GENERATION HOUSING NAPA VALLEY

State of Housing

in Napa Valley

Contents

Foreword

We've known for a long time that we have a housing crisis in Napa Valley, and that opportunities for action will continue to come and go if we are not prepared with evidence-based solutions. With both newly approved Housing Elements and the potential influx of affordable housing dollars via regional bonds, one such moment is here. This State of Housing Report for Napa Valley is our collective response.

Our Steering Committee, at the request of Napa County's Department of Housing & Homeless Services, came together under the belief that housing solutions are fundamental to sustaining the county's renowned workforce, supporting families rooted in Napa Valley, and accommodating young adults experiencing a very different housing landscape from that of previous generations. We represent the industries and people at the heart of the Napa Valley economy who find themselves grappling with the challenges of our housing market. Our organizations are on the front lines of trying to address the housing crisis and its secondary effects on our community: advocating for and providing subsidized childcare to free up funds for families' housing costs, supporting workforce housing for industry workers, adjusting work schedules for longer commutes, expanding service eligibility for those with moderate incomes, and treating the health impacts of chronic stress caused by severe housing cost burden. The findings of this report not only resonate with our observations but also reveal the widespread nature of these challenges.

Our directive to the authors of this report was to adopt a fresh approach to comprehending regional housing dynamics, one that illuminates the principal factors driving housing costs. We emphasized the following:

Regional perspective: Recognizing the interconnectedness of housing costs across municipalities, we tasked the study with examining resident migration patterns, the regional employment landscape, and Napa Valley's position relative to comparable, amenity-rich destinations.

Intersectionality with key indicators: Housing costs play a pivotal role in influencing resident health, childhood stability and education outcomes, pathways out of homelessness, and local economic vitality. Thus, the report delves into how housing accessibility impacts the stability of our employees, residents, and clients.




Foreword

Historical context: We underscored the importance of contextualizing present housing challenges within long-term regional transformations, acknowledging that Napa Valley's struggle to accommodate moderate and low-income earners predates current regional changes such as tech industry growth.

Our goal with this report is to update perceptions about housing needs in our community including workforce families seeking larger homes and homeownership opportunities, wine industry and farm labor employees who deserve long-term residency options rather than temporary or seasonal offerings, and front-line community service providers with moderate incomes who struggle to keep pace economically with escalating housing costs. The ensuing data underscores both overarching trends and their daily ramifications, illustrating how even incremental rent and ownership cost increases have wide-reaching consequences for growing segments of our community.

We aim for this report to be utilized not only by policymakers but to inform grant-making for our nonprofit sectors, to help industry leaders make decisions on how best to support employees, and to inform all voters in our county about the vital role of affordable housing in keeping our economy and community strong.

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Executive Summary

Napa Valley faces challenges housing its residents that mirror the state of California as a whole: growing rates of cost burden, declining homeownership among young adults, and an aging population that struggles to downsize. But the Valley's arrival at these challenges is the product of a unique set of factors that require solutions specific to the amenity-rich, agricultural region. How Napa Valley navigates its housing needs depends in large part on the housing stock it has inherited and how it marshals new production to address shortcomings in a range of areas. This report on the state of housing in Napa Valley, commissioned by the Napa County Board of Supervisors, is intended to shed light on the need for new approaches to housing within the region.

In many ways, Napa Valley was built for a workforce rooted in agriculture, manufacturing, and service sectors — an economic core that largely persists to this day. Napa Valley's housing diversity in bedroom size and its comparative affordability are hard to notice amidst rising housing costs. But they are reflections of a period of growth that anticipated the needs of workforce residents to secure modestly priced rental and ownership opportunities.

But in one key way, the Valley was not built for its current workforce. Napa Valley's centrality to the region's — and ultimately the country's — wine production industry was not in clear focus by the time the majority of its current housing was produced. The Valley built big in terms of the size of its homes, but built out at a smaller scale than many of its peer counties in the Bay Area, erecting strong agricultural preservation barriers and focusing on home ownership at the expense of rental options at a higher rate than other Bay Area counties.

What the Valley could not predict in terms of workforce need, it could not build for. At the very moment it required an expanded workforce to support its agricultural and beverage manufacturing base — not to mention new employees in hospitality — Napa Valley virtually stopped building (as did the entire region in the aftermath of the recession). The 2010s was the least productive decade on record in terms of permitting, with the Valley adding under 2,500 homes from the annual height of production of nearly 10,000 units in the 1970s. During this period, the Valley saw an influx of new residents as well, seeking to take advantage of the amenity-rich region.

The competing needs of housing a relatively wealthier and older homeownership class along with a younger workforce was a unique challenge among Bay Area counties — and a precursor of what many would face during the tech boom. Building for neither group amplified competition for available units in Napa Valley, especially modestly priced homes that could serve as a step into home ownership. Aging, smaller households stayed in place, failing to free up many of the region's modestly priced units for new families. *(continues)*

Executive Summary

And Napa Valley's young adult households remained on the renter market for longer, failing to find ownership opportunities in their hometowns. Combined with the Valley's still growing workforce population, prices on middle tier units grew, ensuring the Valley lost a significant portion of entry-level homes. Between the period of 2008-2012 and 2018-2022, the number of homes for sale priced between $300,000 and $500,000 dropped 75 percent.

At the same time, high-end rental conversions and second home purchases began to deplete available units. Today, over half of Napa Valley's vacant units are reserved for second homes rather than as rental units for residents, compared to 30% in Marin County and 15% in Solano County. To grasp the impact of these numbers on a housing stock, if the Valley re-gained a portion of its 6,500 vacant units, its ratio of houses to current households would increase from roughly 350 homes per 1,000 residents to nearly 400 homes per 1,000 residents. Despite 32,000 of the Valley's 55,000 housing units — or 3 in 5 homes — nearly half a century in age, the region's tight housing market has worked against the gradual affordability of older homes, meaning that even its oldest properties are selling much above what their age might have dictated.

Whereas before the Valley struggled to add housing suitable for its (typically) younger and lower-income workforce, today it is struggling to add housing suitable for middle-aged workforce residents who now have families and earn diverse incomes including many in the moderate range. The impact on households is reflected in multiple factors. Between 2022 and 2023, Napa Valley lost the largest share of its population among all Bay Area counties. The stagnation in housing production at the start of the 2010s precipitated the region's first population downturn starting in 2016, dominated by its younger adults and families. And while Napa Valley has the second highest rate of home ownership among white households in the Bay Area, only half of all Latino households within the Valley own a home.

The lessons from this prior period should inform how Napa Valley plans ahead. For its size and population, Napa Valley is experiencing trends similar to that of Bay Area cities that serve as the center of regional employment, cultural amenities, and luxury markets.

Area Median Income for Napa County (2023)

Adapted from California Housing and Community Development

	One-Person Household	Two-Person Household	Four-Person Household
Area Median Income	$90,700	$103,700	$129,600
Extremely Low (<30% AMI)	$28,050	$32,050	$40,050
Very Low (31–50% AMI)	$46,750	$53,400	$66,750
Low (51–80% AMI)	$74,700	$85,400	$106,700
Moderate (81–120% AMI)	$108,850	$124,400	$155,500
Above Moderate (>120% AMI)	Over $108,850	Over $124,400	Over $155,500

Executive Summary

Three themes stand out among our findings that should inform action:

1. **Entry level homes are a key step to leaving the rental market but are rare:** Residents of Napa Valley may recall a time when home purchasing options were relatively plentiful. But today that goal is hard to achieve for first-time home buyers, driven in part by the decline in available, modestly priced homes. We find that while over 80% of above moderate households own their own home, this drops to 65% for households earning slightly lower incomes. Today, residents must wait until the age of 45 before the likelihood that they own a home reaches the Valley's average.

2. **Homes that might be suitable or "matched" to Moderate and Low Income households are rarely available:** Despite a relatively diverse housing stock, limited movement within and between homes means that moderately priced homes rarely become available to households who might benefit from them the most. Large segments of homes fail to "match" the income level or size of the household who occupies them. We find that thousands of above moderate income households who pay between 5-10% of their income on housing costs occupy homes whose costs would be suitable to moderate earners, requiring many of those households to compete for higher priced units. For Napa Valley's newest homeowners, therefore, cost burden is a growing phenomenon.

3. **Housing costs hurt employees and employers in Napa Valley's essential sectors:** Napa Valley's core sectors — its beverage manufacturing, agriculture, hospitality, healthcare and education industries — are fueled by workers earning a wide range of incomes. While employers in Napa Valley are able to offer more competitive salaries, higher than average housing costs undercut those competitive wages. For example, farmworkers in Napa Valley earn more than their peers across the state but with higher monthly rents, the gap between incomes and housing costs is nearly $200 more for Napa Valley farm workers. All of this contributes to rising cost burden, less discretionary income to spend on local goods, and pressure to relocate. The hospitality and healthcare sector have seen the largest increase in employees residing outside of the Valley.

This report lays the groundwork for the steps Napa Valley must take to meet its households' needs. Some are clear: In a region built for ownership, but with fewer and fewer options for new households, larger rentals must fill the gap for workforce families who cannot yet bridge the gap between renting and owning. At the same time, Napa Valley should not define itself by one challenge. Seniors with dual expenses of home and health care will become the predominant segment of the population within a decade, at the very moment many transition to fixed incomes. The need for rental options is crucial for its oldest seniors, as nearly a quarter of its residents over 85 already seek rental options.

Executive Summary

How the Valley can meet these challenges with its assets is the question this report raises. Starting in 2020, permitting levels in the Valley reached their highest level in the last four decades, and did so while shifting in focus from single family homes to multifamily permitting. This step is critical. Its state-mandated housing goals are now much larger than they were for the last eight years. This report is intended to present a picture of who the region builds for when it commits to new, more diverse, and more affordable housing.

WHO WE NEED TO BUILD FOR

- Young renters: 13,500 households between 25-45 years old are looking to own their first home. Napa Valley lags behind this key milestone: only 50% of 35-45 year olds and nearly 70% of 25-35 year olds still rent.
- Smaller senior households: The Valley's households are significantly older than those in the rest of the state and much smaller, having on average 1.5-2.5 people compared to 3-3.5 members in younger households.
- Working-age families: Over half of working age households earning Extremely Low incomes, and over three-quarters of very low-, low-, and moderate-income households have 2 or more residents, similar to those above moderate-income households.
- Core workforce sectors: Hospitality, beverage manufacturing, healthcare, agriculture, and education sectors depend on workers who earn a wide range of incomes. But households whose workers earn the median wages in nine of the Valley's most common occupations can only afford to pay $1,000 in rent each month on housing, demonstrating the direct link between Napa Valley's core industries and a more affordable housing supply.

WHERE DO WE FALL SHORT (MISMATCH)

- Napa Valley's housing units are large but are occupied by small households. The typical house has 3 bedrooms but the largest segment of their occupants are 2-person households.
- Of its 49,000 households, 32,000 — or nearly two-thirds — own their home, making it the region with the second highest rate of homeownership in the Bay Area. There is only 1 rental unit for every 8 residents currently living in the Valley.
- During the time period 2017-2022, there was one-quarter the number of homes priced between $300,000 and $500,000 as there were in 2008-2012, falling from roughly 9,200 homes to 2,300.
- Total for-sale homes valued over $750,000 have tripled since the period 2008-2012 while total rental units priced above $2,000 make up nearly half of all units for rent.
- Many vacant units are not for rent or sale to residents. Just over half of St. Helena's vacant properties are second homes while in Yountville the proportion reaches 75%.
- Napa Valley as a whole has allotted only 40% of all its new permits to moderate units and below since 2018. This puts it in the bottom half of statewide peers.

Executive Summary

THE IMPACT ON RESIDENTS

- 3 in 4 of the region's lowest earners pay over 30% of their income towards rent. But Napa Valley has a higher rate of moderate income households who are cost burdened than its regional peers. In two decades, the proportion of homeowners paying over 35% of their income towards home costs has increased nearly 15 percentage points, compared to 5 and 9 percentage point increases in Marin and Solano Counties, respectively.
- Homeownership is harder to access for younger households. Whereas at least 75% of all residents ages 55 and older own their own home, only 50% of 35 year olds are owners.
- A majority of Napa Valley's Black households (52%) and 4 in 10 of its Latino households experience cost burden. And Low Income households who are ineligible for many deed-restricted rental units experience the highest rates of overcrowding in the region, with over 1 in 10 households living in conditions deemed overcrowded.
- Residents are relocating. Napa Valley ended 2022 with an annual net negative migration of 2000 residents. Between 2022 and 2023 it lost nearly 1% of its residents.
- Napa Valley's 2.8 percentage point decline in households with children 5 and under is the highest drop in the North Bay. From the period starting 2008 to 2012 until 2022, the percentage of Napa Valley households with children under 5 years of age declined to 9.6%.
- Of the roughly 58,000 commuters (excluding those who work from home), 50,000 drive alone, or nearly 86 percent of commuters.

HOMELESSNESS AND HOUSING

- Since 2012, every $100 increase in rent in Napa Valley has been associated with a 15% increase in homelessness. This is slightly higher than the rule of thumb which equates a $100 rise in rents with a 9% increase in homelessness.
- Households earning between $50,000 and $75,000 annually are cost burdened at higher rates than they were in 2012, putting them at higher risk.
- In total, the Valley's jurisdictions offer around 2,000 units of LIHTC affordable housing available to the region's 9,500 Extremely Low and Very Low Income households.

HOUSING AND LOCAL ECONOMIC ACTIVITY

- Local spending: Since 2005 rates of cost burden among the second lowest quintile of earners has risen from 50% to 75%, approaching rates of the lowest earners. Because lower income earners spend more on local goods and services, this drives down local spending overall.
- The bulk of the Valley's above-average costs are driven by housing. The City of Napa's housing costs are 17% above that of the national average.
- A beverage manager earning $60,000 in Fresno would need to make $80,000 in the city of Napa to keep up with costs. However, median pay for this role or its equivalent in Napa Valley is only $66,921, leading to a roughly $12,000 gap in pay relative to local costs.

Glossary

Cost Burden: Cost burden, or housing cost burden, refers to when residents spend more than 30% of their income on rent and utilities. Although typically a measure of rental households, the term is equally applicable to homeowners who pay mortgage and other ownership costs that exceed 30% of their monthly income. To account for extreme cases of cost burden, we designate households who pay more than 50% of their income on housing as experiencing "severe cost burden." Those paying between 30–50% of their income towards housing are referred to as experiencing "moderate cost burden." *(Adapted from the National Low Income Housing Coalition)*

Workforce Household: Workforce households refers to residents who earn too much to qualify for traditional affordable housing subsidies such as housing vouchers or Low Income Housing Tax Credit (LIHTC) properties. Typically, these programs serve residents who earn below 80% of the Area Median Income (AMI), meaning that those who earn above 80% but below 120% of the AMI earn too much to receive housing subsidies but too little to afford most market-rate housing. We expand the definition of workforce households to include those earning between 60–120% of AMI because most LIHTC units on offer are targeted to those earning below 60% AMI and workforce refers to both low-income and moderate-income households. *(Adapted from the Brookings Institution)*

Vacancy: Vacancies or vacant units typically refer to units that are unoccupied and are either for sale or rent. But in regions like Napa Valley where vacant units can have multiple uses, the U.S. Census Bureau includes as "vacant" those units that are "occupied by persons who have a usual residence elsewhere." These units are more commonly known as "second homes." In this report, we follow the Census definition but breakdown when a vacant unit is for sale or rent versus when it is occupied as a secondary residency. *(Adapted from the California State-wide Communities Development Authority)*

Members of On the Verge, a group who are advocating for healthy communities in Napa Valley, described how earning a low income requires residents to become specialists in a complex set of housing laws and eligibility requirements that above-moderate and moderate earners never face. These include extensive fees for applications, waitlists that never materialize, and onerous eligibility criteria that don't capture real need. One resident, an agricultural worker who arrived during the pandemic, explained how "we have been on a waitlist for four years for different low-income apartments and get removed from the waitlist every 6 months if we don't re-apply." Another sought out a program from the county that supports low-income residents making down payments on new homes, "but when I applied I was rejected because my job is just outside the city limits. We couldn't receive the down payment help and had to move." Several testified to needing support based on their incomes, but the moment they earned more, they were at risk of being removed from housing. "The requirements are not realistic," this resident explained. "They need to be able to make enough money to live." But if you make too much, you may not qualify. Others described being out of luck if they did not work in the right sector. A non-farmworker struggled to understand why her career was exempt even though she earned the same amount as those who do qualify. Finally, even when homes seem within reach, loan qualifications for lower-income residents are complicated. "I qualified for a 250,000 loan but this was not enough for a downpayment to buy a house for my family," this resident explained. "I now pay 1,900 rent."

—Members of On the Verge, a place-based leadership development program organized by On the Move

WHO Are Napa Valley's Households & How Do We Build for Them?

Understanding Napa Valley's housing needs begins with understanding its households. Among its 137,000 residents, 49,000 households live across diverse settings, locations, and arrangements. Its housing needs are diverse based on the wide range of incomes earned by Napa Valley residents. And traditional assumptions about household size and need are changing. Napa Valley's growing workforce, which is critical to its economy and care sectors, is aging in place and starting families of their own. But at the very moment they have a need for larger homes, few options are available — and even fewer at prices they can afford. Freeing up larger homes currently occupied by retirees can provide relief, but when retirees have few options to downsize themselves, providing that match between households and housing becomes complicated.

In this section we provide a snapshot of Napa Valley's changing needs and update presumptions about what households need from their housing. The complex shift underway between its population segments, incomes, and expenses will have large consequences for housing in the valley. Of course, no snapshot is accurate forever. But cities can predict a range of needs, such as how many residents may want to move from rental to ownership options, by knowing how households are living right now.

We show that Napa Valley, while sharing challenges with the state including an aging population, has arrived at these outcomes through a unique trajectory. For example, Napa Valley's population is aging faster than the state average, which means its household size is shrinking faster than the state's even while these smaller households occupy ever-larger homes.

For young families who are on average heading homes with 3 to 3.5 members, this presents great opportunities and enormous challenges. The lower share of households who form between 35 and 45 years old reflects the challenge young residents face moving out and into their own homes. And while homeownership is the norm, 7 in 10 residents ages 25-34 are renters.

These needs arrive just as Napa Valley's workforce increasingly overlaps with its families. Within the Bay Area, Napa Valley maintains a higher number of agricultural workers and hospitality employees; given the longstanding nature of these sectors within Napa Valley's economy, the median ages of longtime employees in these sectors has gone up, and along with that, their need for family-sized housing. At the very moment these families must begin saving for costs such as childcare, Napa Valley's housing supply will play a big role in determining whether they can stay.

Although Napa Valley is now surpassing its historical production of multifamily rental units, its smaller than average household size is likely the better reason for its low persons-per-household rate. Instead, its cities are underproducing homes per total residents, being beaten out by its North Bay peers in Sonoma and MarinCounties.

As we will see in the following section, the changing housing needs of an aging population, in tandem with historically low rates of housing production, reveal that Napa Valley's housing stock needs more flexibility and diversity in order to better serve its residents.

Project Spotlight

THE CRESCENT

LOCATION
City of Napa

TOTAL UNITS
162 units including 65 low-income and 47 moderate-income for-sale units

DEVELOPER
Heritage Housing Partners

The plan to convert the former Health and Human Services campus at 2344 Old Sonoma Road will provide historic reuse of an underused site in the heart of the city's residential zones. Combining adaptive reuse of former government buildings into multiple housing types — from workforce, for-sale single family, and even some high- density housing — the development will meet multiple needs in one setting.

The addition of affordable for-sale units brings needed inventory to a market typically dominated by rental property. And homeownership opportunities for moderate income households will add an ownership component at a moment when many moderate earners are forced to stay on the rental market longer than expected as they compete with higher earners on for-sale homes.

In addition to a community-serving cafe, art studios, and event spaces, the former Infirmary Building will be rehabbed and converted to community-serving commercial uses, creating a genuinely mixed-use and mixed-income property. The process of developing the property, though long, has involved public participation at multiple levels, reflecting ways in which community buy-in and grassroots efforts can improve the quality of projects and garner additional concessions valued by the community.

Who Are Napa Valley's Households & How Do We Build for Them?

Napa Valley's Households Are Smaller Than Ever in a Region that's Built Big

Napa Valley is home to approximately 139,000 residents living in 49,000 households, according to the U.S. Census Bureau, meaning there are on average about 2.8 members for each household in the Valley. **Napa Valley's jurisdictions on average contain slightly more homes per person than the statewide average but far fewer than some larger jurisdictions.** For example, Yountville has 479 occupied homes for every 1,000 residents and the City of Napa has 365 occupied homes for every 1,000 residents, which are just above the statewide average. But compared to the Bay Area county averages, Napa Valley's jurisdictions fall somewhere in between: Marin County has 395 occupied homes per 1,000 residents and Sonoma County has 383 per 1,000.

Napa Valley may be built for big families, but its households are small. In fact, **over half of all households have just 1 or 2 members, or 30,000 of 49,000 households. Although that may represent a choice for many to live in smaller household sizes, the significant drop off in the number of 3-person households more likely represents the challenges that families face living in Napa Valley.** As we will see later on, Napa Valley has sufficient homes sized for families of three or more; however, only a small portion of these homes are occupied by families of three or more.

Jurisdiction	Residents	Households	Average Household Size
American Canyon	21,669	5,725	3.8
Calistoga	5,191	2,116	2.5
Napa	79,233	29,443	2.7
St. Helena	5,426	2,466	2.2
Yountville	3,397	1,516	2.2
Unincorporated Napa County	22,468	7,952	2.8

Figure 1. Average Household Size by City

Source: U.S. Census Bureau, 2018–2022 ACS 5-Year

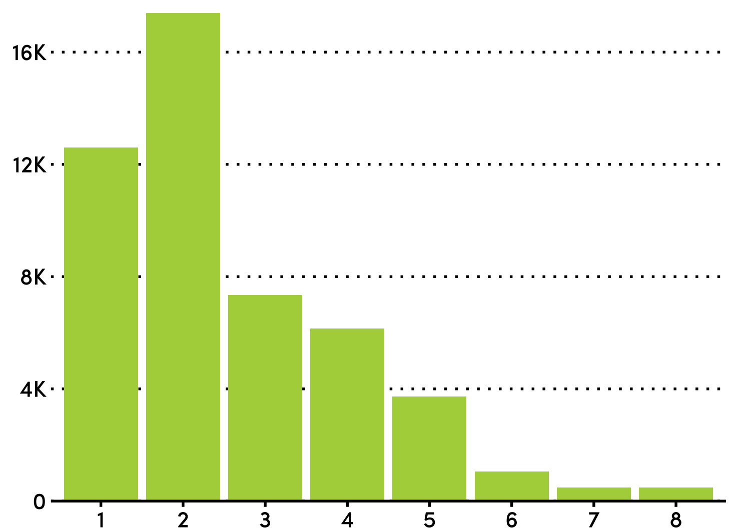


Figure 2. Total Households by Household Size

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year

Who Are Napa Valley's Households & How Do We Build for Them?

