



**Local Agency Formation Commission of Napa County**  
Subdivision of the State of California

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*We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture*

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**Agenda Item 7a (Discussion)**

**TO:** Local Agency Formation Commission

**PREPARED BY:** Brendon Freeman, Executive Officer *BF*  
Dawn Mittleman Longoria, Analyst II *DML*

**MEETING DATE:** October 4, 2021

**SUBJECT:** Countywide Update on Housing and General Plans

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**RECOMMENDATION**

This item is for discussion purposes only. No formal action is required as part of this item. It is recommended the Commission receive the guest speaker presentations, discuss the report on housing and general plans, and consider providing direction to staff with respect to any appropriate future actions.

**BACKGROUND**

LAFCO's adopted strategic plan includes the following core guiding principles related to housing and general plans:

- Engagement with local city/town general plan updates
- Active with local agencies in managing housing growth and related issues including transportation

This information is intended to assist the Commission in its future decision-making as it relates to encouraging logical and orderly growth and development throughout Napa County. This information is relevant to the Commission's municipal service reviews, sphere of influence reviews, annexation proposals, and outside service agreement requests.

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Eve Kahn, Alternate Commissioner  
Representative of the General Public

Brendon Freeman  
*Executive Officer*

## **SUMMARY**

As part of this item, the Commission will receive presentations from City of Napa Assistant City Manager Molly Rattigan, City of Napa Housing Manager Lark Ferrell, and Napa Valley Community Housing President/CEO Erica Sklar. The Commission is invited to ask questions and consider providing direction to staff for any appropriate future actions related to housing issues.

### ***General Plan Housing Element***

State law recognizes the vital role local governments play in the supply and affordability of housing. Each local government in California is required to adopt a Housing Element as part of its General Plan that shows how the community plans to meet the existing and projected housing needs of people at all income levels. Government Code Section 65400 mandates that certain cities and all 58 counties submit an annual report on the status of the General Plan and progress in its implementation to their legislative bodies, the Governor's Office of Planning and Research (OPR), and the California Department of Housing and Community Development (HCD) by April 1 of each year. Only charter cities are exempt from the requirement to prepare Annual Progress Reports unless the charter stipulates otherwise (Government Code Section 65700).

### ***Regional Housing Need Allocation***

The Regional Housing Need Allocation (RHNA) is the state-mandated process to identify the total number of housing units by affordability level that each jurisdiction must accommodate in its General Plan Housing Element. As part of this process, HCD identifies the total housing need for the San Francisco Bay Area for an eight-year period. The Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC) develop a methodology to distribute this need to local governments consistent with Sustainable Communities Strategies. Once a local government has received its final RHNA, it must revise its Housing Element to demonstrate how it plans to accommodate its portion of the region's housing need.

Certain actions related to RHNAs are required of the local land use authorities, and certain other actions are strictly advisory. Specifically, jurisdictions are required to zone a sufficient amount of land to accommodate their respective RHNA totals. However, it is only advised that each of these agencies issue housing permits to accommodate their respective RHNA totals.

For the Bay Area, the "projection period", or the time period for which the Regional Housing Need is calculated, is 2014 to 2022. The "planning period", or the timeframe between the due date for one Housing Element and the due date for the next Housing Element, is 2015 to 2023.

### ***Countywide RHNA and General Plan Status***

Each city and county is required to submit an Annual Housing Element Progress Report to HCD by April 1. These reports provide updates on each jurisdiction's 2015-2023 RHNA and total number of housing permits issued during the current planning period. The following tables summarize the 2015-2023 RHNA and permits issued from 2015 through 2020 at each income level for the six local land use authorities.

