



Junior Unit Initiative Program

PROGRAM SUMMARY

The purpose of the Junior Unit Initiative Program is to implement the goal of expanding housing opportunities for low-income households in the City of Napa through the creation of independent apartments within existing owner-occupied single-family homes, or the conversion of existing structures, accessory to owner-occupied single-family homes, into accessory dwelling units.

Under the Program, the City of Napa will provide participating homeowners with technical assistance and below-market financing to create flexible, independent apartments within existing homes or from the conversion of existing accessory structures into accessory dwelling units. The creation of accessory dwelling units, including junior units within existing homes, is a creative, low-cost method of expanding the community's affordable housing stock.

Accessory dwelling units (ADU) are defined as a small dwelling unit, accessory to a single-family dwelling unit. Junior Accessory Dwelling Units or Junior Units are private secondary units of up to 500 square feet in size that are created by carving out an existing bedroom or bedrooms and ancillary spaces from an existing home. These units have private entrances, efficiency kitchens, and either a private or shared bathroom and share utility systems with the main residence.

Converted ADU is created by converting an existing accessory structure to an ADU ("Converted ADU") which must have a full kitchen.

Under the Program, approved homeowners who agree to create a Junior Unit or a Converted ADU and rent either the ADU or remainder of the home to Eligible Tenant Households at Affordable Rents for 20 years will be provided with schematic designs and/or a scope of work and assistance with finding a qualified contractor at no cost, and no-interest, deferred payment, construction financing in the form of a no-interest, deferred payment loan which is forgivable over a 20-year term. Converted ADUs are also eligible for an additional deferred, no interest loan of up to \$25,000.

GENERAL ELIGIBILITY REQUIREMENTS

A. Borrower Eligibility

The borrower must be the occupant and owner of record of the property at the time of the application and must certify that borrower will occupy one of the units on the property as the borrower's principal place of residence. If there is more than one owner of the property, all owners must agree to participate in the Program and sign the required application and loan documents.

B. Property Eligibility

1. The property must be located within the corporate limits of the City of Napa.
2. At the time the Loan is made, there may be no liens (other than mortgages secured by the property) or monetary judgments recorded against the property, unless the lienholder agrees to subordinate such lien to the City's Deed of Trust and the Regulatory Agreement.
3. The property must be a detached or attached single-family home that is occupied and owned in fee simple by the borrower.

FUNDING PROVIDED

The Program provides participating homeowners with loans and grants to help create junior units and converted ADUs and expand the affordable rental stock.

- A. The Program provides participating homeowners with a forgivable, 0% loan of up to \$75,000 for the creation of a junior or converted ADU. Under the terms of this loan, for each year either the primary or the ADU is rented to an income-eligible tenant and an affordable rent, 5% of the loan is forgiven, so at the end of 20 years, the loan is fully forgiven.

For the creation of converted ADUs, the Program also provides homeowners with deferred 0% loans of up to \$25,000. This loan is due in full in 20 years and is provided in conjunction with the forgivable loan for total financing of up to \$100,000.

Payments under Program loans are deferred as long as the Program requirements are met. However, the loans are due and payable at the time of sale or transfer of ownership of the property, if the borrower's failure to rent one of the units on the property to an eligible tenant at an affordable rent, or if the borrower breaches the terms of the loans or the Regulatory Agreement; or upon the loan maturity date if the loan has not been fully forgiven.

Vacancies due to required repairs or normal tenant turnover are permitted provided that the Borrower is participating in the Napa Valley Community Housing's Home Share Match-Up Program or otherwise demonstrates that the Borrower is diligently pursuing rental of a vacant Unit in compliance with the Regulatory Agreement.

- B. The Program provides participating homeowners with design grants of up to \$2,000 for the creation of junior units and up to \$4,000 for the creation of converted ADUs.
- C. The Program provides participating homeowners an engineering grant of up to \$3,000 if services by a structural engineer are needed.
- D. The Program also provides grants of up to \$5,000 if a homeowner wants to make ADA improvements in the rental unit.

RENTAL REQUIREMENTS

A. Property Requirements

The Borrower must agree to rent a unit to eligible tenants an affordable rent for 20 years. This obligation will be documented in the Regulatory Agreement and secured by the Deed of Trust.

B. Tenant Requirements

1. Prior to a tenant's initial occupancy of a unit, the borrower must verify that the tenant's gross household income is not greater than 80% of Napa County median income adjusted for actual household size. As long as the tenant resides in the unit, no additional income verification is required unless an additional adult moves into the unit within the first six months of a tenant's initial occupancy. In addition, income verification for new tenants is required when the unit is vacated.
2. Because the purpose of the Program is to expand the supply of affordable rental housing, to be considered an eligible tenant for the affordable rental unit, the tenant cannot be a current household member or a family member of the borrower, including a grandparent, parent, child, or sibling of the borrower.

C. Maximum Rents

The rent charged on the affordable unit cannot exceed the current maximum established each year. Currently the maximum rents by bedroom size are:

Unit Size	Maximum Affordable Rent*
Studio	\$1,325
1-bedroom	\$1,514
2-bedroom	\$1,703
3-bedroom	\$1,892
4-bedroom	\$2,043

The rent must include all charges payable by the tenant including any tenant-paid utilities or other fees other than a security deposit. The borrower shall annually submit to the City verification of the rent charged.

D. Verification of Rent and Income

The City must review both the proposed tenant's household income and the proposed rent before the borrower signs a lease and the tenant moves into the affordable unit.

E. Lease Requirements

The lease for the affordable unit must include restrictions on rent consistent with

Program requirements, and must provide that the lease is subject to termination if the tenant has materially misrepresented the tenant's household income in seeking to qualify as an eligible tenant.

F. Tenant Screening; Compliance with Laws

The City does not perform screening or background checks on potential tenants. The borrower is responsible for doing due diligence/screening of prospective renters. borrowers may wish to utilize Napa Valley Community Housing's Home Share Match-Up Program to locate prospective tenants who have undergone background screening for participation in the Home Share Match-Up Program.

As a landlord, the borrower must comply with all applicable State and federal laws pertaining to renting residential properties, including without limitation, all applicable fair housing/non-discrimination laws, and all applicable landlord-tenant laws.