Older Households Are Getting Smaller While Younger Residents Form the Bulk of Larger Households

Napa Valley's households are aging. **The largest segment of all households are headed by householders aged 55-65 years old, totaling nearly 10,000 households or 1 in every 5 households in the region.** Over half of Napa Valley's householders are 55 years old or older. This has major implications for how the Valley must accommodate its population in the near future. But preparing for an aging population is also a means to accommodate younger generations. Nearly 13,500 households between the ages of 25 and 45 years old — when many residents form their first household — seek to transition from the rental market to ownership. Smaller or entry-level homes will be crucial for this demographic.

Differences in household size reveal the implications of Napa Valley's age segments for its housing goals. **Younger and middle-aged householders, from 35 to 54 years old, are on average heading homes with 3 to 3.5 members, above the Valley's average.** They need larger homes that are still affordable as they balance housing costs against the cost of childcare and the needs of their children. Meanwhile, **households headed by residents from 55 years old all the way to 94 years old are much smaller, having on average 2.5 down to just 1.5 members.** Many of them are likely looking for opportunities to downsize in the hopes of lowering their housing costs or freeing up equity in their current homes.

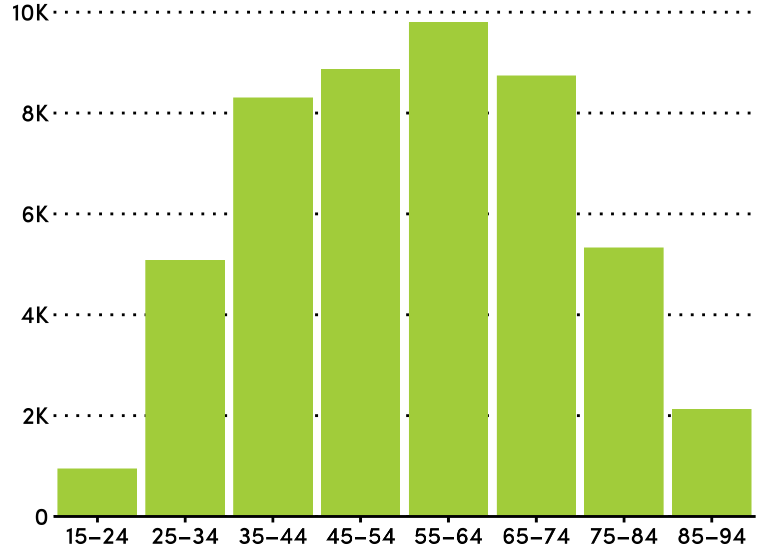


Figure 3. Total Households by Age of Householder

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year

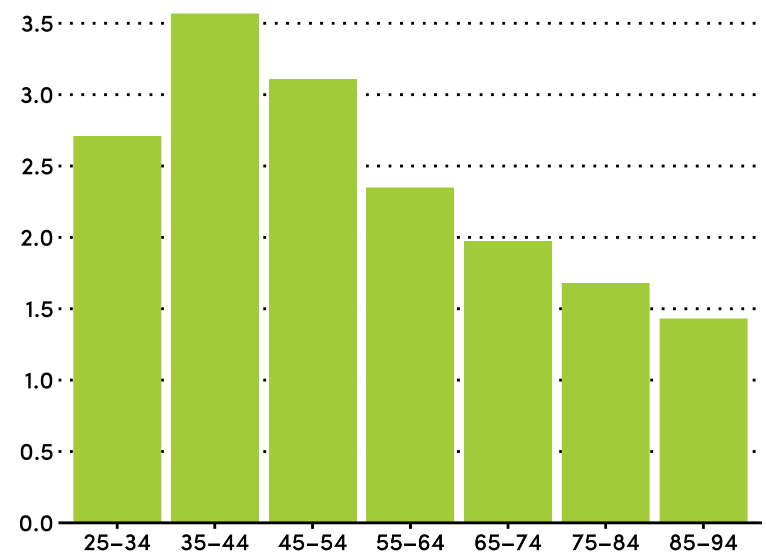


Figure 4. Average Household Size by Age of Householder

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year

Who Are Napa Valley's Households & How Do We Build for Them?

Napa County's Households Are Aging Faster than the State Average

Napa Valley's householders are significantly older than they were in the year 2000, meaning that the Valley has not witnessed an increase in retirement age population of this proportion. **There are 4,000 additional households in the 65-74 age group since 2000, and about 2,800 fewer households ages 35-54.**

The Valley's residents are significantly older than those in the rest of the state. In 2000, the median resident age in Napa Valley was 38.3 years old, five years higher than the statewide median age of 33.3. By the year 2020, the gap between the Valley and the rest of the state had widened half a year: **The median Napa Valley resident was 43 years old, while the median California resident was only 37.5 years old.**

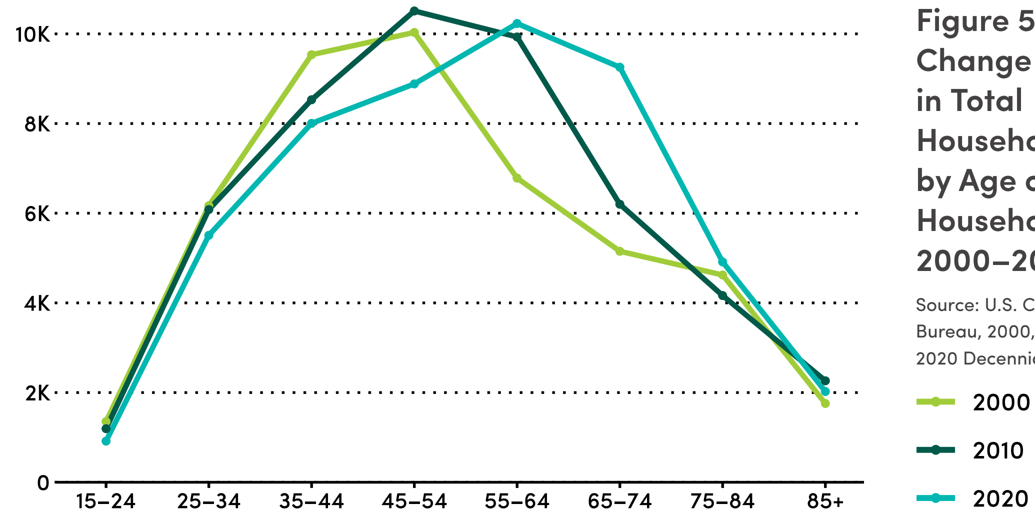


Figure 5. Change in Total Households by Age of Householder, 2000–2020

Source: U.S. Census Bureau, 2000, 2010 & 2020 Decennial Census

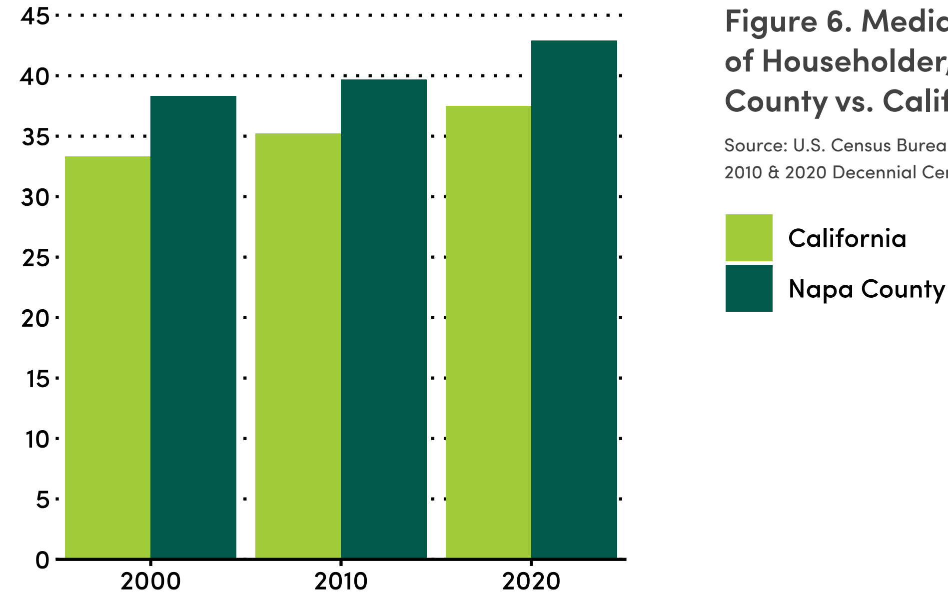


Figure 6. Median Age of Householder, Napa County vs. California

Source: U.S. Census Bureau, 2000, 2010 & 2020 Decennial Census

Who Are Napa Valley's Households & How Do We Build for Them?

Younger Households Are Struggling with Homeownership and Limited Rental Options

Homeownership is the norm in Napa Valley and each of its jurisdictions. **Of its 49,000 households, 32,000 — or nearly two-thirds — own their home, making it the region with the second highest rate of homeownership in the Bay Area.** (Only Contra Costa County has a higher rate.) This has allowed many of the Valley's residents to build and secure their wealth while staying in the communities they have lived and worked in. But it also points to a constrained rental market, with 1 available rental unit for every 8 residents currently living in the Valley.

The benefits of homeownership are increasingly out of reach for younger households. At a moment when many young adult residents begin to look for home purchases, **half of all households aged 35-45 years old remain on the rental market.** But this need is also crucial for its oldest seniors, as nearly a quarter of its residents over 85 seek rental options. The total need will increase as the percentage of the population in this category rises in the next 10 to 15 years.

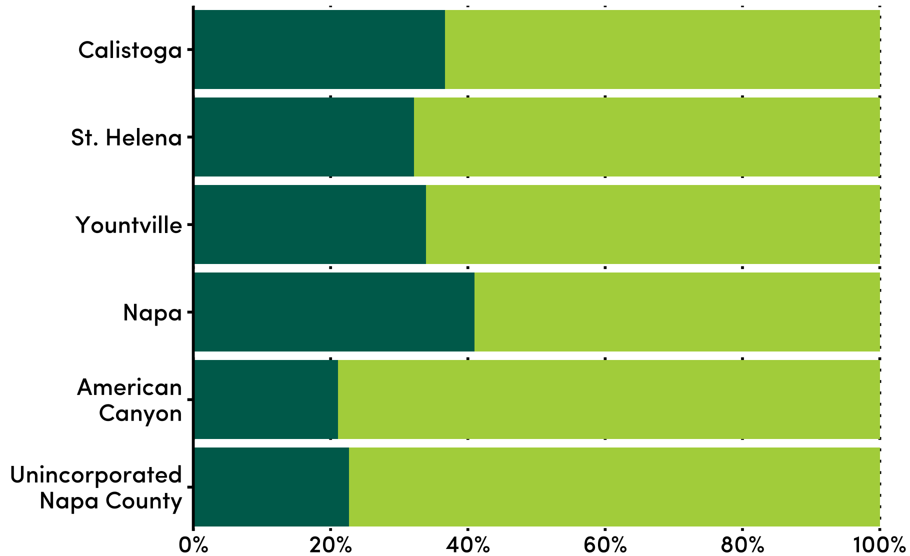


Figure 7. Percentage of Renters and Owners by City

Source: U.S. Census Bureau, 2000, 2010 & 2020 Decennial Census

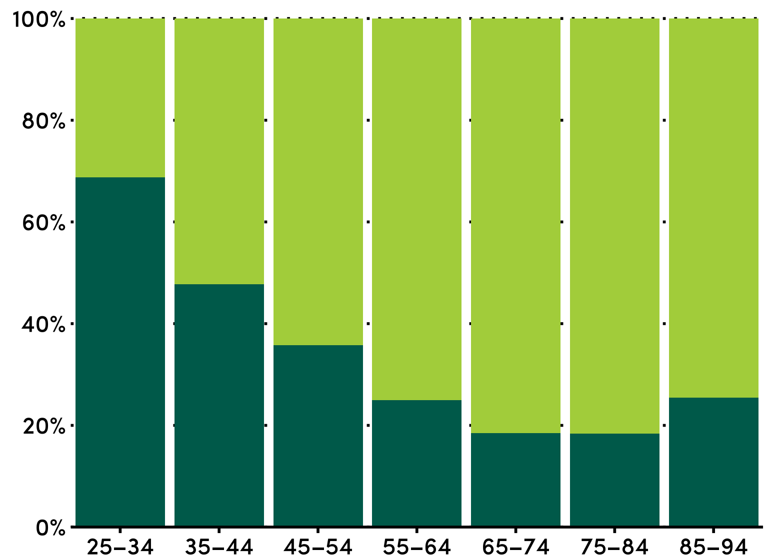


Figure 8. Percentage of Renters and Owners by Age of Householder

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year

Who Are Napa Valley's Households & How Do We Build for Them?

Napa Valley's Workforce Is Diverse and Requires a Range of Housing Options

Napa Valley's most crucial sectors contain nearly half of its workforce. The functioning of these fields depends on workers who earn a wide range of incomes, from hospitality service providers to managers within the hospitality/accommodation industry, from farm workers to beverage manufacturers within the wine industry, and registered nurses to hospital administrators within healthcare. These sectors function through a mix of roles earning wide variations in pay. As shown below, a healthy housing market provides options at each of these levels.

There is a wide range of incomes — and hence affordability levels — among Napa Valley's largest occupations by volume. Registered nurses and operations managers earn incomes that allow them to afford some of Napa Valley's market-rate 2- and 3-bedrooms on a single salary. **But households whose workers earn the median wages in nine of the Valley's most common occupations can only afford to pay $1,000 in rent each month on housing,** demonstrating the direct link between the Valley's core industries and a more affordable housing supply.

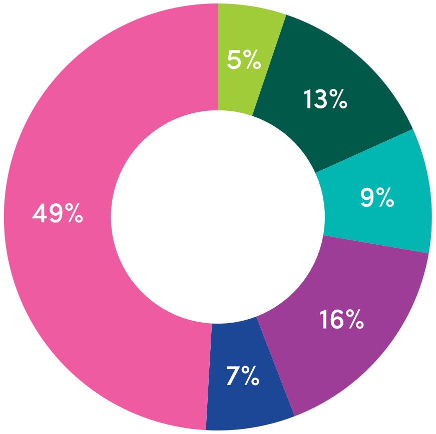


Figure 9. Percentage of Total Workforce Employees by Sector

Source: U.S. Census Bureau, LEHD Origin-Destination Employment Statistics

Top 14 Occupations by Volume	Annual Income	Monthly Income	Affordable Rent Needed
Farmworkers & Laborers	$36,587	$3,049	$1,016
Home Health & Personal Care Aides	$32,885	$2,740	$913
Waiters & Waitresses	$34,154	$2,846	$949
Retail Salespersons	$37,918	$3,160	$1,053
Cashiers	$35,256	$2,938	$979
Registered Nurses	$137,259	$11,438	$3,813
Fast Food and Counter Workers	$35,422	$2,952	$984
General & Operations Managers	$108,410	$9,034	$3,011
Separating, Filtering, Clarifying & Related Roles	$61,256	$5,105	$1,702
Stockers & Order Fillers	$37,835	$3,153	$1,051
Demonstrators & Product Promoters	$39,250	$3,271	$1,090
Cooks, Restaurant	$42,557	$3,546	$1,182
Laborers and Freight, Stock, & Material Movers	$38,709	$3,226	$1,075
Janitors & Cleaners	$37,024	$3,085	$1,028
Maids & Housekeeping Cleaners	$36,650	$3,054	$1,018

Who Are Napa Valley's Households & How Do We Build for Them?

Napa Valley's Workforce Needs Housing Sized for Families

Napa Valley's need for moderately priced homes and rental options for families runs counter to its historical production trends. Multifamily rental options have tended to be smaller and to target single-person households, typically out of the assumption that workforce residents in sectors such as agriculture and hospitality were younger and/or temporary residents who chose to live without families. In recent decades, this assumption has proven untrue. Today, **over half of working age households earning Extremely Low incomes, and over three-quarters of Very Low, Low, and Moderate Income households have 2 or more residents, similar to those of Above Moderate Income households.** Meanwhile, 75% of Very Low Income households — those households associated with incomes typical of food workers, maids, and farm workers, for example — are made up of 2 or more members; over half are households with 3 or more members.

Building homes affordable to Low and Very Low Income households is to build for Napa Valley's most diverse residents. Three quarters of Above Moderate households in Napa Valley are white, while just over half of its Low and Very Low Income households are. This means that additional housing priced at the Above Moderate level disproportionately serves white households, **while housing priced at lower levels serves Napa Valley's Latino, Black, and Asian households most**.

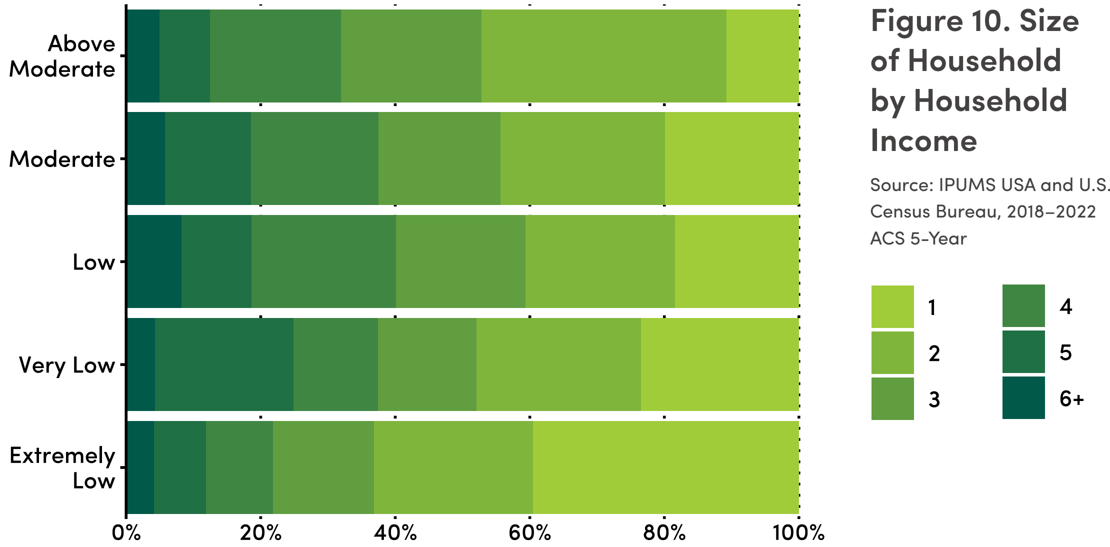


Figure 10. Size of Household by Household Income

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year

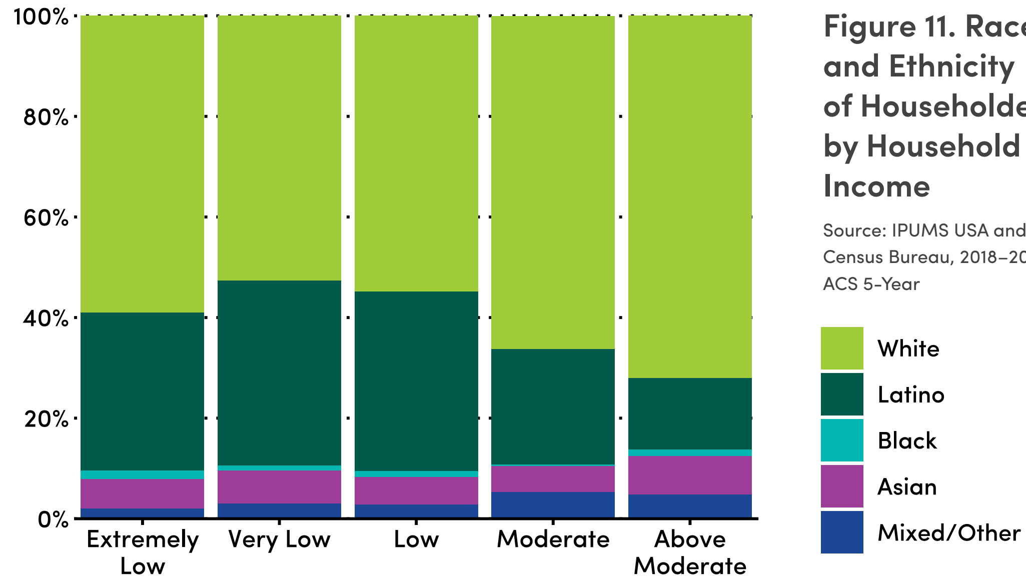


Figure 11. Race and Ethnicity of Householder by Household Income

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year

Who Are Napa Valley's Households & How Do We Build for Them?

There Are Fewer Households with Children in Napa Valley than in the Rest of the State

North Bay counties as a whole have a lower proportion of households with children under 18 than the statewide average of 33%. Only 1 in 10 households in Yountville and 2 in 10 households in Calistoga have children under 18. American Canyon is the only jurisdiction with a significantly higher than average proportion of households with children at 45% of all households.