Napa County

	Very Low	Low	Moderate	Above Moderate	Total
RHNA (2015-2023)	51	30	32	67	180
Permits Issued (2015-2020)	4	6	51	88	149

Since the adoption of Napa County’s current General Plan in 2008, the County has maintained a comprehensive list of implementation action items. The overarching theme of the General Plan is a long-standing commitment to preservation of agricultural lands for agricultural uses, with emphasis to work with the cities and town of Napa County to direct urban growth toward urban areas. The County has put great effort into promoting and supporting housing development within the cities, town, and unincorporated urbanized areas of Napa County. The County continues to update its various General Plan Elements on an ongoing basis.

City of American Canyon

	Very Low	Low	Moderate	Above Moderate	Total
RHNA (2015-2023)	116	54	58	164	392
Permits Issued (2015-2020)	58	43	141	143	385

American Canyon’s current General Plan was adopted in 1994. The City Council approved a contract to comprehensively update the General Plan in 2019. As part of the process a web site has been developed to inform the public and receive input.<sup>1</sup> It is anticipated the overall update will take two to three years.

City of Calistoga

	Extremely Low	Very Low	Low	Moderate	Above Moderate	Total
RHNA (2015-2023)	3	3	2	4	15	27
Permits Issued (2015-2020)	3	20	12		40	5

The City has exceeded its share of regional housing needs. Calistoga’s current General Plan was adopted in 2003. Since that time, approximately half of the elements have been updated. During 2020 the Infrastructure Element was rewritten. Also, the Land Use Element was reviewed, however, no revisions were required.

<sup>1</sup> The City of American Canyon General Plan update website is available online at: <https://www.cityofamericancanyon.org/government/community-development/planning-zoning/general-plan-update>.

City of Napa

	Very Low	Low	Moderate	Above Moderate	Total
RHNA (2015-2023)	185	106	141	403	835
Permits Issued (2015-2020)	83	94	63	930	1170

The City of Napa is currently updating its General Plan, which was originally adopted in 1998. The City has formed a General Plan Advisory Committee to guide policy development and visioning. As part of the process a web site has been developed to inform the public and receive input.<sup>2</sup> Public review of the Draft General Plan is expected to start soon.

City of St. Helena

	Very Low	Low	Moderate	Above Moderate	Total
RHNA (2015-2023)	8	5	5	13	31
Permits Issued (2015-2019)	2	14	4	71	91

St. Helena’s current General Plan was adopted in 1993. In 2007, St. Helena initiated a comprehensive update to its General Plan (2040 General Plan Update). Throughout the process, the City conducted extensive community outreach. Study sessions were held and committees were formed to address water, circulation, new zoning designations, and study areas. Included in the study areas are properties served by the City but outside its jurisdictional boundary and sphere of influence. LAFCO staff submitted a comment letter during this process. The City Council adopted the 2040 General Plan and certified the Program EIR (May 14, 2019).

Town of Yountville

	Very Low	Low	Moderate	Above Moderate	Total
RHNA (2015-2023)	4	2	3	8	17
Permits Issued (2015-2019)	1	1	13	14	29

On May 7, 2019, the Town of Yountville completed a comprehensive update of its General Plan. The project titled “Envision Yountville General Plan Update” provided extensive community outreach including community meetings, surveys and polls, speaker series, an interactive web site, Board and Commission meetings, Town Council Study sessions and a Community Open House. In addition, a Town Advisory Group was established to review the existing 1992 General Plan, including policies and programs. LAFCO staff attended one General Plan scoping meeting.

***Cost of Housing***

As of February 2021, the median sale price for a home in Napa County was \$867,000 (24% increase from the prior year) according to the *Napa Valley Register* published on February 16, 2021. The *Annual Historical Data Summary* published by the California Association of Realtors (March 2021) stated that the median sale price for a home in Napa County in 2020 was \$785,000. That amount is an increase of 10.6% over the previous year.

<sup>2</sup> The City of Napa General Plan update website is available online at: <https://napa2040.com/>.

