

# City of Calistoga

## Staff Report

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**TO** Honorable Mayor and City Council  
**FROM** Lynn Goldberg, Planning and Building Director  
**DATE** July 18, 2017  
**SUBJECT** Option to Purchase Affordable Housing Unit at 2108 Table Rock Drive

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APPROVAL FOR FORWARDING



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Dylan Feik, City Manager

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1 **ISSUE:** Consider directing the City Manager to not exercise the City's option to  
2 purchase the affordable housing unit at 2108 Table Rock Drive

3 **RECOMMENDATION:** Direct staff to notify the owners of 2108 Table Rock Drive that  
4 the City of Calistoga does not intend to exercise its option to purchase their property

5 **BACKGROUND:** In the early 1990's, the Palisades Subdivision included 22 affordable  
6 housing units that were sold to families with an income of not more than 120% of Napa  
7 County median income. The developer included in the sales price a \$50,500 second  
8 mortgage with the City as the beneficiary, effectively reducing the price of the house to  
9 make it affordable to moderate-income families. The second deed of trust required  
10 principal and interest payments<sup>1</sup> upon sale of the property. In addition, specific deed  
11 restrictions and an option to purchase the property by the City were also put into place  
12 to insure their affordability into the future. The deed restrictions throughout the  
13 subdivision were valid for a 30-year period and will expire six years from now in 2023.

14 When an owner of one of these homes intends to sell their property, they must provide  
15 the City with the first option to buy it at the current market value. By doing so, the City  
16 can resell the property with affordability restrictions in place, thereby insuring the  
17 continued affordability of the unit and maintenance of the City's affordable housing  
18 stock. The City would provide funding for a new second mortgage equal to the

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<sup>1</sup> 5% per annum for a term of 10 years

19 difference between the market value and a price that is affordable to households with a  
20 maximum income of 120% of median. Sale of the home to a qualified household would  
21 require a process to develop a pool of eligible buyers and use a lottery to select the  
22 homeowner.

23 If the City declines the option, the property owner may sell the home at the market rate,  
24 pay off the second mortgage with interest to the City and affordability restrictions would  
25 be removed from the property for the new owners.

26 The owners of one of the subdivision's affordable homes, located at 2108 Table Rock,  
27 recently advised the City of their intent to sell the property (see attached letter). This  
28 notice requires the City to consider exercising the purchase option contained in the  
29 Resale Restriction Agreement.

30 **DISCUSSION:** The attached summary compiled by the Housing Authority of the City of  
31 Napa provides an estimated fair market value of \$599,900 for the 2108 Table Rock  
32 property, based on recent listings and sales.

33 If the City purchases the home, it would need to provide a subsidy to a moderate-  
34 income purchaser of approximately \$227,675 in the form of a second mortgage, based  
35 on the maximum affordable price of \$372,225.

36 The estimated loan pay-off that the City would receive if it allows the home to be sold  
37 without restriction would be approximately \$75,750.

38 The Council has in recent similar cases determined that a greater benefit would be  
39 gained from the collection of outstanding loan funds for future leveraged use in the  
40 production of affordable multi-family housing (such as the purchase of properties at 611  
41 Washington Street and on Earl Street), rather than continue to subsidize a single  
42 household. The Housing Authority recommends that the City waive its purchase option  
43 due to the large amount of down payment assistance that would be required to make  
44 the purchase affordable.

45 Direction from the Council regarding which action should be pursued is required so that  
46 staff may respond to the sellers and move forward accordingly.

47 **FISCAL IMPACT:** Allowing the home at 2108 Table Rock to be sold at a market-rate  
48 price would contribute \$75,750 to the City's affordable housing fund. This advance  
49 would be reimbursed upon the sale of the property.

50 If the City purchases the home, an advance from the General Fund of approximately  
51 \$227,675 would be required. The City would also incur typical real estate transfer costs;  
52 however, these costs would be recouped through the sale of the property to a qualified  
53 household.

54 **CONSISTENCY WITH COUNCIL GOALS AND OBJECTIVES:** The following City  
55 Council goals and objectives for FY 2015-16 apply to this matter. Staff believes that the

56 community's housing needs would be best addressed by foregoing purchase of the  
57 home and enhancing the Affordable Housing Fund by a significant amount.

58 *Goal 7: Address the community's housing needs.*

59 Objectives

60 *2. Expand housing opportunities, including workforce housing.*

61 Priority Projects

62 *2. Identify feasible sites and funding that could be used to land bank*  
63 *properties for needed housing development, including workforce*  
64 *housing.*

65 **ATTACHMENTS**

- 66 1. June 21, 2017 notice of intent to sell  
67 2. City of Napa Housing Authority Analysis  
68 3. Original Option to Purchase  
69 4. Assignment and Assumption Agreement

Suzanne M. Kuster & Isaac A. Kuster  
2108 Tablerock Court  
Calistoga, CA 94515  
(707) 322-8138  
dsa.inspector@gmail.com



June 21<sup>st</sup>, 2017

Lynn Goldberg  
City of Calistoga  
1232 Washington Street  
Calistoga, CA 94515

Dear Lynn Goldberg,

This letter is to notify the City of Calistoga that we, Suzanne M. Kuster and Isaac A. Kuster, tenants in common, intend to sell the real property known as 2108 Tablerock Court in Calistoga, California.

The property is subject to the deed of trust and an option to purchase dated September 15<sup>th</sup>, 1993 and recorded October 8<sup>th</sup>, 1993 as instrument No. 03284 in the official records of the County of Napa. The option to purchase agreement requires that we notify the City of Calistoga in writing of our intent to sell the property.

Please contact us if you have any questions regarding this letter of intent to sell.

Sincerely,

Suzanne M. Kuster & Isaac A. Kuster



**2108 Table Rock Court - COMPARABLE LISTINGS & SALES**

Subject Property:  
**2108 Table Rock Ct.**

Address	List Price	Sales Price	Bed-		Sq Ft.	List Date	Sold
			rooms	Baths			
1 1144 Denise Drive	\$599,000		3	2	1,331	6/12/17	
2 2016 Table Rock Ct.	\$679,000		3	2	1,482	6/1/17	
3 1822 Foothill Blvd.	\$535,000		2	2	980	6/21/17	
4 2111 Oat Hill Ct	\$750,000		4	2.5	1,775	6/12/17	sale pending
5 1739 N. Oak St	\$615,831	\$595,000	3	2	1,191	6/14/17	6/14/17
6 2015 Urbani Place	\$675,868	\$655,000	3	2	1,417	6/8/17	6/8/17

**Estimated Fair Market Value of 2108 Table Rock Ct. = \$599,900**

**CITY LOAN**

Principal Balance 50,500.00  
 Interest Rate 5.00% Interest accrues for first 10 years of loan  
 Date of Loan 10/8/1993

Accrued Interest 25,250.00  
**Total Principal & Interest Due \$ 75,750.00**

If the City exercises its option to purchase, the escrow must close within 90 days from the date of the notice of intent to sell. The City may assign their option to purchase and sell the property to another first time homebuyer. To make the purchase affordable to a low - moderate income buyer, the City would have to provide \$200,000 - \$250,000 in down payment assistance.

Housing Authority recommends that you waive your option to purchase the property due to the large amount of downpayment assistance that would be required to make the purchase affordable.