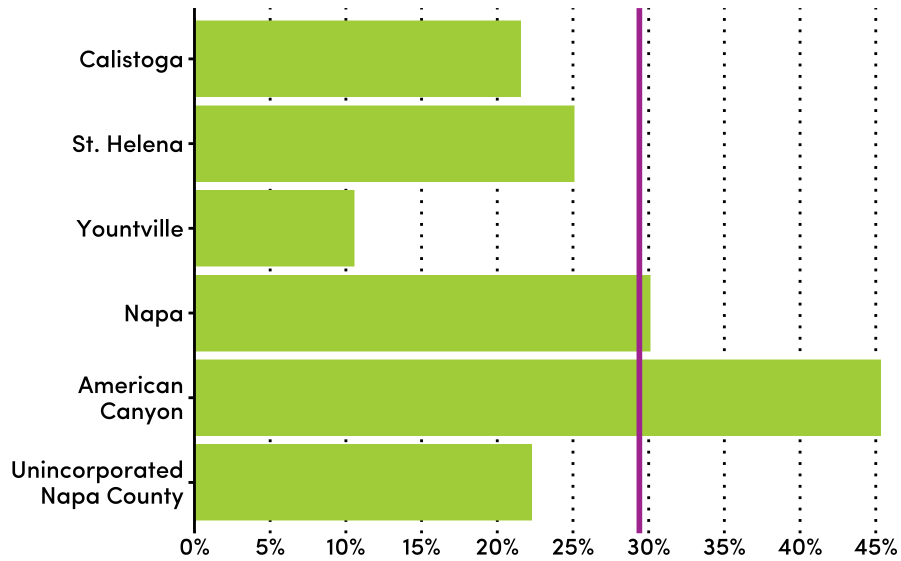


Figure 12. Percentage of Households with Children Under 18 by City vs. Overall Napa Valley

Source: U.S. Census Bureau, 2018–2022 ACS 5-Year

"Preschool for All is not just about education; it's about family and community support. Our organization has seen firsthand how housing plays a direct role in the health and well-being of its communities, especially of its youngest residents. Housing and child care are typically the highest expenses for a family, which means that many children may not attend preschool due to these financial challenges. By providing scholarships, we remove a significant financial barrier for families, especially in high-cost living areas like St. Helena; where housing has become a bigger challenge in the last few years. This support isn't just about preschool; it's about helping families to stay and raise their families in our small community.

One of the remarkable aspects of Preschool for All has been our ability to make adjustments based on our family needs. One example was our revision of financial eligibility standards as a response to middle-income families who at the time were not qualifying for scholarships, recognizing that the cost of living in St. Helena was affecting a wide range of households. This inclusive approach ensures that families at various income levels can benefit, fostering a more diverse and resilient community.

By supporting early childhood education, we help alleviate the broader pressures of living expenses in the Napa Valley. This support is essential for families to thrive in St. Helena, and Preschool for All is at the forefront of making it possible."

—Julio Olguin, Executive Director of St. Helena Preschool for All

WHERE CAN YOU FIND THE RIGHT SIZE HOME?

IN NAPA VALLEY...

ONLY 9% of 1-bedroom homes are available to OWN

60% of 2-bedroom homes are in Single-Family units vs. 49% in Marin County

ONLY 19% of 3-bedroom homes are for RENT vs. 28% in Solano County

98% of 4-bedroom homes are in Single-Family homes

Source: U.S. Census Bureau, 2018–2022 ACS 5-Year

MISMATCH in Napa Valley's Housing Stock

Napa Valley's housing stock was built for a diverse community. Bedroom sizes, locations, housing types, and even price options were relatively well distributed when most of Napa Valley's homes were built, allowing households to move between diverse options as needs changed. But in recent years, housing production has stagnated, wildfires have destroyed nearly 1,300 units — including 30 years' worth of housing production in the Unincorporated County area and equivalent to Yountville's entire housing stock — and numerous residences have been turned into second homes and higher end rentals. As a result, movement between households has been stifled, as residents deem it too risky to leave an existing home and compete among the limited availability. Like any California community simultaneously experiencing out-migration, aging residents, and aging homes, the match that Napa Valley once maintained between homes and households has proven hard to sustain.

Napa Valley faces the additional challenge of a vast and profound economic shift over the last two decades, one that transformed its distribution of jobs and fostered new sources of revenue related to wine-related tourism. Unlike other economic transitions, this one entailed the repurposing of elements of the housing market. Although these changes are unique to the Bay Area, other regions such as San Mateo and Santa Clara have seen similar shifts in resident income and job importation. The challenge for each of these counties has been to fit the housing stock built for prior decades to meet the needs of its current residents. This section explores the unique profile of Napa Valley's housing to household mismatch or deficit.

A region's housing deficit can be measured in many ways, but a simple comparison of homes to people leaves each region's unique deficit hard to discern. By that measure alone, Napa Valley is performing moderately well; but its ratio of homes to people is inflated by net negative migration, declining family households, and an explosion of workers relocating outside of county lines. To better understand the mismatch driving these trends, we endeavor to look at housing stock to households rather than people, to track who has actually decided to live where and under what arrangements.

We show that Napa Valley's deficit has a profile all its own that defies some statewide trends. For example, Napa Valley's homes skew large and costly and are suited for larger families earning above moderate incomes. Since most are occupied by long-standing smaller households, there is a deficit of larger units at affordable rates. On the other end of the size spectrum, there is a shortage of smaller units like 1-bedrooms that might be well-suited to a first time home for a young couple, who must instead pick from 2 and 3-bedroom units, increasing their housing costs unnecessarily.

Napa Valley has also seen proportional rises in home prices in line with regional averages. Yet an increase of homes at naturally affordable levels through aging has not occurred. Instead, Napa Valley has seen a 74% decline in homes priced at entry levels. Moderately priced homes are so rare that competition from higher earning households can push out those residents who might be best served by their affordability. In Napa Valley, nearly two-thirds of all Moderate households pay more than they can afford while half of all Above Moderate households pay less than they might afford, suggesting a mismatch in who can secure homes priced for moderate affordability.

Finally, competition for fewer units is heightened by the region's highest share of second homes. As more options for residents are taken off the market, this drives above moderate earners to compete for homes just below their price range.

Project Spotlight

NAPA FIRST UNITED METHODIST CHURCH WORKFORCE HOUSING

LOCATION
City of Napa

TOTAL UNITS
46 affordable units

DEVELOPER
Burbank Housing

Converting the land on church property into housing used to be a rare measure available to both cities and religious congregations looking to address housing shortages. But with the passage of Senate Bill 4, the new law allowing for the streamlining of building regulations for churches and higher education institutions to develop affordable housing, the opportunities could be more plentiful in the near future. This development, a collaboration between the Napa First United Methodist Church, Napa Valley Community Housing, and Burbank Housing, got a head start on the law and will become one of the first to offer an innovative use of church land to serve low-income families in the city of Napa.

The project, true workforce housing serving residents earning 30-60% of Area Median incomes, will house workers in key industries including accommodation, education, and healthcare. The project boasts 8 major employers in its vicinity including those within these sectors.

The development is also family centric with its combination of 1-3 bedroom units. Current plans include its own park with playground amenities attractive to families. Community spaces shared with the church will also offer space for childcare provided by long standing partners at the Napa Valley Nursery School.

Mismatch in Napa Valley's Housing Stock

Napa Valley's Housing Production Has Not Kept Up with Need and Homes Are Aging

In the prior century, the Valley built housing for multiple sized households. Two- to four-bedroom houses form the bulk of the housing stock, with only 7,500 housing units under 2-bedrooms. As a result, **Napa Valley's housing units are large, with the typical house having 3 bedrooms. An additional 12,500 homes have 4-bedrooms or more, meaning that roughly 70% of all homes in the county are large and thus more expensive.**

The infrequent availability of large homes on the market hurts families who might otherwise consider them. But larger homes are rarely helpful for smaller households looking for affordable options. Greater size typically means greater cost. For example, for a typical 2-person household looking for a 1- or 2-bedroom starter home in Napa Valley, there are half as many 1-bedroom homes for rent or sale as there are 2-bedroom homes, stacking the odds in favor of a pricier purchase.

Most housing units in Napa Valley are older, with the median year built being 1975 during the region's most prolific period of home construction. Nearly 32,000 of the Valley's 55,000 units — or 3 in 5 homes — are a half century old or more. **The 2010s was the least productive decade on record, with the Valley adding under 2,500 homes from the annual height of production of nearly 10,000 units in the 1970s.**

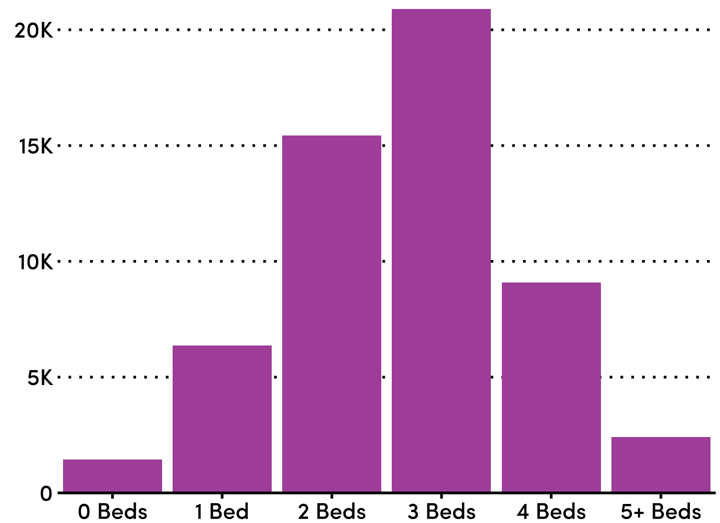


Figure 13. Total Housing Units by Bedroom Size

Source: U.S. Census Bureau, 2018–2022 ACS 5-Year

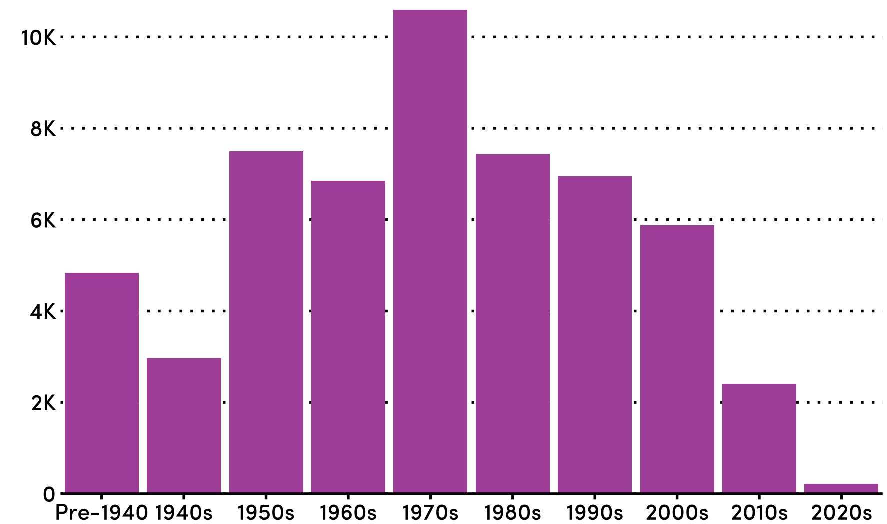


Figure 14. Total Housing Units Produced by Decade

Source: U.S. Census Bureau, 2018–2022 ACS 5-Year

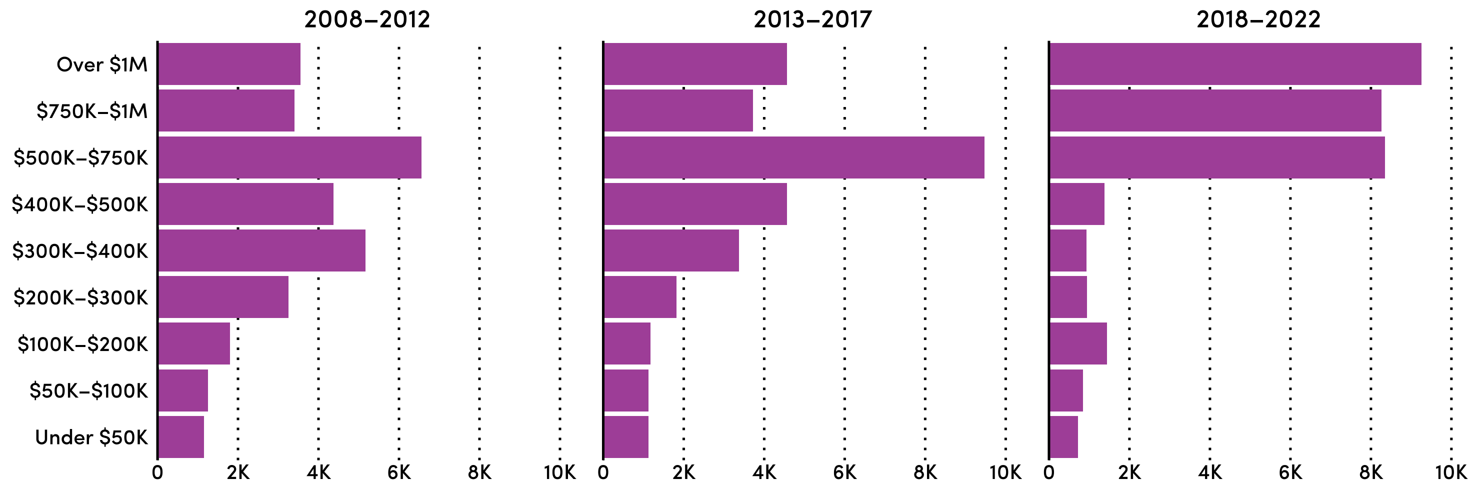
Mismatch in Napa Valley's Housing Stock

Housing Costs Are Rising in Ownership and Rental Markets

Aging homes are typically linked with greater affordability. But the region's tight housing market has worked against the gradual affordability of older homes. Total homes in the highest priced segments ($750,000 and above) have nearly tripled since 2012. But entry-level homes in particular have seen significant total decreases. **By 2022 there were half of the number of homes priced between $300,000 and $500,000 as there were in 2012, falling from roughly 9,000 homes to 2,500.** As late as 2017 there were nearly 3,200 homes valued between $200,000 and $300,000, while today under 900 exist throughout the Valley. At the same time, total homes valued between $750,000 and $1 million have increased from about 3,500 to 8,100 since 2012. In the last 5 years alone, total homes categorized above $1 million have increased by 202% across Napa Valley and the median home value has risen from $560,000 to $795,000.

Figure 15. Total Owner Occupied Homes by Value, 2008–2012 to 2018–2022

Source: U.S. Census Bureau, 2008–2012, 2013–2017 & 2018–2022 ACS 5-Year



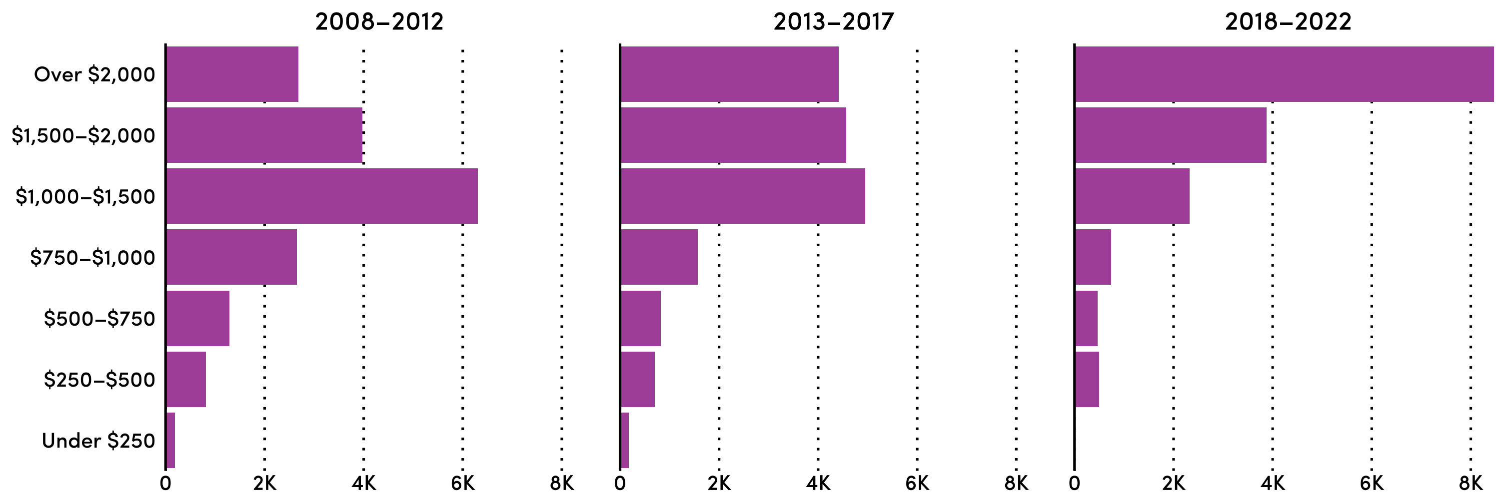
Mismatch in Napa Valley's Housing Stock

Housing Costs Are Rising in Ownership and Rental Markets *(continued)*

Rental options, which comprise a smaller percentage of the market, are increasing in cost at somewhat higher rates as the total portion of the population competing for them grows. **The total number of the region's highest priced rental units (those $2,000 or more) tripled between 2012 and 2022 while those priced at more affordable rates ($1,000 to $1,500) were reduced to one third of their prior totals in that same period.** Most gains in affordability have been lost. For example, between 2017 and 2022 the region "lost" all the units priced $1,500 to $2,000 per month that it had gained between 2012 and 2017, as prices continued to climb. The Valley added 4,000 units priced above $2,000 between 2017 and 2022, or roughly 1,000 units per year. There are now 8,200 rental units above $2,000, or nearly 42% of all units for rent, and only 2,100 throughout the Valley priced between $1,000 and $1,500. The most affordable units — those priced below $750 have shrunk by 60% since the period 2008-2012. There are now under 1,000 units throughout the Valley priced for earners making low and very low incomes.

Figure 16. Total Rental Units by Monthly Cost, 2008–2012 to 2018–2022

Source: U.S. Census Bureau, 2008–2012, 2013–2017 & 2018–2022 ACS 5-Year



Mismatch in Napa Valley's Housing Stock

Housing Underproduction Has Led to Population Stagnation

Stagnation in housing production at the start of the 2010's precipitated the region's first population downturn starting in 2016. Population has declined every year since.

For the first time in 2015, year over year changes in population dropped below year over year increases in housing, losing 0.75% of the population each year starting in mid-2016. That rate of decline has since been surpassed. Even as housing production has returned to its pre-2015 rates, Napa Valley is now losing 1.5% of its population every year.

Figure 17. Housing Units and Population Over Time, 2010–2022

Source: U.S. Census Bureau, Population Estimates Program

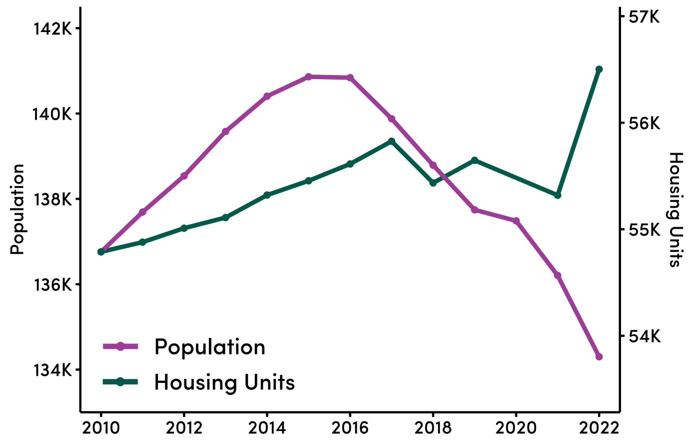
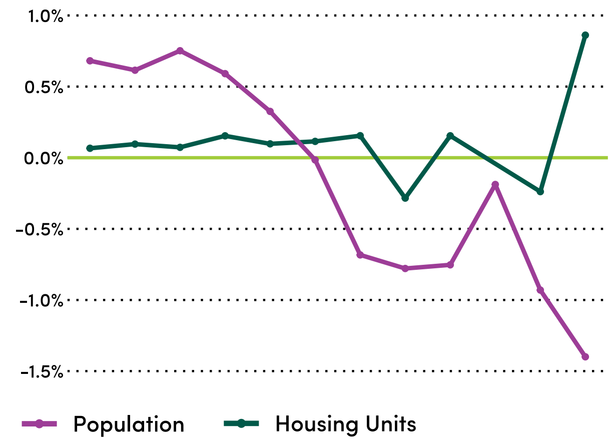


Figure 18. Annual Percentage Change in Housing Units and Population, 2011–2022

Source: U.S. Census Bureau, Population Estimates Program



"The strength of St. Helena is created by a tight-knit, familial community with frequent interaction among its residents—you see your dentist at the grocery store; your child plays soccer with a winery worker's son; and everyone is at the Pet Parade. We have a quaint, historic downtown that evokes warmth and welcome. Our community's richness comes from the diverse population of individuals who live and work in St. Helena. This is why we love living here and what brings thousands of visitors to our town every year.

But the strength of our community is at risk. With housing prices in St. Helena continuing to increase and supply continuing to decrease, essential members of our local workforce—supporting health care, education, agricultural, emergency responses, hospitality, and retail businesses—can no longer afford to live here. Local businesses struggle to attract and retain good workers. Many younger families can't afford a home in St. Helena and have moved away, and some seniors struggle to survive on limited incomes. These trends, coupled with a robust second home and vacation home market, are altering the composition of the community.

Unless things change, local businesses will continue to struggle to attract and retain employees, and some will not survive as a result. St. Helena's school enrollment will continue to decline, which will affect the class offerings and sports programs for our children. The health of the environment will continue to worsen as more people are driving long distances to and from their jobs. People's mental wellbeing and physical health will suffer. And St. Helena will miss out on the important contributions to our town made by workers who live elsewhere."

—Jennifer La Liberte, Executive Director of Our Town St. Helena

Mismatch in Napa Valley's Housing Stock

The Gap in Affordability Is Persistent Despite Rising Incomes

Housing cost to income ratios are typically less stable for renters than owners. But in Napa Valley, homeowners have been subject to greater cost to income ratio increases than its North Bay neighbors. **In two decades, the proportion of homeowners paying over 35% of their income towards home costs has increased nearly 15 percentage points,** compared to 5 and 9 percentage points increases in Marin and Solano Counties, respectively.

Increases in rental and home prices are manageable typically if they keep pace with increases in income. **Since 2005, the gap between what the median renter can afford and what they actually pay has remained steady despite steadily growing incomes.** That is, even as pay has increased, the "affordability gap" has not closed (except temporarily around the beginning of the pandemic). For a period before 2005, when data was last available, actual rents sat below what the median renter could afford.