An eviction moratorium has been in place since September 4, 2020. The State Legislature also passed legislation prohibiting landlords, of certain types of rentals, from refusing to renew leases if lack of payments were due to COVID-19. The emergency measure is expected to be rescinded October 3, 2021. At this time, there are very few rental vacancies. In 2019, the average monthly rents in Napa County were \$2,514 according to Crown Realty Property Management owner Randy Gularte. Several factors effected rental rates in 2020. The pandemic, lockdown and downturn in the economy, resulted in the passage of legislation to provide relief. The following provides a partial list of this legislation:

- COVID-19 Tenant Relief Act (AB 3088, 2020): prohibits landlords, of certain types of rentals, from refusing to renew leases if lack of payments were due to COVID-19.
- SB 91 and SB 832 (2021): Extended the eviction moratorium to September 30, 2021 and created a State agency to distribute Federal Rental Assistance funds (H.R. 133, \$1.5 billion) which pay up to 80% of past due rent to landlords.

Staff reviewed online sources to determine average rentals broken down by one and two-bedroom apartments. One-bedroom apartments were \$1,935 on average (3.7% decrease from the prior year) and two-bedroom apartments were \$2,367 on average (a 6.6% decrease from the prior year) according to [RentJungle.com](https://rentjungle.com).

The City of Napa's rental apartment vacancy rate remains low (1.7%), even after the completion of the 218-unit Braydon apartment complex. The vacancy rate only increased by 0.3% from 2020. City zoning law defines anything below 3% as a severe rental housing shortage.<sup>3</sup>

The cost of housing is difficult to project in the foreseeable future due to uncertainties related to the economic and social impacts of the COVID-19 pandemic. There are two conflicting forces influencing real estate markets. Spending more time in one's home, especially with the prospect of prolonged telework over many months, may increase demand for larger homes with more amenities. During an economic contraction, however, workers face uncertainty over their next paycheck and demand for houses typically decreases. In addition, there are significant practical difficulties associated with searching for a new home during a pandemic. However, "urban flight" is occurring from San Francisco because of the significant increase in telecommuting. Numerous corporations are shifting their workforce to permanent telecommuting and "work from anywhere" arrangements, which provide even more flexibility in where workers reside. The need to live in the City, or to be in commute distance to an office in the City, is diminishing. The result may be more pressure for housing in counties such as Napa. However, "work from anywhere" has allowed workers to migrate out of California. This trend appears as "bidding wars" occur in states that normally don't experience this type of activity in their housing market.

### ***Median Household Income***

The United States Census Bureau American Community Survey reports the annual median household income for Napa County residents was \$88,596 based on five-year estimates from 2015 to 2019. The high cost of housing in Napa County places significant pressure on households earning less than the median income.

