fire and like safety requirements are the same as those in the main dwelling unit. A JADU may not exceed 500 square feet.

In 2017, Napa County Health and Human Services Agency was selected as part of a team to participate in the Invest Health Initiative. Invest Health is a collaboration between the Robert Wood Johnson Foundation and the Reinvestment Fund to improve the health of communities by bringing together community leaders to develop new partnerships and innovative solutions to community issues. The proposed JADU pilot program can also be considered a pilot for a larger effort to address affordable housing supply in Napa. The City of Napa adopted a JADU pilot program in February 2018 and with the County's proposed pilot program will provide data and experience to potentially expand and encourage Junior Units throughout Napa County.

On May 22, 2018, the Board of Supervisors received a presentation on a proposed JADU loan program and directed staff to finalize loan guidelines and return to the Board of Supervisors to dedicate \$250,000 to a pilot loan program. The \$250,000 in funding is included in the Fiscal Year 2018-2019 Recommended Budget. Today's requested action approves the guidelines for implementation of a pilot program and authorizes the County Executive Officer and the Assistant County Executive Officer to sign loan documents on behalf of the County. The guidelines were formally adopted by the Board of Supervisors on June 19, 2018.

Why Junior Accessory Dwelling Units?

Junior Units can be created for much less than it costs to create a traditional housing unit or even an Accessory Dwelling Unit which is typically a detached unit in addition to the single family residence on a property. JADUs, while standalone, are generally smaller and include an efficiency kitchen. The cost to create these units can range from \$10,000 to \$40,000.

A homeowner adding a JADU receives additional income and can expand the supply of affordable rental properties. They are considered "flexible housing" because they can adapt to a homeowner's changing needs. For

example, when a young couple buys a home and creates a JADU, the rental unit can help offset mortgage costs. As the family grows, the JADU can be reabsorbed back into the primary unit. When the children leave home, the couple can rent out either the main or accessory unit while residing in the other to provide extra income to supplement retirement.

Loan Program Proposal

Under the pilot program, staff began to seek interest in creating a JADU from homeowners in the unincorporated area. A homeowner that applies to the program and agrees to rent either the JADU or the primary home to a low-income tenant would be eligible for a no-interest, forgivable loan of up to \$40,000 plus the cost of permit fees to create the unit. In addition, the homeowner would receive schematic design and construction management assistance funded by the County of Napa.

Under the loan program, the unit would be deed restricted as affordable for a 10 year period. By restricting the unit, the County will be able to report the issued permit as low-income for Regional Housing Needs Assessment reporting. For every year the unit is rented to a low-income tenant, 10% of the loan will be forgiven. If a homeowner opts to end their participation in the program before the 10 year period expires, the forgiveness would stop and the remaining loan and permit fees would be due to the County.

The City of Napa is currently piloting a similar program and has a Housing Rehabilitation Specialist on staff to oversee schematic design and construction management. County staff is proposing to contract with the City of Napa to manage design and construction management and use the pilot program to train County staff to provide such services in the future. The rate to contract with the City of Napa is \$80 per hour.

The County of Napa has a contract with Napa Valley Community Housing for a Home Sharing Program. As part of this program, Napa Valley Community Housing assists landlord and tenants with the application process, income verification, leasing and conflict resolution. Homeowners participating in the pilot program are required to utilize Napa Valley Community Housing to select a tenant and verify the tenant meets all program requirements, including income requirements.

Proposed Changes

As staff completed outreach and gathered interest in the loan pilot program, a couple homeowners approached County staff with interest in the program by converting an existing secondary structure to a dwelling unit at a cost similar to and not to exceed the creation of Junior Accessory Dwelling Units under the loan pilot program. The City of Napa recently made changes to their guidelines to reflect the inclusion of conversions of existing secondary structures to dwelling units and have seen increased interest in the program. County staff recommends this minor change to the County's loan pilot program.

SUPPORTING DOCUMENTS

- A . Resolution
- B . Exhibit A-Redlined
- C . Exhibit A-Clean

CEO Recommendation: Approve

Reviewed By: Molly Rattigan