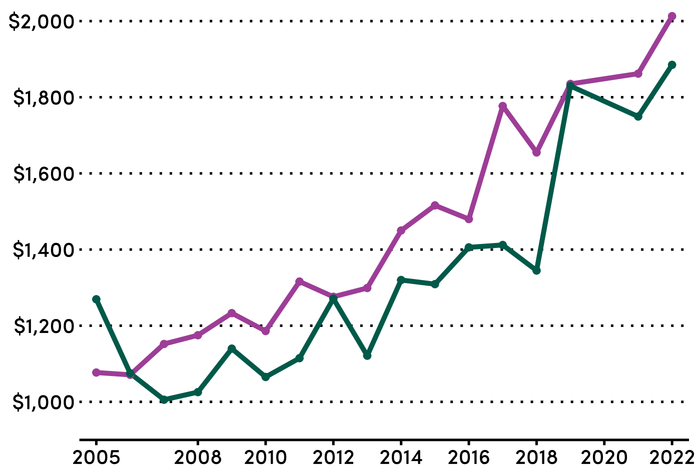


Figure 19. Median Rent vs. Median Renter Income, 2005–2022

Source: U.S. Census Bureau, 2005 to 2022 ACS 1-Year

Rent — 30% of Income

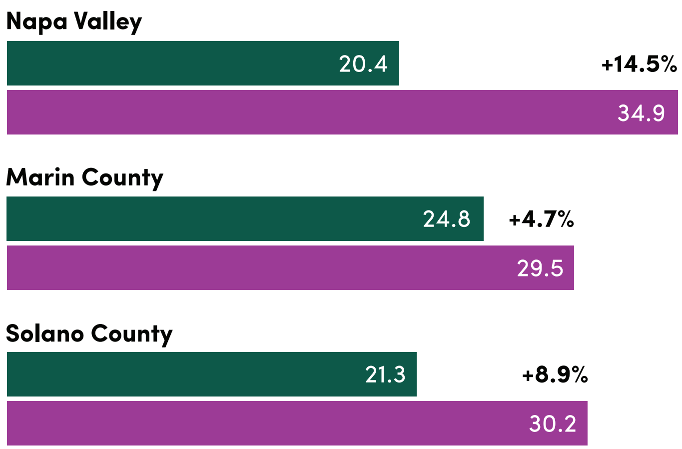


Figure 20. Percentage of Homeowners Paying Over 35% of Income on Housing Costs, 2000 vs. 2022

Source: U.S. Census Bureau, 2000 Decennial Census and 2022 ACS 1-Year

2000 — 2022

Mismatch in Napa Valley's Housing Stock

The Gap in Affordability Is Persistent Despite Rising Incomes *(continued)*

For Napa Valley's Extremely Low and Very Low Income earning job sectors, the gap between monthly wages and median rents is significant. Wages in some of its most critical sectors — including agriculture, food and hospitality, and health care — are more competitive than the rest of the state in order to allow these workers to reside within the Valley close to their jobs. But even with higher wages, the gap between median monthly earnings and median rents for key sectors in Napa Valley outpaces gaps for workers in these industries around the state. The higher than average housing costs undercuts those competitive wages. For example, farmworkers in Napa Valley earn more than their peers across the state but with higher monthly rents, the gap between incomes and housing costs is nearly $200 more for Napa Valley farm workers. For food prep workers, the gap is 10% higher for Napa Valley workers or about $350, and for maids and housekeeping cleaners the gap is 15% higher or nearly $450 in monthly earnings to rent for those in Napa Valley.

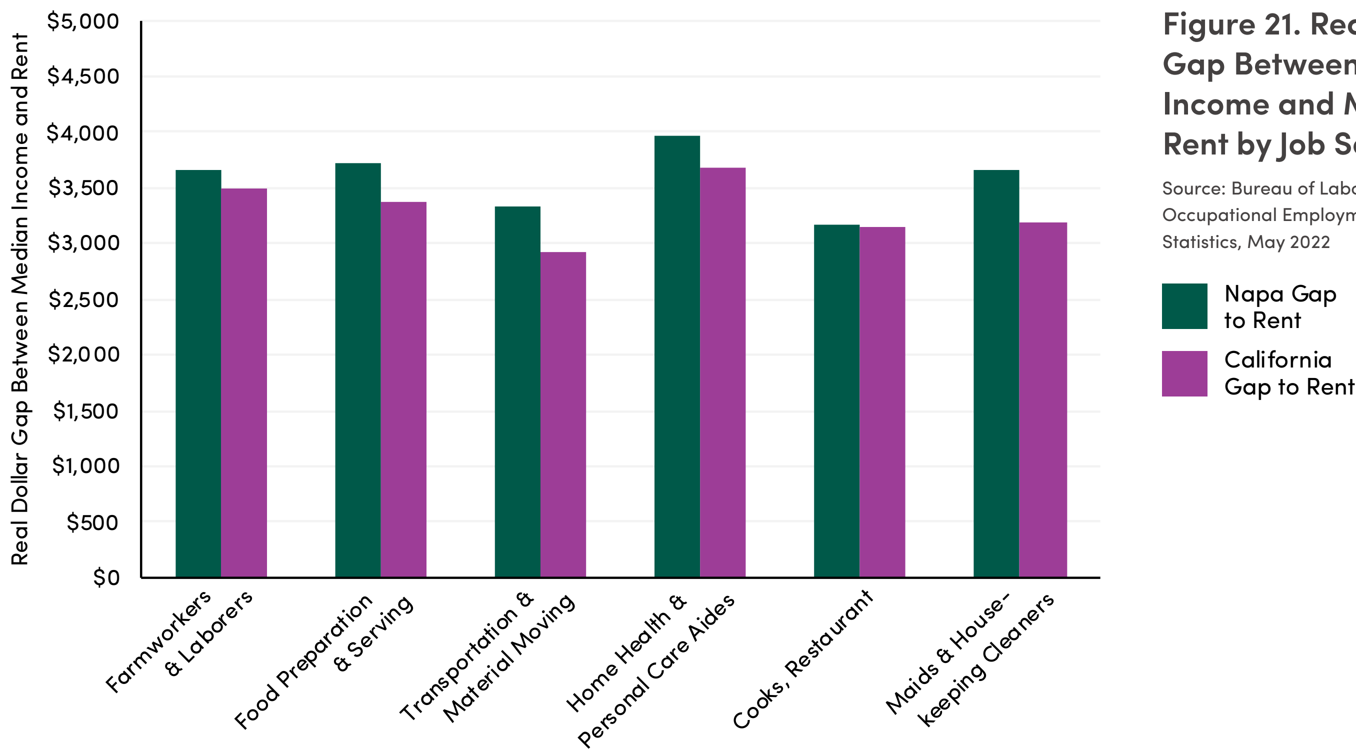


Figure 21. Real Dollar Gap Between Median Income and Median Rent by Job Sector

Source: Bureau of Labor Statistics, Occupational Employment and Wage Statistics, May 2022

Mismatch in Napa Valley's Housing Stock

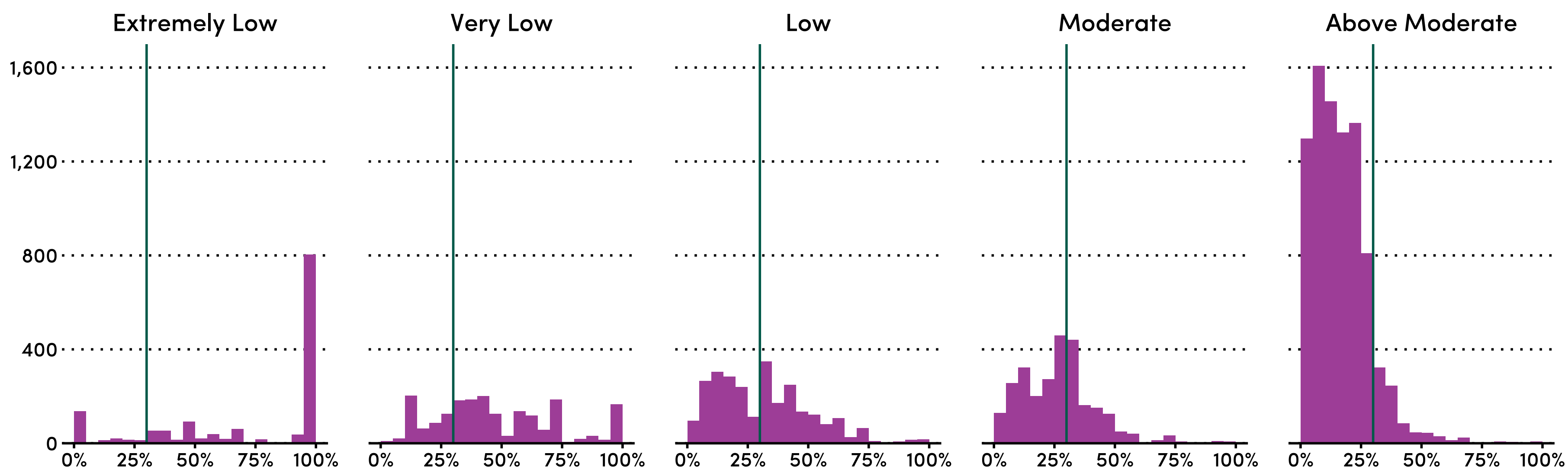
Household Costs and Size Are Misaligned with Need

What generates a "mismatch" between residents and the homes that are available? Typically, when housing units at a set price or value are not occupied by a household who would most benefit from that particular cost (i.e. "match"), we consider a housing stock to be mismatched with its households. Many factors may drive mismatch, including low rates of availability and turnover; competition from higher earners for a limited availability of homes at moderate and lower ends; and long delays on the ability of some households to leave the rental market. Each results in a portion of households paying more than 30% of their income and many more households paying close to 5 or 10% of their income on housing. A region experiences mismatch when a large number of high income earners live in homes that would, at current values, be affordable to moderate or low income earners.

This graph illustrates the skewed distribution of Napa Valley's 2-person households by the percentage of their income that goes to housing. Residents to the right of the line within each AMI category pay more than 30% of their income towards housing — a classic representation of cost burden. Less is typically known about the payments of residents to the left of the line or those who pay less (and often far less) than 30% of their income. Napa Valley has a significant number of residents who occupy homes whose costs might otherwise be affordable to residents earning less.

Figure 22. Distribution of Housing Costs for 2-Person Households by Household Income

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year



Mismatch in Napa Valley's Housing Stock

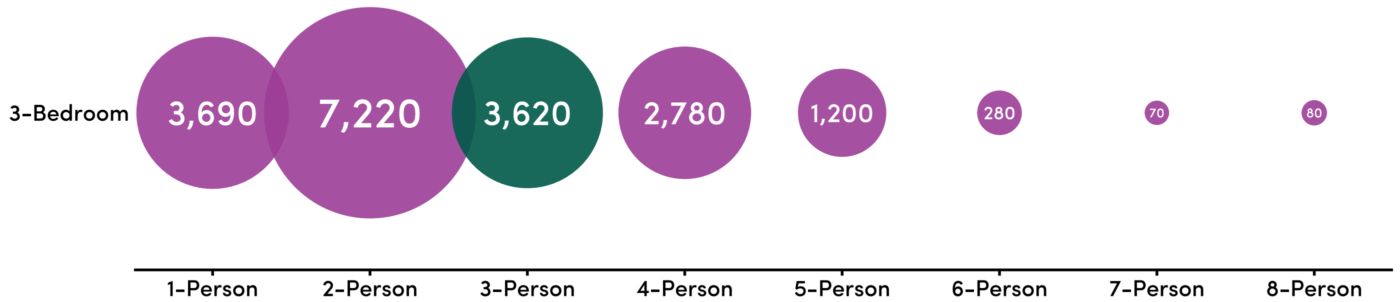
Household Costs and Size Are Misaligned with Needs *(continued)*

We find that most Extremely Low and Very Low Income residents are cost-burdened, although a significant number have been freed from burden by cost-effective and affordable housing. Likewise, roughly half of all Low Income earners pay more than 30% of their income towards rent. But "mismatch" occurs around the fringes of the distribution. For example, many moderate earning households pay 30% of their income on housing. But a significant portion pay between 5-15% of their income on housing, suggesting that many occupy homes that would be reasonably priced for lower income residents, including many who are currently cost burdened. At the same time, we show that moderate households themselves may be pinched by above moderate households who occupy homes more suited to moderate earners. In fact, we find thousands of above moderate households who pay between 5-10% of their income on housing costs, suggesting that they may occupy homes whose costs — should they ever be available — would fit moderate earners. Many of these homes may have fully paid off mortgages or were acquired when values were low, but they nonetheless point to a housing stock that is diverse but inadequately matched to its households.

Matching household sizes to bedrooms is a complex challenge. But in a healthy market, homes of various sizes become free so that households can upgrade or downsize as needed. Napa Valley's tight housing market makes such a move difficult, meaning that even when a typical 2-person household seeks to downsize, high prices and few options on the market makes that move difficult. As a result, as this graph shows, many of Napa Valley's households live in homes with multiple bedrooms beyond what is typically needed. Among Napa Valley's households who occupy 3-bedroom homes, the largest segment are 2-person households. **7,200 2-person households live in the Valley's 3-bedroom units; and another 3,700 1-person households occupy 3-bedroom homes.**

Figure 23. Total Households by Household Size for 3-Bedroom Homes

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year



Mismatch in Napa Valley's Housing Stock

Napa Valley's Vacancy Rate Is Led by Second Home Use

A region's total housing stock includes its vacant units. A healthy level of vacant units for rent or sale allows for movement between homes — the very kind of flexibility that leaves residents with choices. However, a full account of vacancy must assess whether these units are actually available to current residents. Napa Valley's housing stock stands out in this regard. **The Valley has the highest percentage of seasonally/recreationally vacant units, i.e. second homes, of any other North Bay county. Just over half of its vacant units are reserved for these purposes, compared to 30% in Marin County and 15% in Solano County.** This means a majority of its vacant units are not for sale or rent for long-term residents. To illustrate the impact of vacant homes being utilized by residents, if Napa Valley gained an additional 6,500 units, its ratio of houses to households would increase from roughly 350 homes per 1,000 residents to nearly 400 homes per 1,000 residents.

Some communities have seen a far greater percentage of their vacant units utilized as second homes. Just over half of St. Helena's vacant properties are second homes while in Yountville the proportion reaches 75%. In both cases, about 250 homes have been removed from each communities' vacant or occupied housing stock that can be used by residents.

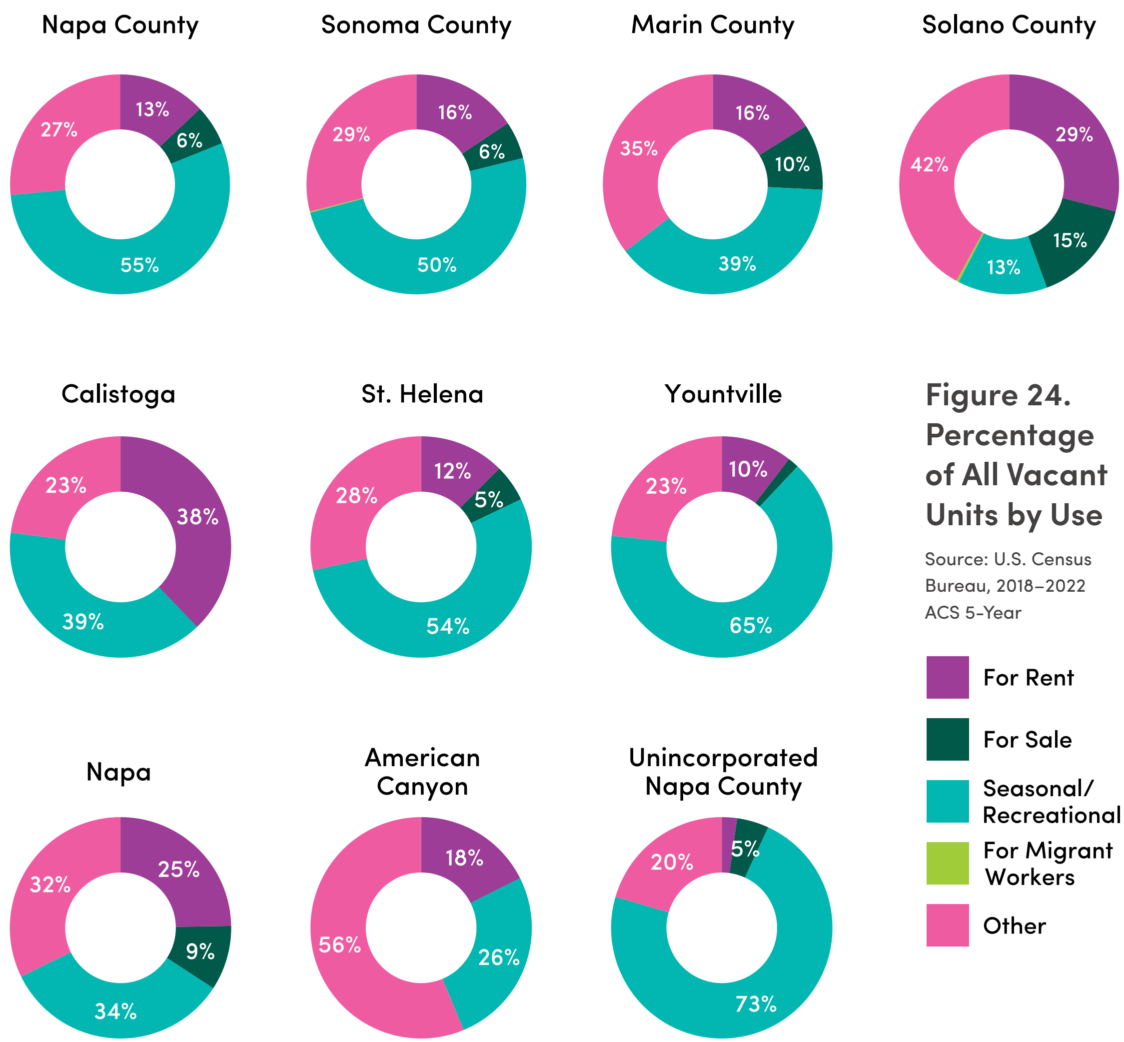


Figure 24. Percentage of All Vacant Units by Use

Source: U.S. Census Bureau, 2018–2022 ACS 5-Year

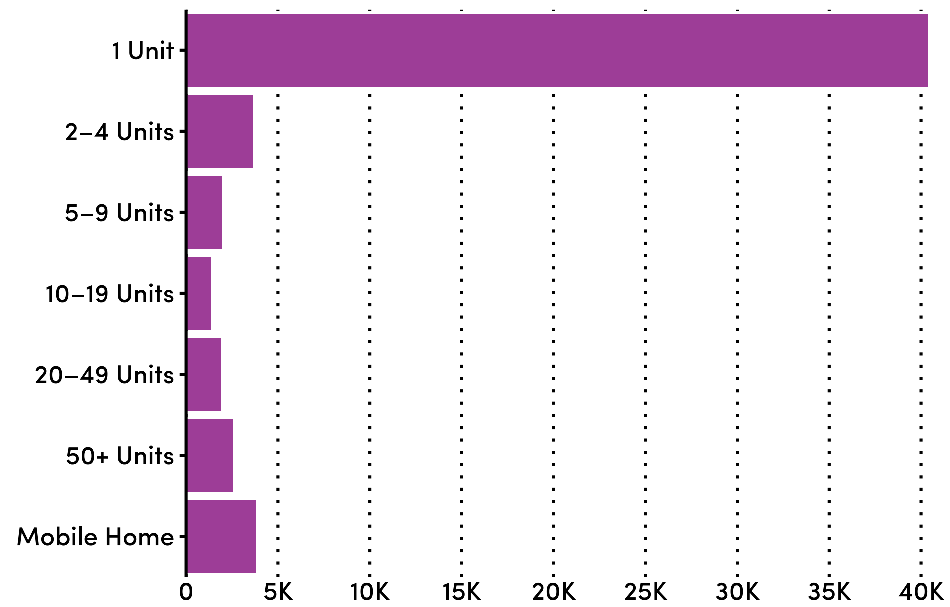
Mismatch in Napa Valley's Housing Stock

Napa Valley's Housing Is Highly Dependent on Single Family Homes, Which Can Drive Up the Price of Available Housing

The vast majority of the Valley's housing stock (both occupied and vacant units) are single family homes. Over 40,000 single- structure units supply residents with the bulk of their housing compared to just under 10,000 plexes (duplexes, triplexes, and quads) and Missing Middle housing units (5-19 units). As a result, many of the region's rental options are supplied by single family homes. Mobile homes also supply a significant number of homes at just under 5,000 units that help meet the needs of affordable housing for the region's low income households and seniors on fixed incomes.

Figure 25. Total Housing Units by Unit Type

Source: U.S. Census Bureau, 2018–2022 ACS 5-Year



Doubling up with additional family members or roommates, cutting corners to save towards a home, and other sacrifices were common themes in our conversation with The Vergers. At worst, housing costs required difficult sacrifices in child care, health care and disability supports. "You have to sacrifice so much just to have housing," one member noted; yet another clarified, "People will pay what is being asked, no matter how much it is." This means we see rising cost burden as a condition of living in Napa Valley. This is true of those on fixed incomes as much as it is true of dual-income households. "My husband works two jobs and I work full time at one and this is not enough money to afford a house," one resident explained. In some cases, many welcome other renters to help cover costs. One explained that "we were living in a two-bedroom apartment before and paying 2,000. We couldn't afford it so we had my husband's brother move in with us. We were 6 people in a two-bedroom apartment." Others moved far from jobs to be better able to afford housing. One resident stated that her "husband works forty minutes away from our house because it is cheaper. [Yet] it is so expensive for gas and we have to take our kids to 3 different schools." The cost of housing also means moves themselves can be tricky. "We haven't been able to move out of our trailer for twenty years because we couldn't do that and cover all our other costs," one noted, illustrating the financial cushion that residents must have to relocate. Some count the cost of moving in other ways: "We don't want to move from Napa because my family has a lot of connections here with doctors, schools," and moving would mean giving up these assets."