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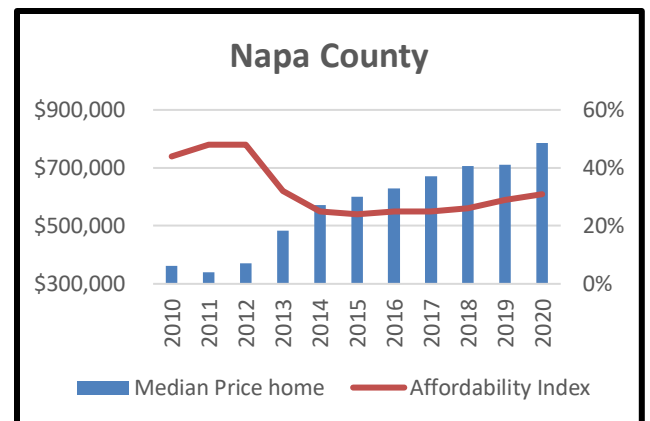
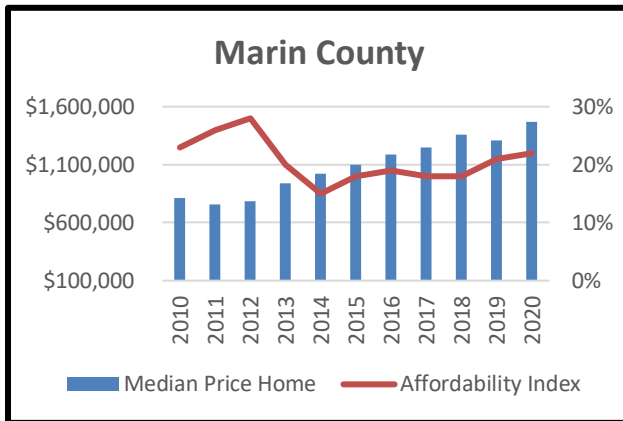
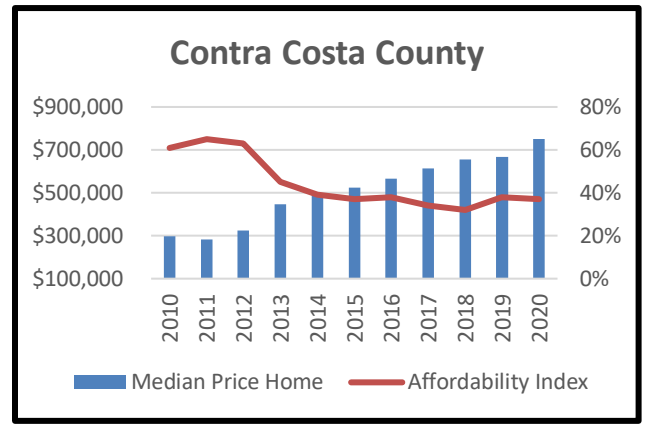
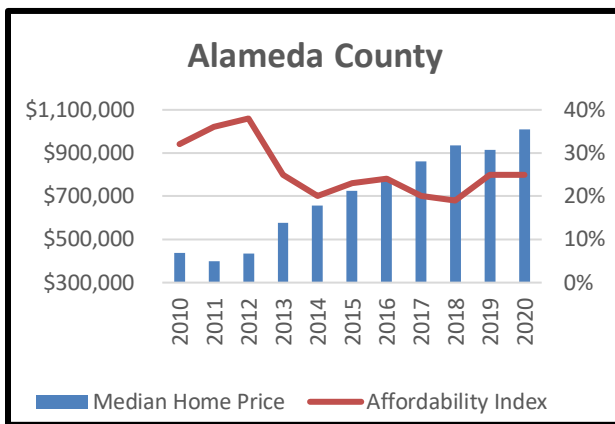
<sup>3</sup> Napa Valley Register, September 5, 2021

**Affordability Index**

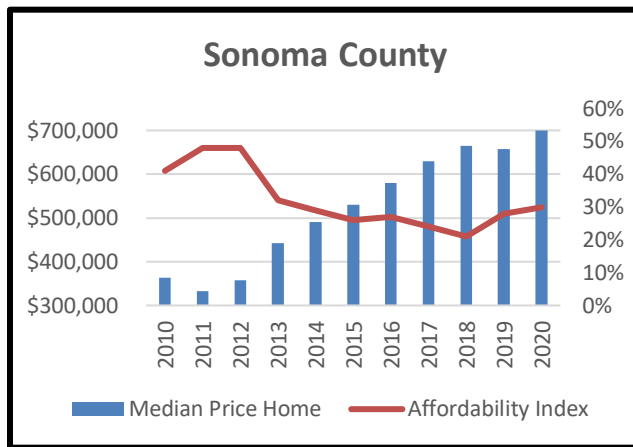
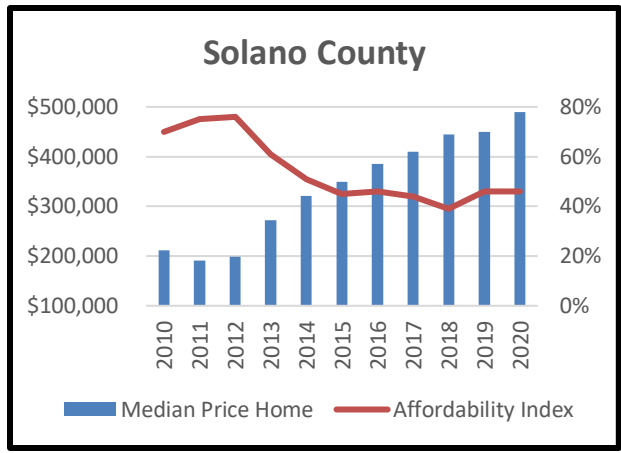
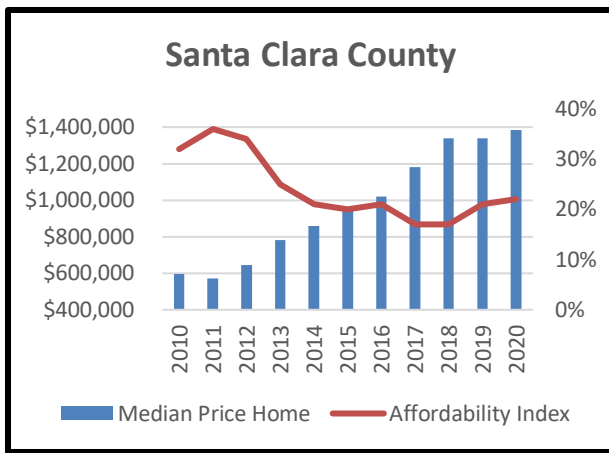
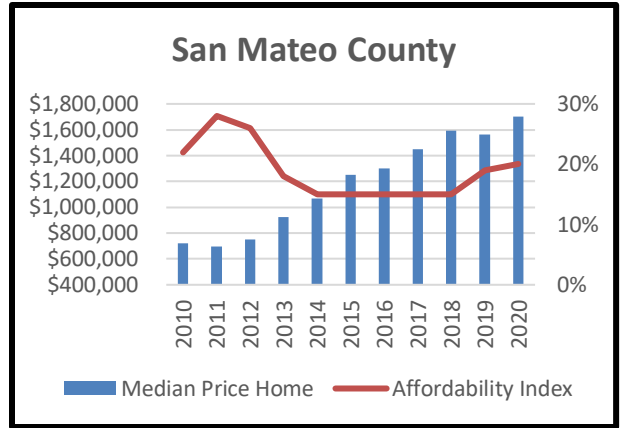
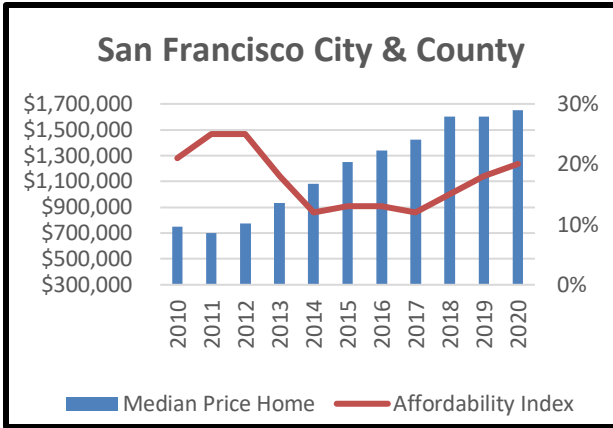
The California Association of Realtors has developed an affordability index.<sup>4</sup> The purpose of the index is to determine the percentage of households who can afford to purchase a median-priced home. The data is available by county and region.

In 2020, only 31 percent of Napa households could afford to buy a median-priced home of \$785,000. At one point during the period between 2009-2011, after home prices dropped by 32.2% in 2008, nearly half of Napa households could have purchased a median-priced home of \$360,000.

The following charts provide a comparison of Napa County versus the other Bay Area counties’ median price home affordability.