—Members of On the Verge, a place-based leadership development program organized by On the Move

Mismatch in Napa Valley's Housing Stock

Adding Multifamily Housing Is Limited by Zoning

The vast majority of permitting in Napa Valley has been for single-family homes since at least the 1980s. After peaking in 1990 and again around 2003 with annual totals of 1,000 housing permits, overall yearly permitting totals declined in the early 2010s and did not recover to those prior highs until recent years. The decade spanning 2010 and 2020 saw the lowest production totals in nearly four decades. Starting in 2020 the Valley's jurisdictions resumed permitting levels and did so while shifting in focus from single family homes to multifamily permitting, making up for deficits in Missing Middle housing units (5-19 units). In 2020 regional permitting of multifamily units hit a high of nearly 1,000 units — the highest since at least the 1980s when permitting data was last available.

Permitting for multifamily homes may be limited by the amount of land in Napa Valley's cities zoned exclusively for single-family homes. These rates are well in line with Bay Area norms but constrain available space where multifamily units can be built. All jurisdictions in Napa Valley except Yountville have zoned over 75% of their land for single family homes. Unincorporated Napa County land and Calistoga have zoned nearly all of their land for single family housing.

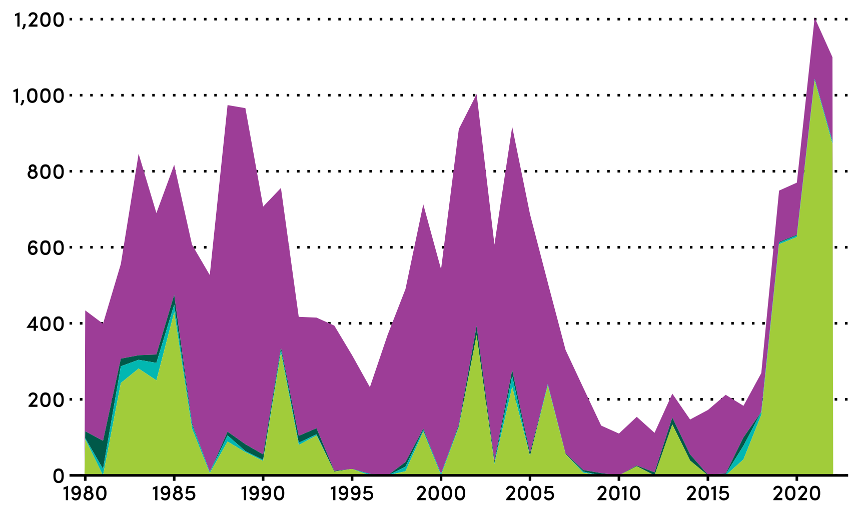


Figure 26. Total Permitted Housing Units, 1980–2022

Source: U.S. Department of Housing and Urban Development, Building Permits Database

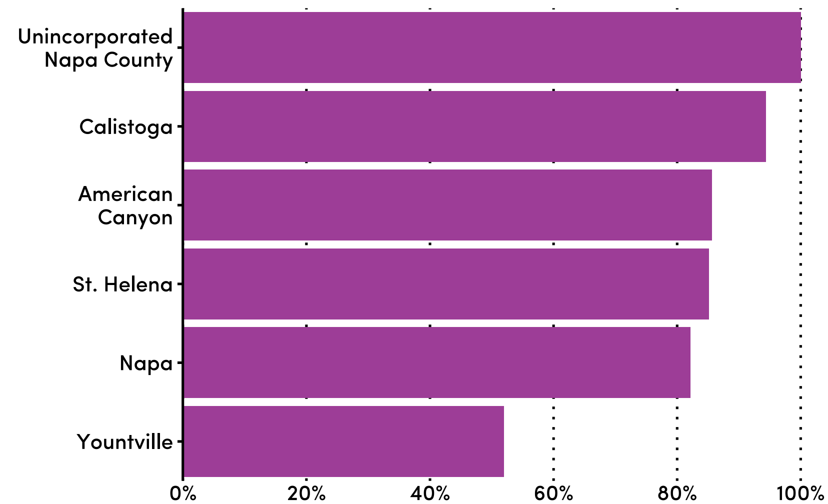


Figure 27. Percentage of Single Family Zoning by City

Source: Othering and Belonging Institute at UC Berkeley, California Zoning Atlas

Mismatch in Napa Valley's Housing Stock

State Mandated Targets Will Increase Threefold for Napa Valley's Jurisdictions

To reduce statewide housing deficits, cities and counties across the state will be asked to hit higher housing targets for the 6th Cycle Housing Element. Known as RHNA totals, each city and county must provide a plan to reach the permit totals shown here. **Napa Valley's jurisdictions will see large increases in the total numbers of homes they must build, nearly tripling their obligations since last cycle.** The City of Napa must produce roughly 1,800 more units while St. Helena's total will increase eightfold since the last cycle.

Napa Valley and its jurisdictions have surpassed their RHNA targets via significant numbers of permits for above moderate units. By contrast, it has underbuilt its moderate and below moderate housing. As a rule of thumb, half of one's new housing should be suitable for the half of the population that earns below the median income. As a percentage of all units permitted, Napa Valley as a whole allotted only 40% of all its new permits to moderate units and below. This puts it in the bottom half of statewide peers including Ventura County (78% of all permits to moderate or below) and Fresno County (67% of all permits to moderate or below). The City of Napa fares worse. In the last 8 years, the city allotted only 28% of all new permits to moderate or below units, better than only Antioch and San Luis Obispo among peers.

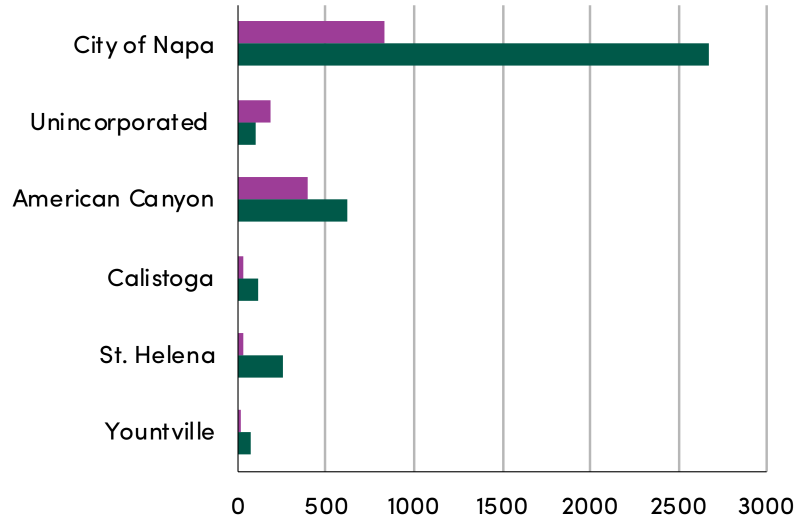


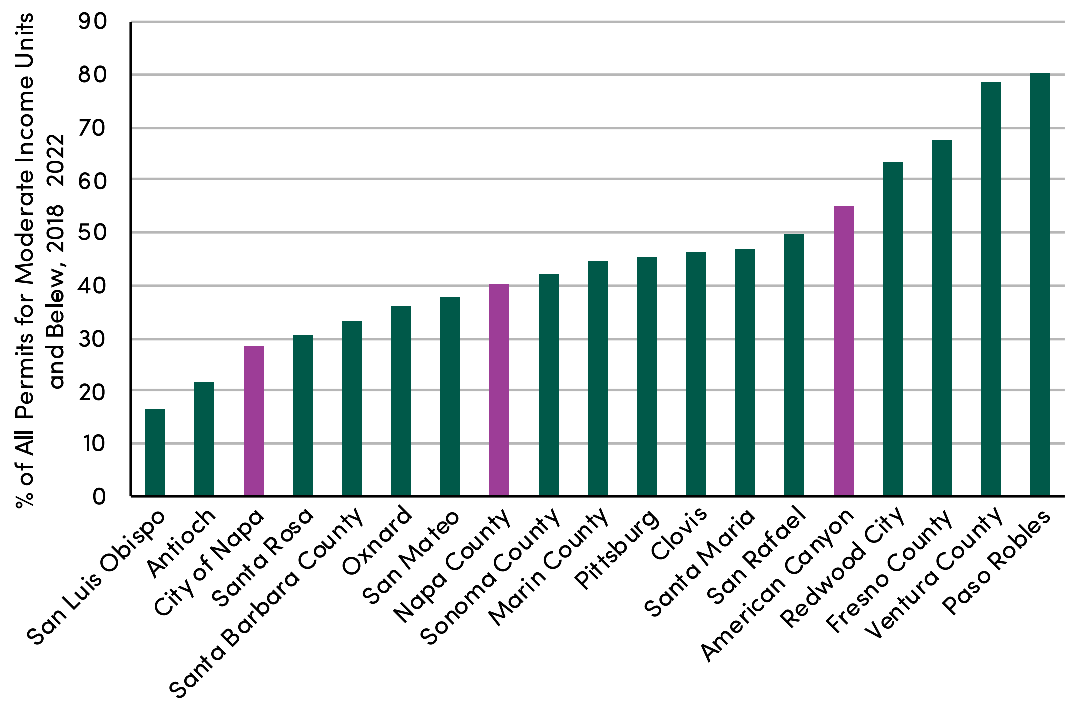
Figure 28. RHNA Goals by City, 5th Cycle vs. 6th Cycle

Source: California Department of Housing and Community Development, Annual Progress Reports

- 5th Cycle Totals
- 6th Cycle Totals

Figure 29. Percentage of Units Permitted for Moderate and Below Moderate Income Households, 2018–2022

Source: California Department of Housing and Community Development, Annual Progress Reports



The IMPACTS of High Housing Costs on Residents

GENERATION HOUSING NAPA VALLEY

Households take extraordinary measures to live within a particular region. Households will typically pay more than they can afford to live near work or school. Others may double up or take on additional renters to defray costs. It is an equally extraordinary measure to leave behind the convenience and community of living near work, school, and family in order to relocate. Both choices — accepting higher cost burden or commuting ever longer distances to work from home — reflect housing markets with limited availability. Napa Valley's households experience rates of cost burden, overcrowding, and commuting that are reflective of that market condition.

Although many of the key indicators are similar to those experienced across the Bay Area, Napa Valley's households experience cost burden, overcrowding, and long commutes in particular patterns that signify the unique relationship between its workforce, rising housing costs, and regional submarkets where larger rental options and more affordable starter homes are more readily available. For example, because we've shown that many above moderate earning households compete with — and often purchase or secure — owner-occupied and rental units that might otherwise be suitable for households earning slightly less, Napa Valley has a uniquely high rate of cost burden among its moderate earning households as well as its lowest earning.

Likewise, it is those households earning just below moderate levels of income that experience the highest rates of overcrowding, suggesting that the number of options available to households just above eligibility for subsidized housing may be insufficient and lead to greater doubling up or shared spaces.

The Valley also has seen the region's highest drop in the percentage of its workforce who lives within the Valley itself. Napa Valley is now home to the third highest rate of workers who reside elsewhere, behind only the Silicon Valley counties and San Francisco. This may be due to a combination of high housing costs and constrained market within the Valley as well as a slightly lower cost and more diverse housing market just outside. The result is that for a region of 137,000 residents, its challenges resemble those of a major city.

Project Spotlight

BRENKLE COURT

LOCATION
St. Helena

TOTAL UNITS
8 townhomes for low and moderate income families

DEVELOPER
Our Town St. Helena

Our Town St. Helena's newly complete Brenkle Court project offers a model of home construction, financing, and ownership unlike many others in the county. Its for-sale townhomes target two overlapping and much neglected groups: low- and moderate-income families earning 40-90 percent of the Area Median Income and first-time home buyers. The goal is to target households who may earn too much to receive subsidies or qualify for most deed-restricted affordable units but nonetheless are typically unable to exit the renter market to compete with higher earners for St. Helena's high cost owners' market.

The development of the homes reduce costs in at least two innovative ways: first, families contribute sweat equity in the form of volunteer hours on the construction of the site; second, the use of town homes as opposed to more traditional single family detached homes helps to keep costs down. In a market where median home sale prices have regularly surpassed $2 million since 2022, the for-sale options at Brenkle Court are one-quarter of the price and provide needed relief to moderate earners.

This unique model has several additional benefits. The high quality homes, which are deed-restricted for 55 years, will maintain affordable homeownership for several generations. And the community that has formed among the households is tight-knit: most recently, they have formed their own soccer club to compete in regional intramural games.

The Impacts of High Housing Costs on Residents

Cost Burden is High for Low- and Moderate Income Households and Harms Black and Latino Households at Higher Rates

Nearly half of lower and moderate earners cannot locate homes within their price range. Only 2 in 10 of Napa Valley's Extremely Low-Income households and 3 in 10 of its Very Low-Income households are not cost burdened. Although Napa Valley has a slightly lower rate of Low Income earners who are cost burdened compared to regional peers like Sonoma County, it has a higher rate of moderate income households who are cost burdened. **Nearly 37% of moderate earning owners and renters are cost burdened compared to 25% in Sonoma County.** These households do not qualify for most affordable housing subsidies and may be outbid by higher earners for homes at their price range. The share of moderate earners experiencing cost burden is nearly four times higher than the share of above moderate earners.

Cost burden does not impact all groups evenly. Cost burden disproportionately impacts Black and Latino residents relative to other ethnicities in Napa Valley. Nearly half of its Black and Latino households experience cost burden. These rates are in line with regional averages.

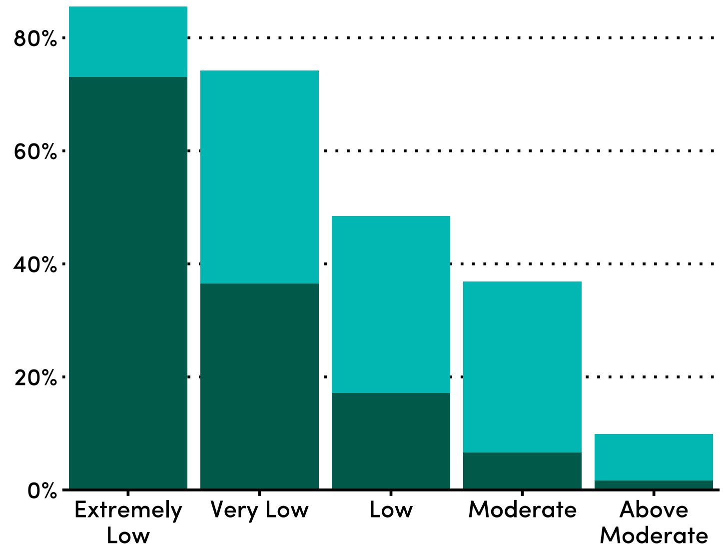


Figure 30. Rates of Cost Burden by Household Income

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year

Severely Burdened
Moderately Burdened

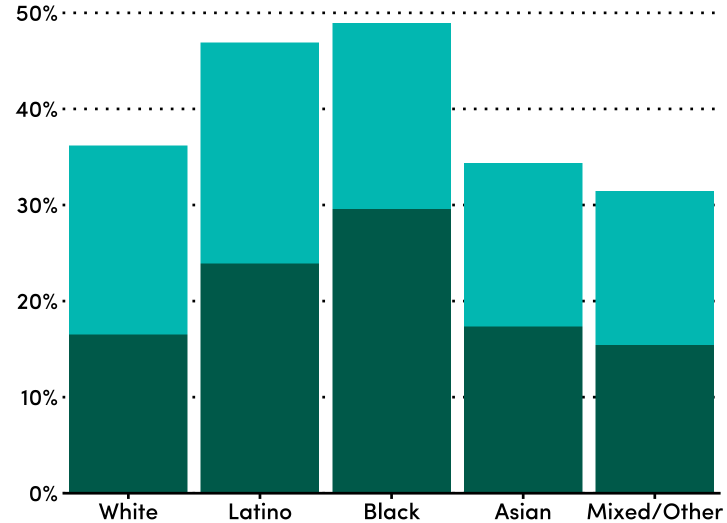


Figure 31. Rates of Cost Burden by Race and Ethnicity of Householder

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year

Severely Burdened
Moderately Burdened

The Impacts of High Housing Costs on Residents

Overcrowding Is Driven by High Costs

High rates of cost burden contribute to the total number of households who seek to double up or welcome other contributors to help with rent, leading to conditions we identify as overcrowded. Extremely Low and Very Low earning households experience the highest rates of cost burden in Napa Valley and have correspondingly higher rates of overcrowding than above moderate earners. However, they do not have the highest rates of overcrowding (although some cases may be under-reported). Due to the Valley's provision of deed restricted affordable units available to the lowest earners, rates of overcrowding for these households are not as high as those earning slightly more. Low income households who are just above eligibility for these homes experience the highest rates of overcrowding in the region, with nearly 1 in 10 households living in conditions deemed overcrowded.

Latino households continue to experience the highest rate of overcrowding in Napa Valley, with over one in five residents living in crowded housing conditions. Asian and mixed/other households experience four to five times the rates of overcrowding relative to white households. As a result, offering more units for rent or sale that accommodate slightly larger families may help ease overcrowding in particular among the Valley's nonwhite households.

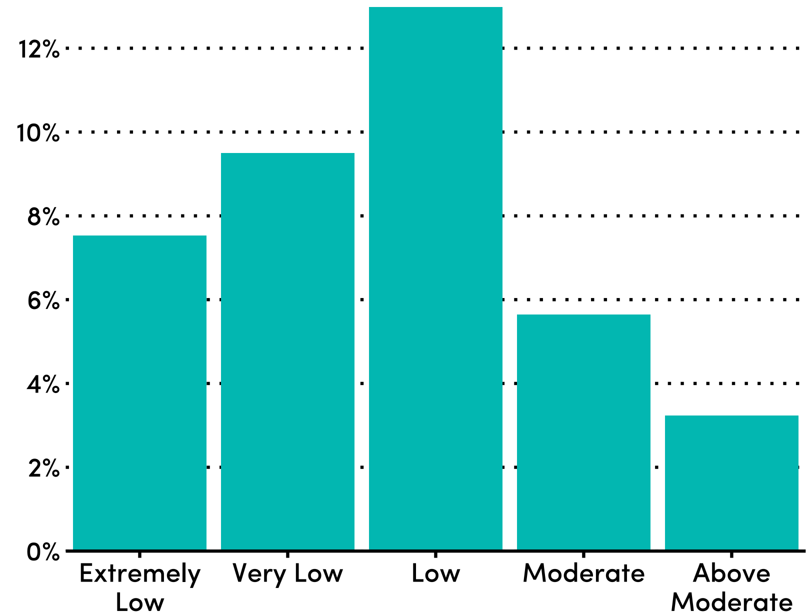


Figure 32. Overcrowding Rate by Household Income

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year

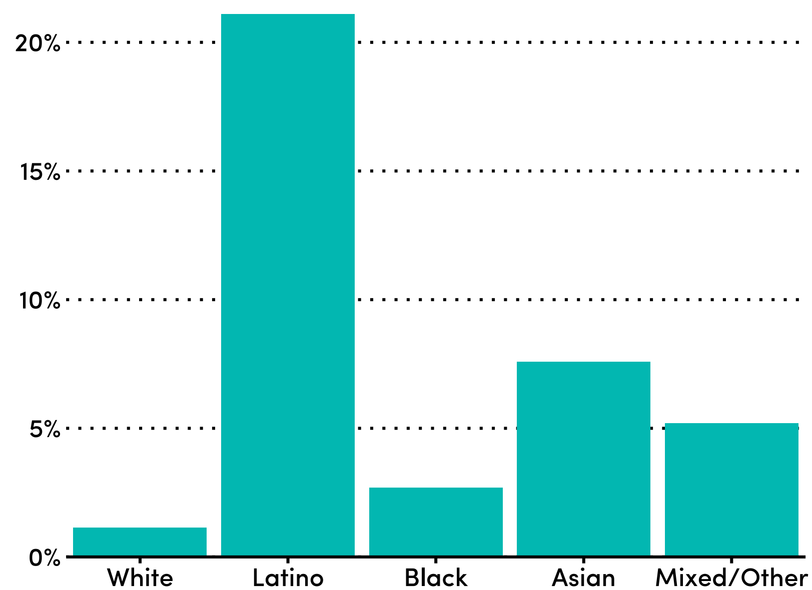


Figure 33. Overcrowding Rate by Race and Ethnicity of Householder

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year

The Impacts of High Housing Costs on Residents

Homeownership Is Down Among Young Adult Households and Latino Households

Homeownership rates especially for younger residents are falling across the state, but residents at lower income levels may be most impacted by the narrowing of opportunities to own. In Napa Valley, ownership is increasingly the privilege of higher income households. **Extremely Low and Very Low income residents are homeowners at half the rate as above moderate earners.** This is true across all ages. And while ownership rates rise as incomes get higher, there are still significant drop-offs for households that earn just below the next highest group. For example, while over 80% of above moderate households own their own home, this drops to 65% for households earning slightly lower moderate incomes.

Latino households are the least likely to own their own home in Napa Valley. Only half within the county own a home, significantly behind white and Asian households. Napa Valley has the second highest rate of home ownership among white households in the Bay Area, second only to Contra Costa. And it trails Solano County and Contra Costa County in Latino household ownership.