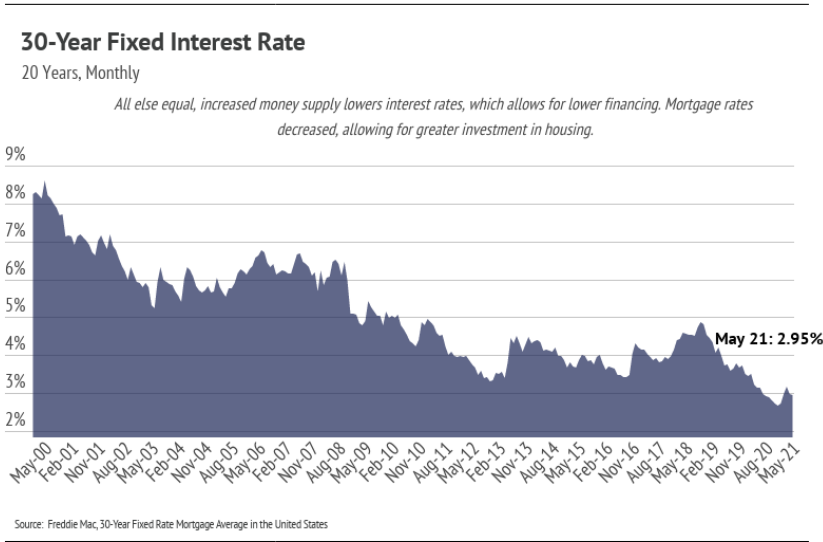


<sup>4</sup> The methodology to determine the “affordability index” includes factors such as median home price, down payment, interest rate, monthly payment (principal, interest, taxes and insurance) at no more than 30% of household income and income distribution figures.

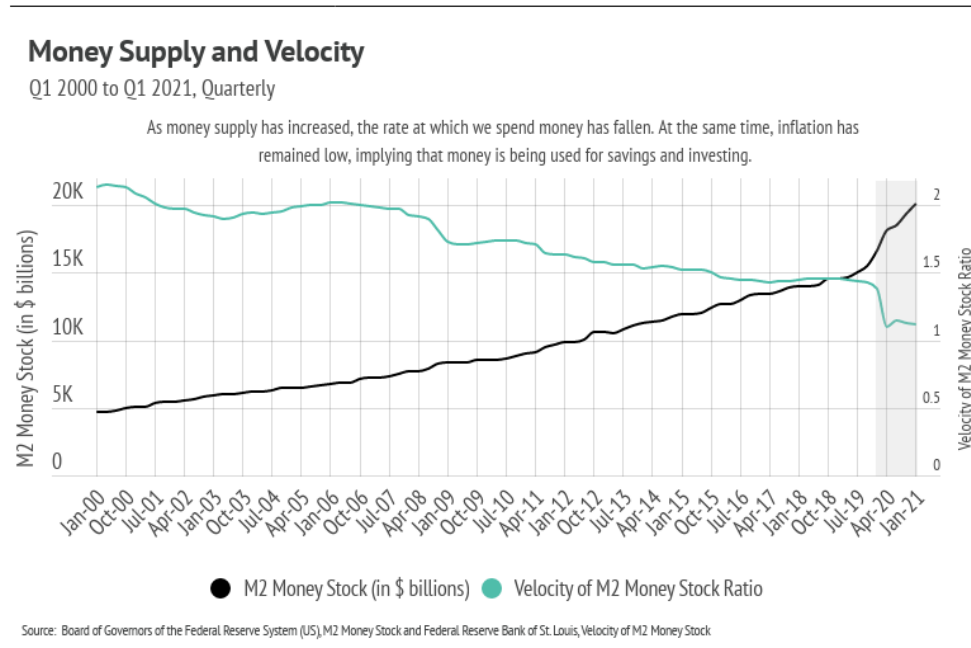


**Seller's Market**

There are a number of factors that have contributed to the seller's market. One predominate factor is low interest rates. The chart below shows interest rates over the past 30 years. The current rate is at an historic low.<sup>5</sup>



The money supply has been increasing since 2000 and, for most of that period, inflation has been low. This indicates that there is more money in circulation, as shown in the chart below.