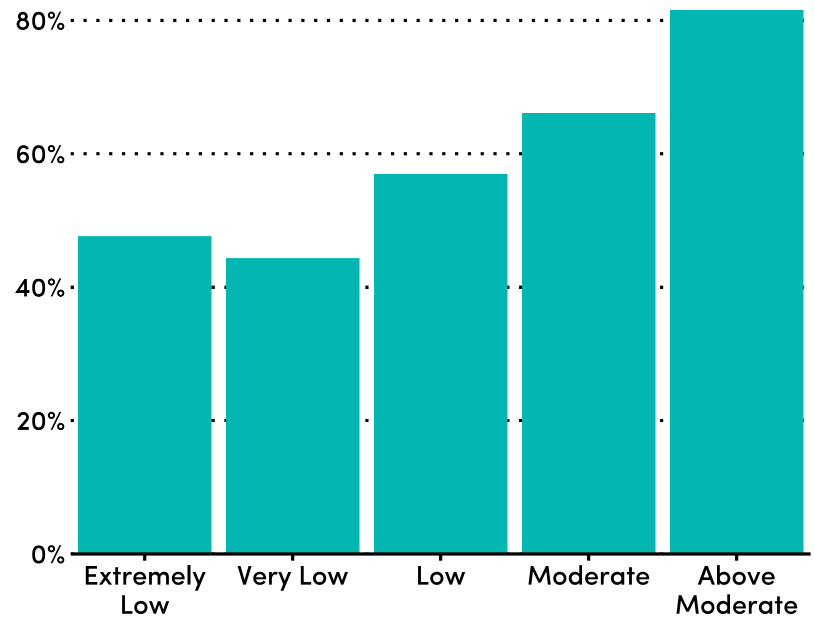


Figure 34. Homeownership Rate by Household Income

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year

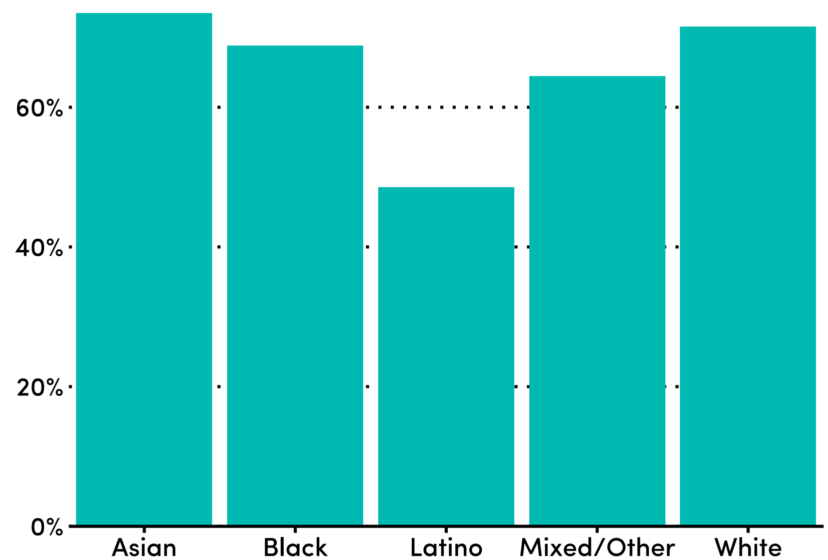


Figure 35. Homeownership Rate by Race and Ethnicity of Householder

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year

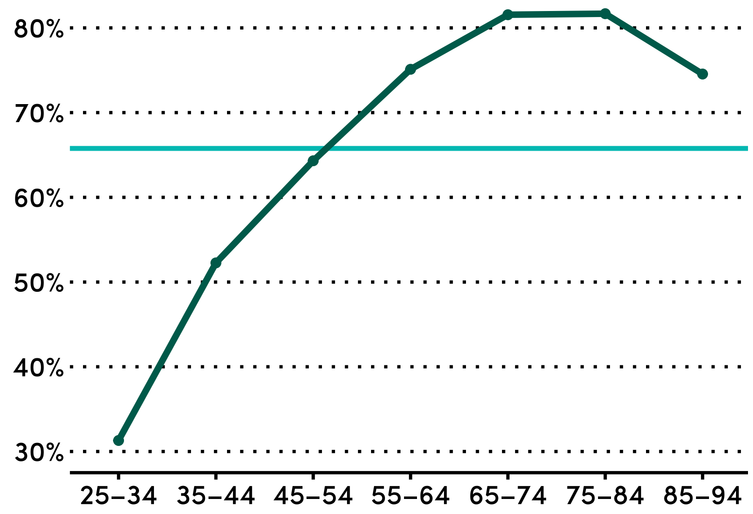
The Impacts of High Housing Costs on Residents

Homeownership Is Down Among Young Adult Households and Latino Households *(continued)*

The aging of Napa Valley's population mirrors another significant trend affecting its households: the age at which its residents attain homeownership. **Residents must wait until they reach the ages of 45 to 54 before their likelihood of owning a home reaches the overall Napa Valley average.** Whereas at least 75% of all residents ages 55 and older own their home, only 50% of 35-year-olds are owners.

Figure 36. Homeownership Rate by Age of Householder vs. verall Napa Valley Rate

Source: IPUMS USA and U.S. Census Bureau, 2018–2022 ACS 5-Year



"Particularly since the Covid-19 pandemic, the issue of housing insecurity has increasingly impacted Napa's residents. In Fair Housing Napa Valley's (FHNV) experience, the primary barriers to housing security are a function of rising housing prices that have not kept pace with the income needs of our most essential workers, as well as a chronically low vacancy rate among Napa's rental housing stock. These factors especially impact lower income residents and families, for whom even minimal rent increases (particularly for residents on a fixed income such as seniors or persons with disabilities) can be extremely challenging to navigate. FHNV regularly sees the lack of stability faced by residents of mobile homes and households at risk of eviction. Additionally, available rental housing is subject to an extremely competitive market which tends to favor residents with the means to afford higher rents. In this context, any time a renter household faces displacement, there is a very real risk they will have to find alternate housing outside of Napa County. This risk/trend can have far reaching impacts on the local school(s), job(s), and communities of which the household is a part of, as well as other aspects of Napa County's infrastructure, notably traffic in and out of Napa County.

The experience of those fortunate enough to have purchased modestly priced homes 20–30 years ago is no longer a reality for today's households. Moderate income families remain on the rental market much longer when they are outbid by newer, wealthier residents with the ability to pay more. Given this dynamic, one can imagine what effect the current rental housing market has on the housing opportunities of low income households, particularly members of federal and state protected classes who regularly face additional barriers to equal housing choice. Fair Housing Napa Valley works to promote and protect housing security for all residents in Napa County, so that they may enjoy a stable home, community, and place to raise their family. We believe Napa Valley can provide that and believe housing security should not be a privilege of higher income residents alone. The county must build and preserve housing affordability for its workforce residents."

—Pablo Zatarain, Executive Director of Fair Housing Napa Valley

The Impacts of High Housing Costs on Residents

Workers Are Relocating to Cities Outside of Napa County at Higher Rates

The number of workers in Napa Valley's key industries who have relocated to cities and towns outside of the Valley is growing. Hospitality/accommodation and healthcare workers have seen the largest increase in employees living outside of the Valley. In 2002, hospitality workers living outside of the Valley made up one third of all employees in that sector but today make up half. Prior to the pandemic, 6,000 hospitality workers employed in Napa Valley lived outside of the Valley. The healthcare sector has fared worse. Starting in 2010 the sector saw an explosion of workers relocating. Out-of-Valley healthcare employees grew in total from about 2,000 in 2010 to 6,000 today and now make up the majority of workers in that sector. Out-of-Valley farmworker and manufacturing jobs have also grown gradually as a share of all employees.

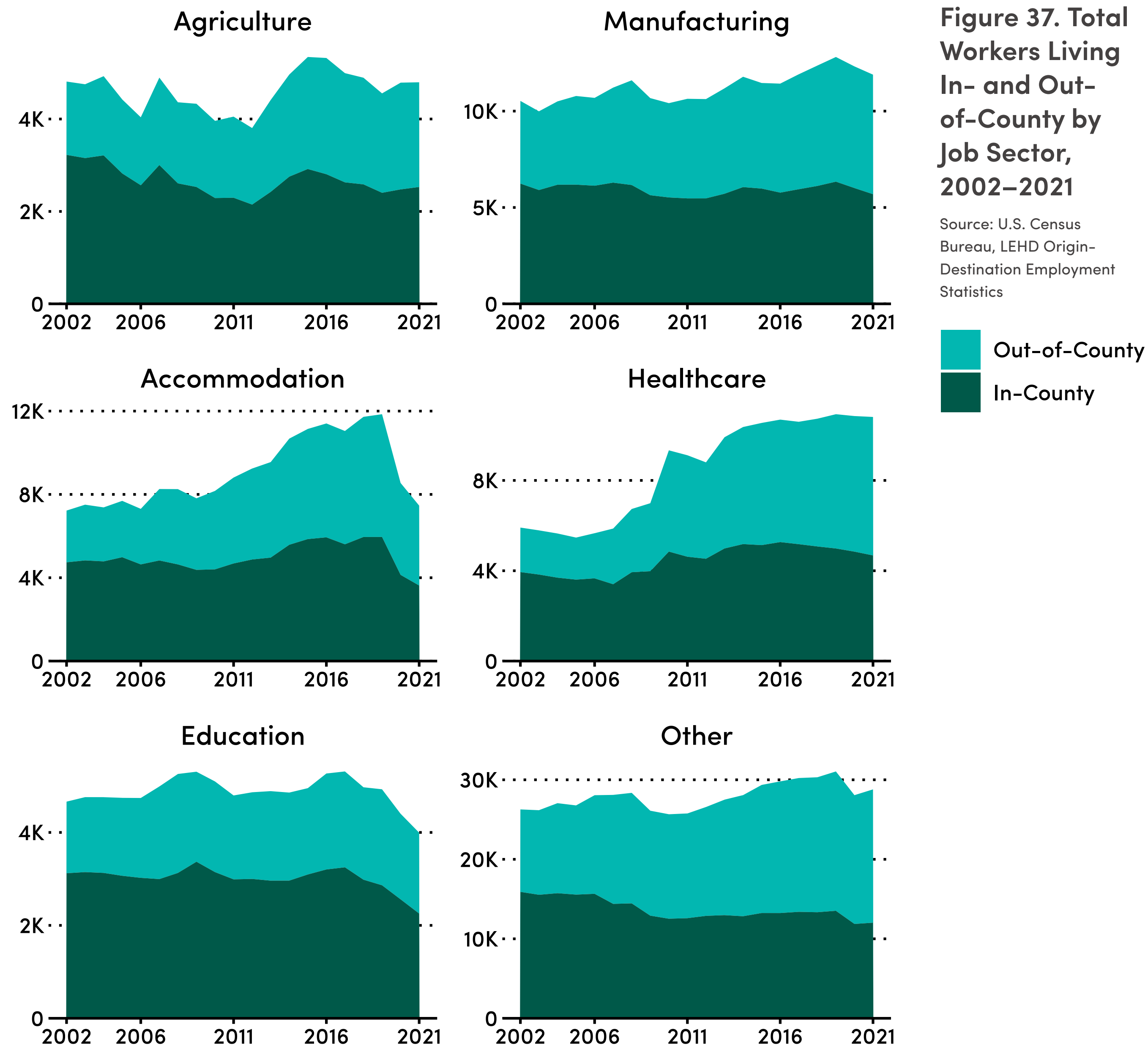


Figure 37. Total Workers Living In- and Out-of-County by Job Sector, 2002–2021

Source: U.S. Census Bureau, LEHD Origin-Destination Employment Statistics

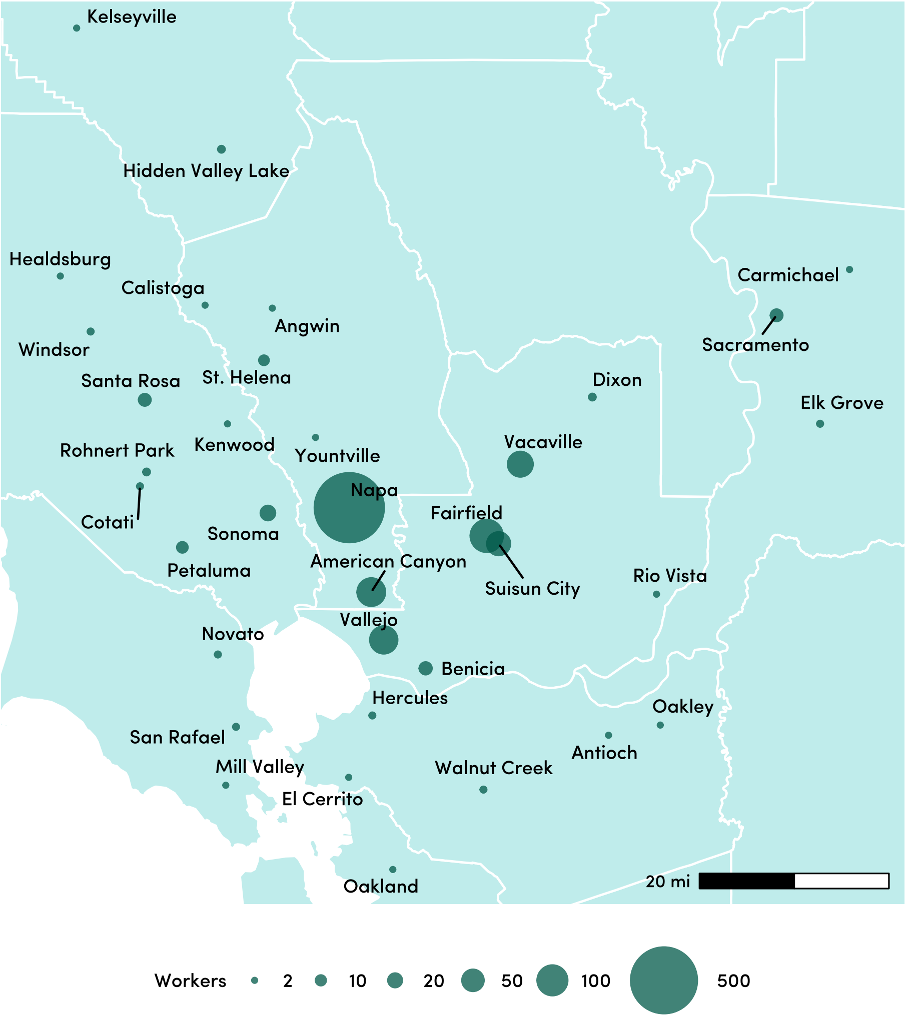
The Impacts of High Housing Costs on Residents

Workers Are Relocating to Cities Outside of Napa County at Higher Rates *(continued)*

Zooming in on the healthcare industry, we illustrate how one major employer and its employees are impacted by the growing unaffordability of homes in Napa Valley. This map shows the locations and commuting distances of caregivers from the Providence Queen of the Valley Medical Center, the region's largest health care facility. While over half of its caregiver sector — including nurses, clinical lab workers, and medical support staff — are able to remain in the city of Napa, large segments of employees live in over 30 separate cities in Solano, Sonoma, Lake and other regional counties. Some commute from as far away as Livermore to the south (Alameda County), Elk Grove to the east (Sacramento County), and Cloverdale to the north (Sonoma County) — travel times of roughly 1 hour and 30 minutes by car.

Figure 38. Total Caregivers by City of Residence for Providence Queen of the Valley Medical Center

Source: Providence Queen of the Valley Medical Center



The Impacts of High Housing Costs on Residents

Out-Migration Contributes to More Cars on the Road and Higher Vehicle Miles Traveled

Napa Valley workers have fled the Valley in order to reside in more affordable locales, resulting in more vehicle miles traveled within the region. Driving alone is the predominant mode of commuting to work for the vast majority of Napa Valley residents, which is common for peer counties. However, because of the distances traveled from cities as far as Vacaville and Santa Rosa, vehicle miles may be larger on average per resident. **Of the roughly 58,000 commuters (excluding those who work from home), 50,000 drive alone, or nearly 86 percent of commuters.** In the last year, fewer than 5,000 residents took public transit, biked, or walked to work on a daily basis.

Napa Valley, like many other California regions, has experienced net negative domestic migration since 2016. Net migration within Napa Valley has steadily decreased until reaching -1,000 residents annually between 2017 and 2019. Although that decline dipped slightly in 2020, **Napa Valley ended 2022 with an annual net negative migration of 2000 residents.** Although wildfires and other natural disasters have played a role, the downturn is most consistent with the increasing lack of affordable housing that has continued to drive residents to other areas of the state or country.

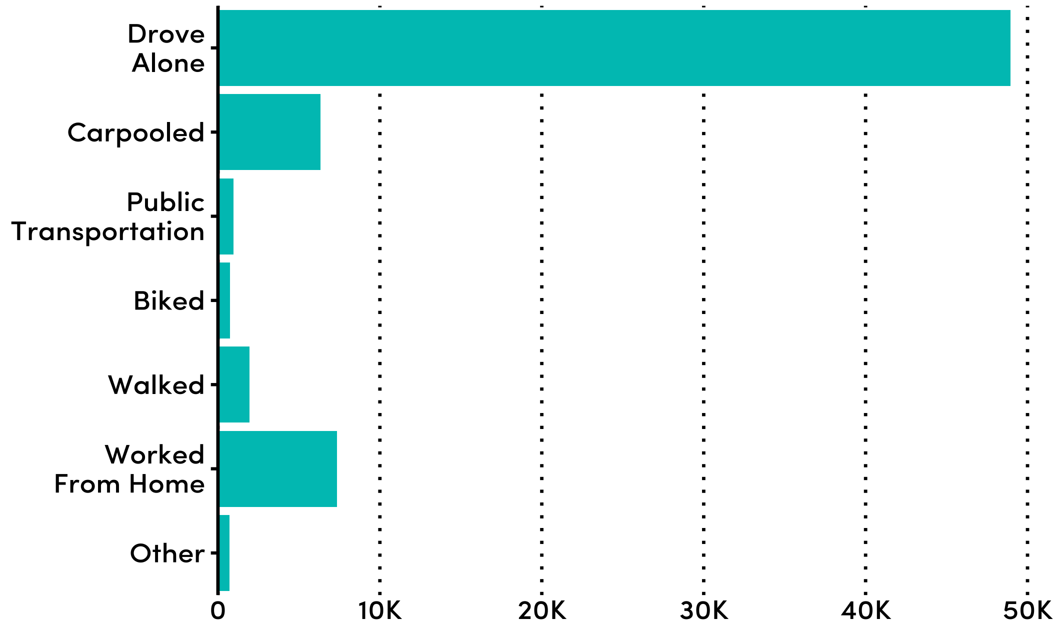


Figure 39. Total Commuters by Transportation Method

Source: U.S. Census Bureau, 2018–2022 ACS 5-Year

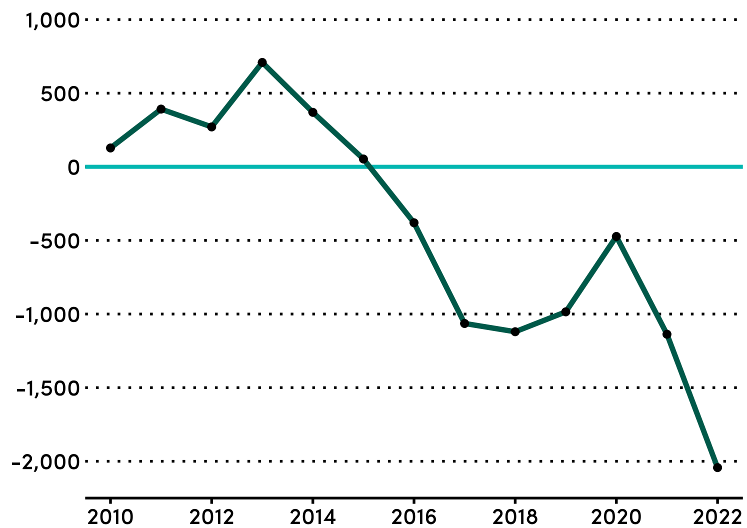


Figure 40. Annual Net Domestic Migration, 2010-2022

Source: U.S. Census Bureau, Population Estimates Program

The Impacts of High Housing Costs on Residents

Households with Children Are in Decline

All North Bay counties have seen a decline in households with children under 18 since the period from 2008-2012. Napa Valley's decline accelerated between 2013-2017, contributing to a total drop of 3 percentage points since 2008-2012. Napa Valley has these housholds at a rate faster than that of both Sonoma and Marin Counties but slightly slower than that of Solano County, although Napa Valley has a lower total percentage of 29% versus Solano County's 32.5%. The loss of households with children is especially noticeable in school enrollment decline across the Valley and it contributes to the overall aging of the population.

Napa Valley's 2.8 percentage point decline in households with children under 5 is the highest drop in the North Bay. From the period starting 2008 to 2012 until 2022, **the percentage of Napa Valley households with children under 5 years of age declined to 9.6%, a drop from nearly 6,000 to 4,600 in the span of fourteen years.** The decline shows little sign of stopping.

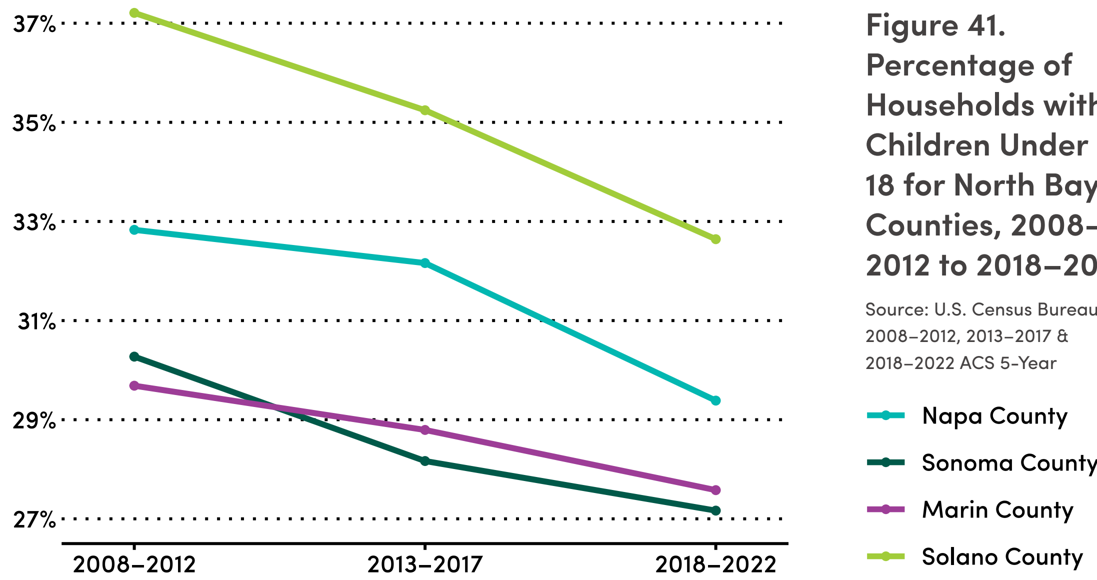


Figure 41. Percentage of Households with Children Under 18 for North Bay Counties, 2008–2012 to 2018–2022

Source: U.S. Census Bureau, 2008–2012, 2013–2017 & 2018–2022 ACS 5-Year

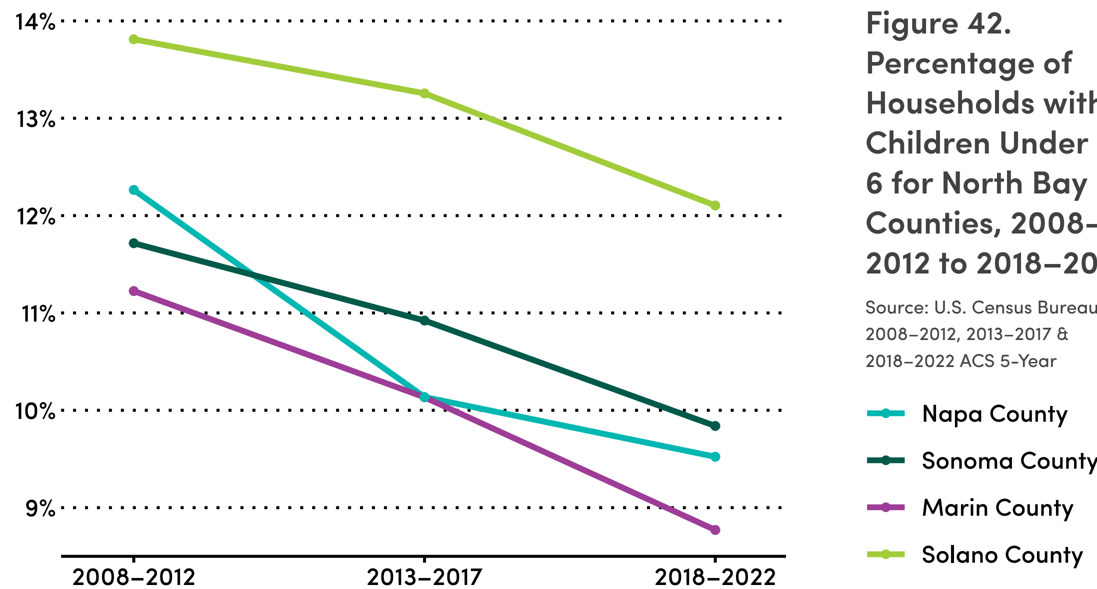


Figure 42. Percentage of Households with Children Under 6 for North Bay Counties, 2008–2012 to 2018–2022

Source: U.S. Census Bureau, 2008–2012, 2013–2017 & 2018–2022 ACS 5-Year

Housing & Individuals Experiencing HOMELESSNESS in Napa Valley

GENERATION HOUSING NAPA VALLEY

Unaffordable housing costs are a major precursor to individuals experiencing homelessness — and they inhibit regional efforts at prevention and supportive housing provision. Although high housing costs generally are a key precipitant of experiencing homelessness, Napa Valley's housing market exhibits unique characteristics that make its lower income population even more susceptible. Studies have shown that prices associated with specific sub-segments of the housing market such as the median costs of 1-bedroom rental units are significant indicators of a region's risk to growing numbers of residents experiencing homelessness. Likewise, the supply of deed-restricted affordable housing relative to Extremely Low and Very Low income residents is a leading factor in rates of individuals who experience homelessness.

Napa Valley is performing inadequately on some of these measures, which inhibit efforts on the prevention end to reduce the rate of individuals experiencing homelessness. Nonetheless, the Valley is taking extraordinary steps to minimize entries into, and expedite exits from, unhoused living conditions. It successfully moved 217 individuals experiencing homelessness into homes last year and, just as importantly, prevented 417 individuals from becoming unhoused through financial help. This rate of prevention was up from the prior fiscal year when 73 individuals were prevented from experiencing homelessness.

Yet this success in prevention and reduction is undermined by high housing costs. Napa Valley's rent to income ratio has grown over time, especially for its lowest earners. As a result, it has a higher than average association between rent increases and rates of individuals experiencing homelessness, with every $100 rise in median rents associated with a 15% increase in rates of residents who are unhoused. This surpasses the national standard of a 9% increase for every $100 rise in median rents.

Further, Napa Valley has a lower than average ratio of deed-restricted units to Extremely Low and Very Low Income residents. In 2022, according to the UC Berkeley Terner Center, California had only 23 affordable and available rental units per 100 households with extremely low incomes; and the state retains some of the highest rates of individuals experiencing homelessness in the country. This may contribute to Napa Valley's performance among regional peers. Its higher rates of individuals experiencing homelessness per 10,000 residents compared to South Bay counties who have even higher median rents suggests that it can and should do more for its lowest earning residents. The Valley as a whole is adding more multifamily units in recent years, including several models of affordable housing units, which will go a long way towards this goal. But the Valley should also think expansively when it comes to who is at risk. It is no longer just its lowest earners. We find that rates of cost burden are growing among those earning slightly above eligibility levels for affordable housing or subsidized housing.

MANZANITA FAMILY APARTMENTS

LOCATION
City of Napa

TOTAL UNITS
50 affordable units targeted to households earning 30-60% AMI

DEVELOPER
SAHA

The Manzanita Family Apartments provides 50 units of affordable, workforce rental housing for Napa residents. Located in an area with jobs in hospitality, health care, service and agriculture, the development offers workforce residents rental options in a community where market-rate rental inventory is costly. And by offering bedrooms in a range of sizes, the development delivers on options that are needed most: affordable rental units that are sized for families.

The units offer amenities that are not always available in 100% affordable developments including a private balcony or patio for each unit. Among its common outdoor spaces, there is also a rooftop deck and community gardens. Illustrative of this need is the speed with which the waitlist for new units closed.

The property has the potential to serve workforce residents given its location within walking distance of bus service to Downtown Napa. It is also near the Providence Queen of the Valley Medical Center. Parks and other amenities are within walking distance. Three major grocery chains, and a Target, are within 1.5 miles of the site meaning it can reduce vehicle miles traveled on regular daily errands.

Housing & Individuals Experiencing Homelessness in Napa Valley

Rates of Individuals Experiencing Homelessness Has Risen as Median Rents Increase

Napa Valley's rate of ndividuals experiencing homelessness has edged higher at a slightly slower pace than the state in recent years. Yet the most common corollary of rates of individuals who are unhoused — a region's high cost of housing — place many of Napa Valley's most cost-burdened residents in extreme vulnerability. The region's rising median rents, especially among 1-bedroom units, may jeopardize the stability of existing households by making it difficult for residents to afford rents at the smallest bedroom sizes. The number of individuals experiencing homelessness rose to 506 in 2023, up from 248 a decade ago. The $675 rise in median rents during that same period means that every $100 increase in rent is associated with a 15% increase in rates of individuals experiencing homelessness.

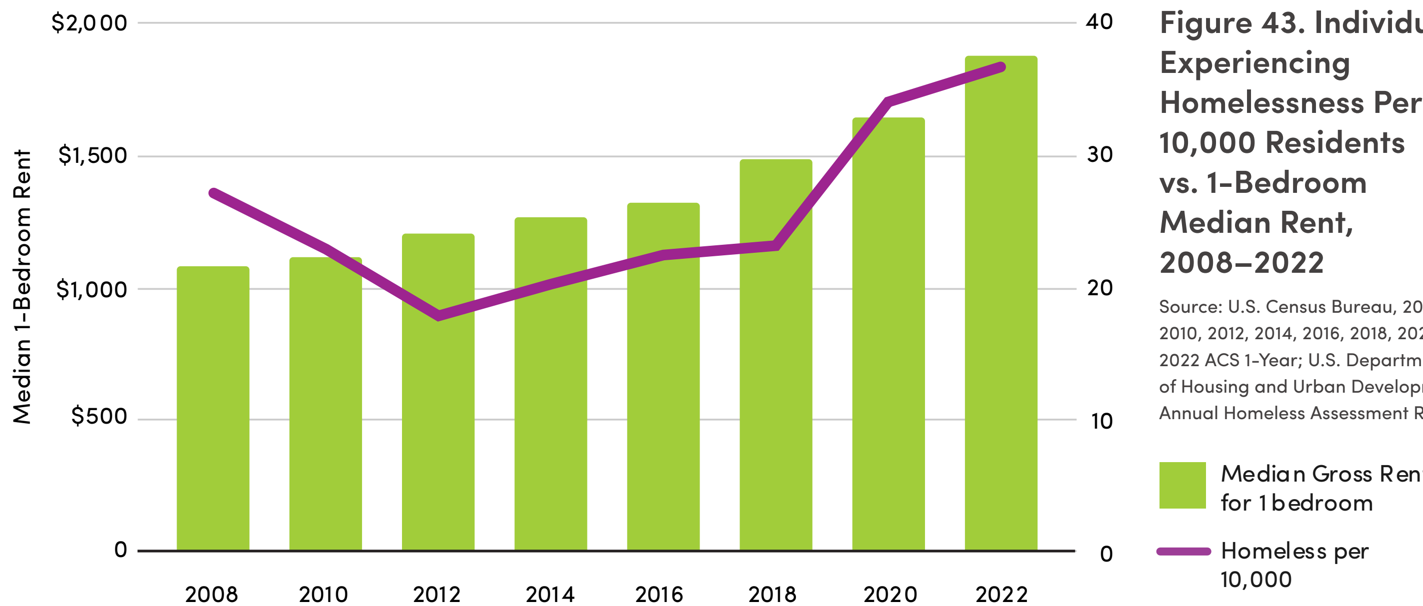


Figure 43. Individuals Experiencing Homelessness Per 10,000 Residents vs. 1-Bedroom Median Rent, 2008–2022

Source: U.S. Census Bureau, 2008, 2010, 2012, 2014, 2016, 2018, 2020 & 2022 ACS 1-Year; U.S. Department of Housing and Urban Development, Annual Homeless Assessment Reports

Housing & Individuals Experiencing Homelessness in Napa Valley

The Region Underperforms Peer Counties Where Housing Costs are Equally High

The most recent count of Napa Valley's total individuals who are experiencing homelessness in January of 2023 tracked 506 without a regular or safe place to sleep at night, an increase of 2% from last year. As a result of its prevention measures, Napa Valley's rate of 37 unhoused individuals per 10,000 residents is the 4th lowest among all Bay Area counties outside of San Francisco. Yet the rate remains high compared to other counties with equally high or higher median rents. Despite higher median 1-bedroom rents in Contra Costa and San Mateo counties, these jurisdictions have rates of individuals experiencing homelessness of 20 and 24 per 10,000 residents, respectively. This suggests that the high costs of 1-bedroom units may not be the only or even primary factor in higher rates of unhoused residents.
The high cost of ownership or of larger rental units may put residents at risk.

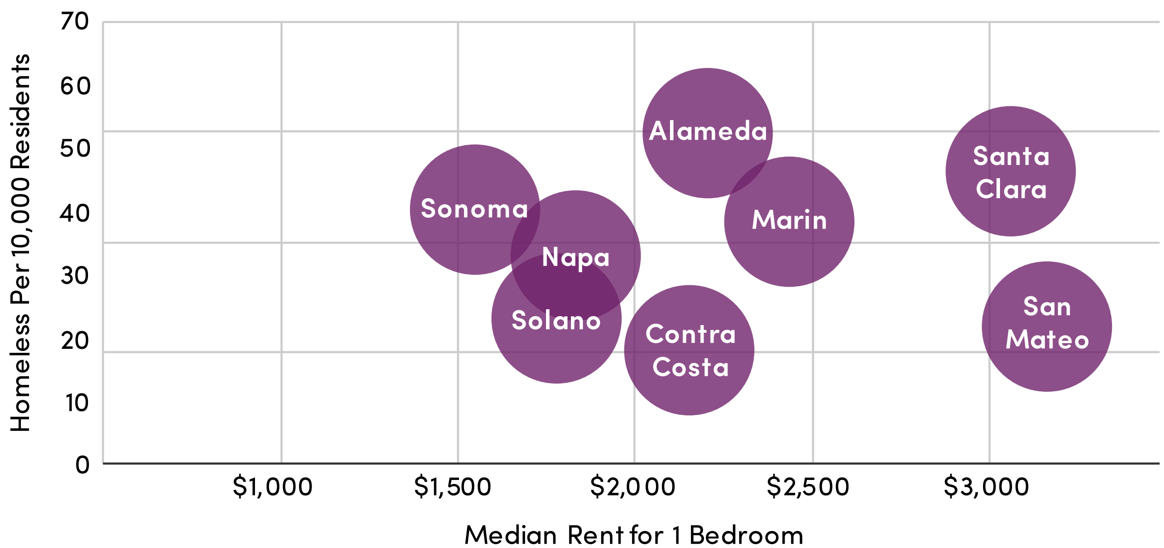


Figure 44. Individuals Experiencing Homelessness Per 10,000 Residents vs. Median 1-Bedroom Rent for Bay Area Counties

Source: U.S. Census Bureau, 2022 ACS 1-Year; U.S. Department of Housing and Urban Development, Local Point-in-Time Counts

Housing & Individuals Experiencing Homelessness in Napa Valley

Cities Do Not Have Adequate Deed-Restricted Housing for Most Vulnerable Residents

One effective housing-related measure in the prevention of individuals experiencing homelessness is the provision of special rental options for the lowest income individuals, known as deed-restricted affordable units. These units go exclusively to earners who fall well below the area median income, helping them to pay reduced or below-market levels through a government or philanthropic subsidy. Ample supplies of affordable, deed-restricted units are associated with prevention of higher rates of individuals who experience homelessness. Yet many regions struggle to finance, build, and preserve deed-restricted units due to the immense cost associated with affordable units and the complex financial arrangements required to fund them adequately.

Napa Valley's predominant type of affordable units are supported through Low Income Housing Tax Credits. In total, the Valley's jurisdictions offer around 2,000 units of LIHTC affordable housing available to the region's 9,500 Extremely Low and Very Low income households. The undersupply, which may be a significant factor in rates of individuals experiencing homelessness, varies between jurisdictions. Yountville offers only 6 units of affordable LIHTC housing per 100 ELI and VLI residents while the City of Napa and American Canyon offer roughly 18 units per 100 residents — closer to the statewide average but still short. Only the city of St. Helena offers a higher proportion of units than the statewide average.

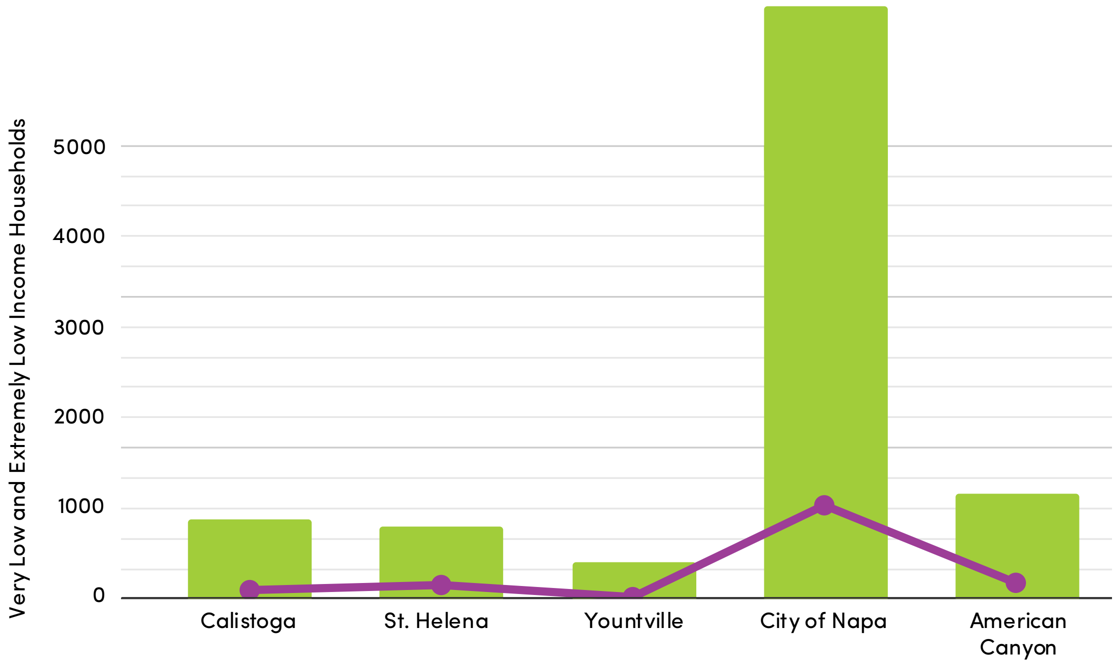


Figure 45. Total Extremely Low and Very Low Income Households vs. Total Deed-Restricted LIHTC Units by City

Source: Novogradac LIHTC Mapping Tool and Regional Housing Elements

Housing & Individuals Experiencing Homelessness in Napa Valley

Napa Valley is Seeing an Increase in Vulnerable Households

Paying one-third or more of monthly income for housing is a primary precursor to experiencing homelessness. Yet sometimes it is those earning slightly more than federal income standards who are at greatest risk of being cost burdened because they do not qualify for deed-restricted units or federal housing subsidies. In a review of total households in Napa Valley who make the lowest incomes, we found small declines in total numbers of cost burdened households for those at the lowest level. For example, the number of households earning between $10,000 and $20,000 dollars who pay more than 30% of their income on rent has halved in the last decade. But those households earning slightly more, between $50,000 and $75,000 annually — are cost burdened at higher rates than they were in 2012. Whereas roughly 1,000 of these households were cost burdened then, now 2,200 are paying over 30% of their income towards housing. This means more households at low AMI levels exhibit indicators that are more closely associated with the risk of experiencing homelessness.

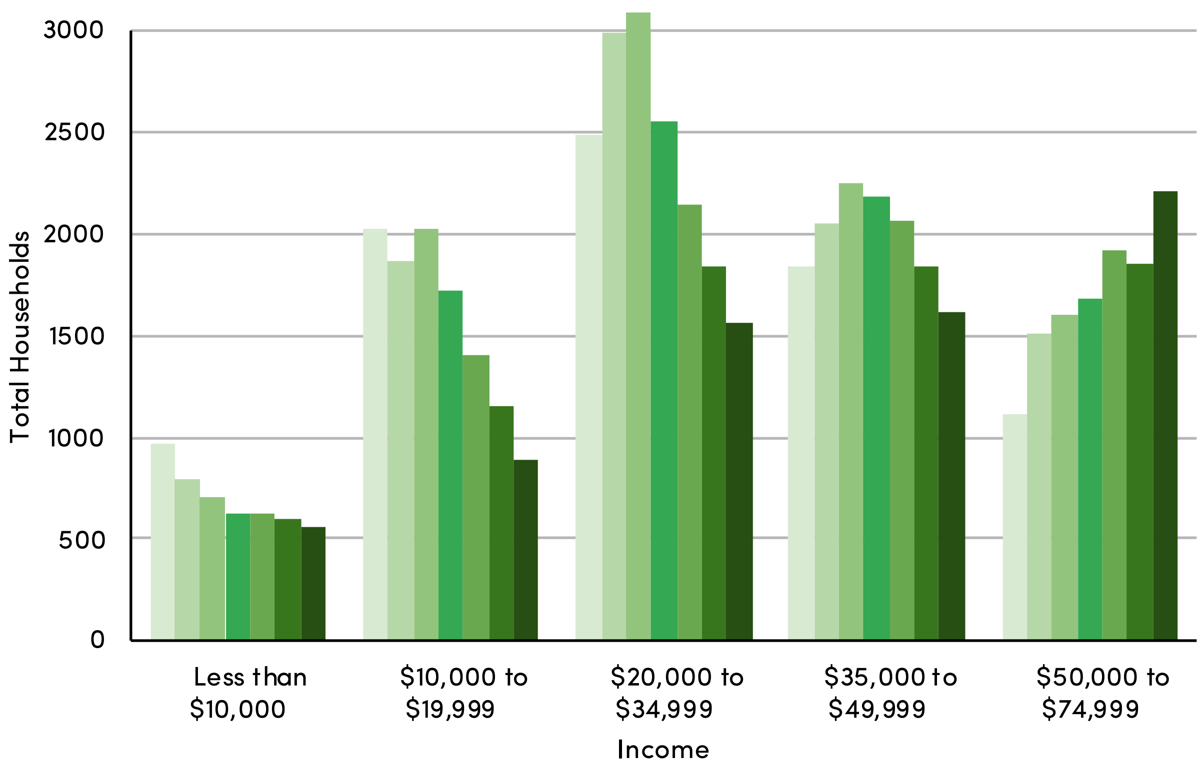


Figure 46. Total Households Paying Over 30% of Income on Rent by Income Bracket, 2010–2022

Source: U.S. Census Bureau, 2010, 2012, 2014, 2016, 2018, 2020 & 2022 ACS 1-Year

Housing's Impact on Napa Valley's LOCAL Economic Activity

The high cost of housing directly impacts what residents have left to spend at the end of each month. Not only does that minimize local contributions to the economy, but as hiring managers around the Valley note, most future employees make decisions on new jobs based on how far their dollars will go. As a result, the Valley's prime industries may struggle to attract, hire, and retain workers as easily as they might otherwise, especially in essential sectors where income is slightly below the area median.

Cost burden affects all households differently even though it's only a measure of the percent of income spent on housing. But when incomes are lower to begin with, the real dollar totals left over are significantly less. As a result, although it is fair to speak broadly about the harm done by cost burden, households who earn below area median incomes are most likely to be impacted by rising rent- and home price-to-income ratios. These include roles in the child care and education sectors, first responders, medical assistants and nurses, and many in the wine industry, for whom a 30% rate of housing cost is a greater sacrifice.

The greater burden of housing costs on lower income households has wide ranging effects beyond hiring for local employers. Local spending on goods and services is also impacted. As studies have shown, not all households spend equally. Low income households are far more likely to spend their discretionary income at local stores and on local goods and services. When Napa Valley's lower income residents are cost-burdened at higher rates, they have far fewer dollars to spend that could otherwise be invested back into local communities. Some estimates show that cost burden among Napa Valley's households has cost the region over $50 million annually in potential local spending — and as rates of cost burden grow, that number is approaching $75 million annually (Bay Area Equity Atlas).

Below we illustrate a range of effects that illustrate the drawbacks of high housing costs for local economies, from income inequity to hiring. We use case studies to show how real world decisions about where to live and what jobs to accept are influenced by housing. We find that workers in critical sectors are more likely to weigh the value of salaries in regions where they are cost burdened at higher rates. At the same time, this undercuts employers' hiring power. Although on average some Napa Valley industries are able to offer more competitive wages than statewide averages, the high cost of housing negates this advantage.

Project Spotlight

LEMOS POINTE AT WATSON RANCH

LOCATION
American Canyon

TOTAL UNITS
186 units for residents earning 30-60% of AMI

DEVELOPER
The Pacific Companies

American Canyon is faced with a unique challenge for siting homes near transit, resources, and walkable retail: a largely dispersed commercial corridor. To resolve this, the city is advancing a specific plan that develops a more centralized downtown area along with housing on over 300 acres of land. As part of its Watson Ranch Specific Plan, the city will slate the land for mixed use commercial, shopping, and affordable housing all connected by parks and bike lanes.