<sup>5</sup> Source: LevelUp Brokerage, *Greater Bay Area Market Update*, June 2021



However, the pandemic of 2020 restricted buyer's options. Now the market is flooded with homebuyers anxious to buy. The majority tend to be highly qualified buyers with substantial cash and excellent credit scores. The result is moderate-income buyers, that require a loan, have an extremely difficult time competing.

There are indications of a strong housing market in 2021. However, there is an undersupply of housing. One contributing factor is the recognized housing crisis in California. Another factor is the loss of homes due to wildfires.

### ***California in Crisis***

The October 2017 Northern California wildfires burned nearly 100,000 acres and destroyed approximately 650 homes in Napa County, representing approximately five percent of the total housing stock and exacerbating an existing housing shortage. The majority of the homes were located in the unincorporated area. In 2020, two separate wildfires burned over 200,000 acres and destroyed over 600 residences. Napa County continues to rebuild as efficiently as possible based on available resources and building conditions. Building material costs have increased dramatically in the past year, further effecting homeowners' ability to rebuild. The rebuilding process represents a measurable impact on Napa County's ability to meet its RHNA.

In 2019, California Governor Gavin Newsom emphasized the housing crisis in California as a focus of the current administration. However, in 2020 the pandemic and police violence protests caused a shift in priorities for the Governor's office. This shift in priorities has also been reflected in legislative action; the focus of the State decision makers was on the health care system, fire prevention and response, police reform and the economic impacts of the pandemic. The reopening of the State has resulted in renewed focus on the housing crisis. Various bills have been introduced to increase the housing stock. Some of these bills would circumvent the local planning process to allow for Accessory Dwelling Units on existing parcels, to allow multifamily units in areas zoned for single-family homes and lot splits. Some states and California jurisdictions are prohibiting single-family zoning.

### ***ABAG and MTC***

ABAG and MTC have developed an initiative, called "[Horizon](#)", to explore the pressing issues and possible challenges Bay Area residents may face through 2050. Part of the initiative includes "CASA – the Committee to House the Bay Area". CASA has recommended policies to address the housing crisis. The Local Government Working Group, comprised of local government officials, was convened to advise MTC and ABAG on housing-related bills. County Supervisor and Alternate LAFCO Commissioner Ryan Gregory serves on the Working Group along with City Councilmembers Mary Luros (City of Napa) and Anna Chouteau (City of St. Helena).

### ***Senate Bill 35***

Senate Bill (SB) 35 was signed by the Governor in 2017 and created a streamlined, ministerial approval process for infill developments in localities that have failed to meet their RHNA numbers.<sup>6</sup> HCD provides an [interactive map](#) to determine which jurisdictions are subject to SB 35.

### ***Commission Considerations***

The Commission will receive brief presentations from three guest speakers as part of this item. The Commission is invited to discuss the presentations and content of this report, and consider providing direction to staff for future actions if appropriate. For example, the Commission may be interested in revising some of its adopted local policies to emphasize any specific issues related to housing or general plans. Further, the Commission may be interested in conducting targeted public outreach or scheduling a special study. However, no action is required as part of this item.

### **ATTACHMENTS**

None

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<sup>6</sup> When jurisdictions have insufficient progress toward their Above Moderate income RHNA and/or have not submitted the most recent Annual Progress Report, these jurisdictions are subject to SB 35 streamlining for proposed developments with at least 10% affordability (does not apply to any local jurisdictions according to HCD). When jurisdictions have insufficient progress toward their Very Low and Low income RHNA, but have made sufficient progress toward their Above Moderate income RHNA, these jurisdictions are subject to SB 35 streamlining for proposed developments with at least 50% affordability (applies to Napa County, City of Napa, City of St. Helena, and Town of Yountville according to HCD).