Lemos Pointe, part of the roughly 1,200 planned dwelling units, will offer over 180 affordable units for low-income residents earning between 30-60% of the Area Median Income in various bedroom sizes. In addition to being uniquely paired with a commercial land repurposing plan, the project has another innovative feature for helping to keep costs down: the units are constructed largely offsite in a modular fashion. This saves money and speeds up the construction process on needed homes.

Housing's Impact on Napa Valley's Local Economic Activity

Cost Burden Harms Lower Earning Households the Most

Cost burden is rising unevenly in Napa Valley. Napa Valley's lowest earning quintiles are experiencing greater rates of cost burden while those in the lower quintiles are decreasing. The very groups who can least afford to pay more towards housing are most vulnerable to increases in price. Three in 4 of the Valley's lowest earners pay over 30% of the income towards rent. This rate has remained relatively stable since 2005. At the same time, the second lowest quintile of earners has seen increasing rates of cost burden. Since 2005 rates of cost burden in this segment have risen from 50% to 75%, approaching rates of the lowest earners. The top three quintiles by income have lower rates of cost burden and some are even decreasing. Over the same time period, rates of burden for the top two quintiles have halved.

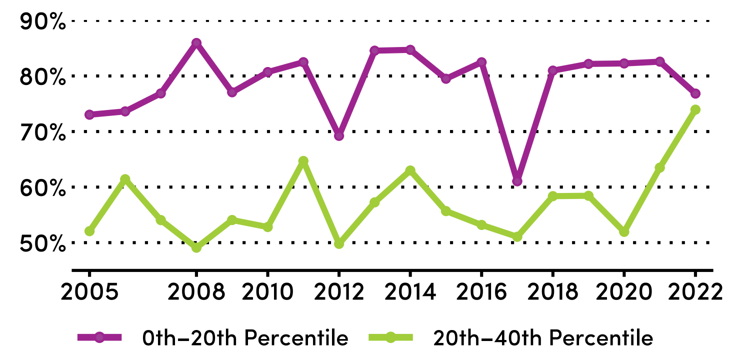


Figure 47. Rates of Cost Burden for Lowest Earning Quintiles, 2005–2022

Source: IPUMS USA and U.S. Census Bureau, 2005 to 2022 ACS 1-Year

[The high cost of housing] has made it incredibly difficult for workers to live in the Napa Valley. Most of the people that work in my industry live in either Sonoma or Solano counties as it is generally less expensive.

This makes commute times to Napa Valley significant and can cause strain on work and home life. It has also made it hard to find employees as well, as it is very common for potential employees to turn down jobs due to the cost of living in the area. Occasionally jobs will be accepted if a potential employee is able to find housing in Solano or Sonoma counties.

There needs to be more apartment and home development in order to attract workers to actually live here. There is a general lack of available housing and what is available is so overpriced that people will almost always look elsewhere. Two–three bed apartments or housing around $2,000–$2,500 a month would also vastly increase the number of employees that would move and stay in Napa County. Access to affordable childcare is always a plus as the cost of living in Napa County almost always requires both parents to be employed full time."

—Industry employer, Napa Valley

Housing's Impact on Napa Valley's Local Economic Activity

Local Spending Is Most Impacted When Lower Earning Households Have Less Discretionary Income

Cost burden impacts different AMI groups in distinct ways. For California's highest-earning families, who earn about 11 times more than families in the bottom income quintiles according to a 2020 report by the Public Policy Institute of California, cost burden is more manageable.

As we show in this table, lower income earners are left with far less in savings at the end of the month than higher earners when living in units with typical asking rents. In our example, we take a couple earning a typical salary in the Low Income bracket and compare it to a single household making an above moderate income. The couple, who earn median wages roughly equivalent to that of a medical assistant and a hostess working in Napa Valley, also have an infant who requires child care. After renting a typical, market-rate 2-bedroom unit on the market and accounting for other regional expenses including higher than average child care costs, the couple is left with $509 at the end of each month.

In comparison, an employee earning above moderate income — in our example, an earner making roughly the equivalent of a Marketing Manager working in Napa Valley — has far more in savings at the end of each month. After paying for a higher end 1-bedroom unit, the resident has significantly more in savings than the lower earning couple.

Figure 48. Real Dollar Discretionary Income After Rent for Above Median vs. Below Median Households

WHAT'S LEFT?

Monthly Budget for Above Moderate 1-Person Household in Napa County

Annual Earnings	$154,260.00
Monthly Earnings	$12,855
Taxes	$1,787
Housing (1 bedroom)	$3,800
Child Care	$0
Health Care	$215
Food	$366
Transportation	$474
Miscellaneous	$239
Monthly Cost Total	$6,882
Amount Left	$5,973

Monthly Budget for Low Income, 2-Adult, 1-infant Household in Napa County

Annual Earnings	$91,520
Monthly Earnings	$7,627
Taxes	$1,044
Housing (2 bedrooms)	$3,065
Child Care	$1,076
Health Care	$1,076
Food	$809
Transportation	$947
Miscellaneous	$550
Monthly Cost Total	$8,136
Amount Left	-$509

Source: Bureau of Labor Statistics, Occupational Employment and Wage Statistics, May 2022

Housing's Impact on Napa Valley's Local Economic Activity

Napa Valley's High Cost of Living Is Driven by Housing and Undercuts Competitive Salaries

In conversations with hiring managers across Napa Valley's major employment sectors, a common theme is the loss of both new and current employees to other regions where the cost of housing (and other expenses) are more manageable. Employees in sectors as wide ranging as child care and food services are leaving the Valley to find more affordable housing in regions where their dollar goes further.

In our case study above, our representative example is that of a Food and Beverage Manager currently based in Fresno and seeking to relocate within his field. We assess the cost of living relative to pay among a variety of cities associated with the West Coast's wine industry. Evaluating expenses as a percentage of national averages, we rank these cities across expense categories including food, healthcare, housing, and transportation using a Cost of Living Calculator.

We find that the City of Napa's cost of living ranks relatively high within our representative sample, including wine destinations in Oregon. These costs are partly driven by higher than national averages in food and transportation costs. (The City of Napa ranks highest in food costs within this sample.) But as with other cities in California, the bulk of its above-average costs are driven by housing. The City of Napa's housing costs are 17% above that of the national average, behind only Santa Barbara and Livermore on our list. As we show below, these costs drive up the need for higher salaries across similar roles, which employers in Napa Valley must offer in order to remain competitive.

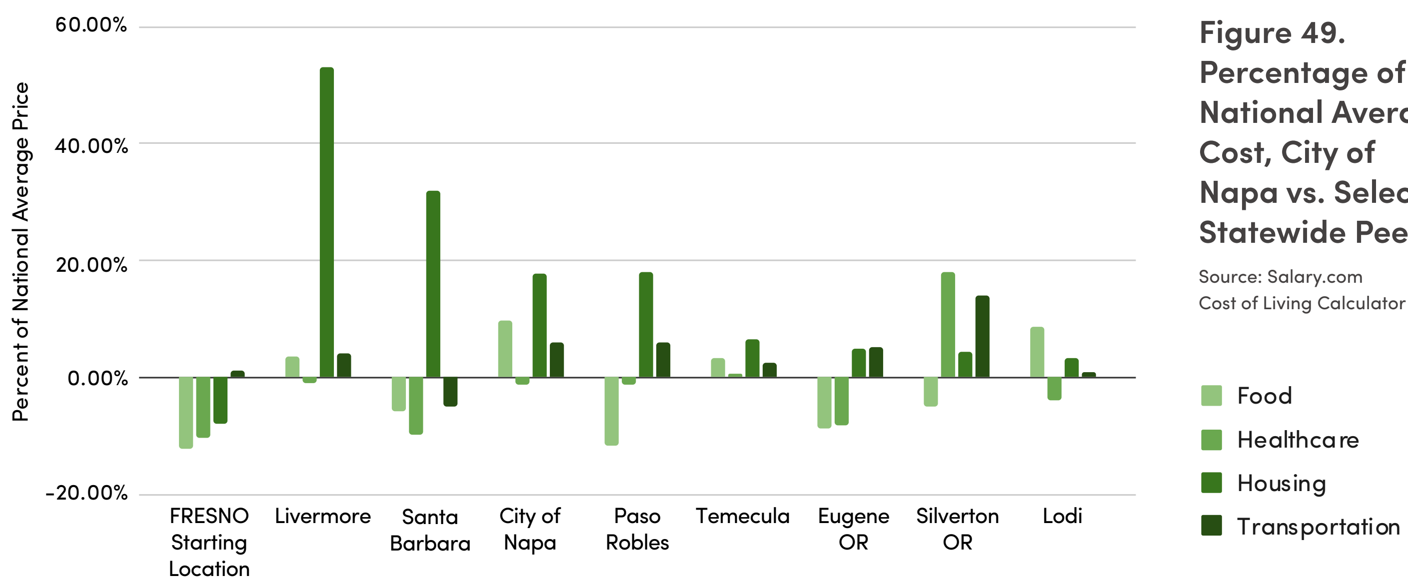


Figure 49. Percentage of National Average Cost, City of Napa vs. Select Statewide Peers

Source: Salary.com Cost of Living Calculator

Housing's Impact on Napa Valley's Local Economic Activity

The Gap Between Median Pay and Housing Costs Is Higher in Napa Valley for its Most Essential Sectors

Although Napa Valley employers in its specialty sectors related to the wine industry can offer competitive wages to reflect the level of talent, skill, and performance demanded for these roles, salaries are often not high enough relative to the housing market. In our example above, the Food and Beverage Manager based in Fresno who is looking for similar roles around the state would find some of his highest salary offers in the City of Napa (behind only Livermore). Yet given the high cost of living in the city, driven in large part by its housing costs, this job seeker earning $60,000 in Fresno would need to make close to $80,000 in the City of Napa to keep up with costs. However, median pay for this role or its equivalent in Napa Valley is only $66,921, leading to a roughly $12,000 gap in pay relative to local costs. This gap is wider than what a worker would experience in similar roles in regions such as Oregon's wine country as well as other parts of California, but lower than that of similarly high-priced areas like Santa Barbara or Paso Robles where gaps can reach as much as $23,000.

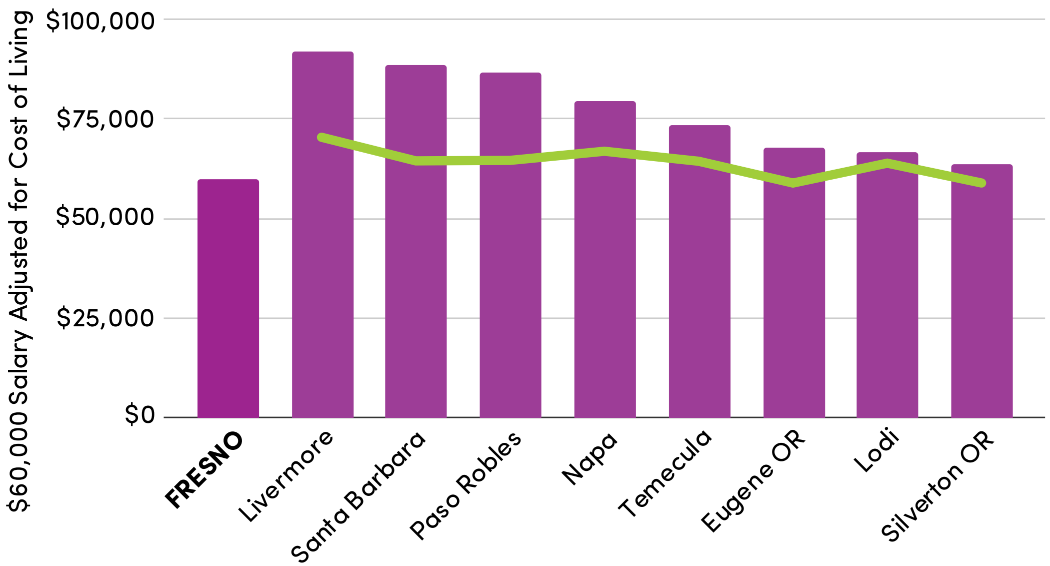


Figure 50. Salary Needed for Cost of Living Adjustment and Median Pay by Location, Food and Beverage Manager

Source: Salary.com Cost of Living Calculator

In Conclusion

Inaction Has the Power to Transform Napa Valley

During formal and informal interviews with stakeholders in the course of preparing this report, Generation Housing heard from participants over and over about their desire to make Napa Valley a place for families with children. We heard this concern from expected sources like teachers, child care providers, and residents with children; but we also heard it summarized from industry representatives, senior advocates, and hospital hiring managers. For each stakeholder, the negative impact of Napa Valley's soaring housing prices was best captured in reference to households with children and the uncertainty faced by younger members of the community in general.

Why are families with children a critical touchstone for understanding this crisis? Higher rates of out-migration and public attention on school enrollment declines likely play a role. But our interview participants refused to frame housing for families as a zero sum choice with the housing needs of seniors or young adults. Instead, we believe, the concern with families reflects an awareness of the speed with which housing opportunities have shifted. And the role that a depleted housing stock will play in shaping the lifecycle milestones of these younger residents in years to come helps to vivify the role that housing plays in helping all of us achieve particular milestones.

Our report affirms the swiftness with which housing markets transform in amenity-rich destinations like Napa Valley. The loss of 3 in 4 homes priced between $300,000 and $500,000 since the period between 2008-2012 reflects a dramatic remaking of the entry-level home market in the span of 10 to 15 years. Median household incomes for low-wage earners have remained relatively stagnant while total rental options at prices affordable to them (between $1,000 and $1,500, for example) are a third their size in the same period.

Residents measure this change not only in terms of data points but in the change to lifecycle milestones that will be impacted. Napa Valley residents have on average delayed first-time homeownership and household formation by several years longer than the rest of the country. Families with children ages 0-5 who are seeking consistency in schools have declined by nearly 2,000 households since 2008-2012, introducing instability into the lives of some children. And in ten years' time, a massive cohort of residents ages 55-65 will be approaching retirement and will depend on their home to provide certain amenities for this change. Residents will measure inaction on housing now by the changes in a lifecycle they will see in the next decade.

While it may feel like the actions needed to address housing shortages are jolts to the existing urban fabric, in fact it is inaction on housing that contributes to far longer-lasting — if also more gradual — jolts to a community. Without more affordable options, the jolts to household savings, to childhood stability, and to workforce hiring pools will alter the typical milestone achievements for all residents in Napa Valley. We hope this report helps stakeholders reframe the impact of changing the housing landscape as an act that preserves wealth, opportunity, and housing stability; the opposite — inaction on housing — will be the real transformative policy in the years to come. The spotlight on families with children is only a reflection of the deep desire among current residents to serve as custodians of the region's jobs, homes, and opportunities for new generations – and a fear that they have lost the means to preserve the achievement of major milestones in the lives of their fellow residents.

Project Spotlight

CARITAS VILLAGE

LOCATION
City of Napa

TOTAL UNITS
20 affordable units

DEVELOPER
Caritas

Caritas Village in the city of Napa offers 20 affordable units to local households. Given the high demand for the units — they received 384 applicants for 20 units — residents were chosen through a lottery system. The project offered one-bedroom units starting as low as $1,050 a month in a community where market-rate rents are typically double. The units were highly sought after for additional reasons including the siting of a “tot lot” play center, outdoor barbecue area, and a 1,400-square-foot clubhouse.

As significant as the project itself, the process that got it built may be a model for building affordable units within the city. TAs part of the new Marriott hotel project developed by Pacific Hospitality Group in 2018, the creation of residential units suitable to workforce residents was a condition of approval as required by the city. The approach, by many accounts, was collaborative and demonstrated the ability of city staff and council to extract needed affordable housing for local residents as a condition of commercial developments that serve and welcome residents from outside of the region.

Data Sources

United States Census Bureau

The United States Census Bureau conducts censuses and surveys on the American people and economy, including the U.S. decennial census and the American Community Survey. We use data from the Census surveys and programs listed below.

American Community Survey (ACS: The American Community Survey is a regular demographic survey of American households that began in 2005. We primarily use the 2018–2022 ACS 5-Year estimates, at both the county and jurisdictional level, but we also rely on ACS 1-Year estimates and ACS 5-Year estimates from earlier time periods.

Decennial Census: The U.S. decennial census is the constitutionally mandated census of all Americans conducted every decade, most recently in 2020. We use data from the 2000, 2010, and 2020 census.

Longitudinal Employer-Household Dynamics (LEHD: The Longitudinal Employer-Household Dynamics program collects detailed data on employers and employees at various geographic levels and across different job sectors. We specifically use LEHD Origin-Destination Employment Statistics data from 2002–2021 about jobs and workers located within Napa County.

Population Estimates Program: The Population Estimates Program produces population and housing unit estimates for regions and jurisdictions of different sizes across the United States. We use decennial totals and intercensal estimates for population and housing units for the years 2010–2022.

IPUMS USA

IPUMS is a census and survey database produced by the Institute for Social Research and Data Innovation at the University of Minnesota that integrates various census data across both time and space. IPUMS USA is an IPUMS program that collects and harmonizes United States census microdata, or information on individual census respondents. We use sample microdata from the 2018–2022 ACS 5-Year and from the 2005 to 2022 ACS 1-Year.

Steven Ruggles, Sarah Flood, Matthew Sobek, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Renae Rodgers, and Megan Schouweiler. IPUMS USA: Version 15.0 [dataset]. Minneapolis, MN: IPUMS, 2024. https://doi.org/10.18128/D010.V15.0

U.S. Department of Housing and Urban Development

Building Permits Database: The U.S. Department of Housing and Urban Development collects data on privately owned residential construction and stores it in their Building Permits Database. We use annual data on permit-issuing entities in Napa County for the years 1980–2023.

Annual Homeless Assessment Report: This report outlines the key findings of annual Point-In-Time (PIT) counts and Housing Inventory Count (HIC) nationwide. Specifically, it provides national, state, and CoC-level PIT and HIC estimates of homelessness, as well as estimates of chronically homeless persons, homeless veterans, and homeless children and youth. We utilized the 2007–2022 Point-in-Time Estimates by Continuum-of-Care providers.

Othering and Belonging Institute

The Othering and Belonging Institute collects data on zoning designations from jurisdictions' General Plan land use documents and zoning map shapefiles provided by the Association of Bay Area Governments, municipal planning departments, or downloaded from ESRI's ArcGIS HUB. The data was made available as part of their Racial Segregation in the San Francisco Bay Area publication series from 2019 to 2021 through their Zoning Report titled "Single-Family Zoning in the San Francisco Bay Area: Characteristics of Exclusionary Communities" (October 7, 2020). We use data on Napa County from their GIS sampling of land area by zoning designations.

California Department of Housing and Community Development (HCD)

HCD collects data on all housing development applications, entitlements, building permits, and completions within California jurisdictions for the 5th and 6th cycle Housing Elements. It makes that data available through their Annual Progress Reports (APR). We use data on Regional Housing Needs Allocation (RHNA) and construction and permitting activity for Napa County jurisdictions dating back to 2018.

Bureau of Labor Statistics

The Occupational Employment and Wage Statistics (OEWS) program produces employment and wage estimates annually for approximately 830 occupations. These estimates are available for the nation as a whole, for individual states, and for metropolitan and nonmetropolitan areas; national occupational estimates for specific industries are also available. We use May 2022 State Occupational Employment and Wage Estimates for Napa County and the City of Napa.

Novogradac

The LIHTC Mapping Tool is based on the U.S. Department of Housing and Urban Development's LIHTC Database, which was last revised as of May 2023. Data includes project address, number of units and low-income units, number of bedrooms, year the credit was allocated, year the project was placed in service, whether the project was new construction or rehab, type of credit provided, and other sources of project financing. We drew on mapping data for Napa County.

Salary.com

The Cost of Living Calculator compares the cost of living in one location to the cost of living in a new location using the Consumer Price Index (CPI) and salary differentials of over 300+ US cities. We utilized this tool to estimate the cost of living across California and Oregon cities with local wine industries and to derive the salaries needed to maintain standards of living across locations.

Regional Housing Elements

The Housing Element of the General Plan identifies a city's housing conditions and needs, establishes the goals, objectives, and policies that are the foundation of the city's housing strategy, and provides an array of programs to create sustainable, mixed-income neighborhoods across each city. We utilized the 6th Cycle Housing Element plans from each jurisdiction to identify the number of Extremely Low and Very Low Income households estimated to live within each jurisdiction.

Report Contributors

PRINCIPAL AUTHOR AND POLICY ANALYST
Joshua Shipper, PhD
Director of Special Initiatives, Generation Housing

Joshua comes to Generation Housing with community-based, academic, and policy experience working to understand how each generation defines what equity looks like for them. After helping to identify solutions to the growing racial wealth gap and home financialization trends shaping communities like West Oakland prior to 2010, Joshua completed his PhD in Political Science at the University of Michigan, Ann Arbor in 2018. There he focused on American politics, race, and equity policy, contributing to survey and quantitative research on American attitudes shaping policies on wealth, taxation, and education. Applying those insights to politics and policy, Joshua taught political science courses in the Midwest while working to reform state funding for affordable housing with Wisconsin State Assemblywoman Francesca Hong.

Now having returned to the Bay Area, he has most recently served as the Director of Data & Grants at the Committee on the Shelterless where he helped support evidence-based, housing-first solutions to homelessness in Sonoma County including through Project Homekey and CalAIM.

PRINCIPAL AUTHOR AND DATA ANALYST
Max Zhang
Research Manager, Generation Housing

Max joins the Generation Housing team with professional and academic experience in data analysis. A recent graduate from the University of California, Berkeley, majoring in both Statistics and Economics, Max has worked on improving transparency and reproducibility in policy analysis with the Berkeley Initiative for Transparency in the Social Sciences and studied pandemic unemployment insurance and Proposition 13 tax revenue impacts at the Berkeley Institute for Young Americans. As a part of Generation Housing, Max is furthering a long-standing passion for effective, socially oriented policy by placing the power of modern data analysis tools in the hands of housing advocates.

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REPORT DESIGN

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About Generation Housing

GENERATION HOUSING NAPA VALLEY

OUR STORY

Generation Housing is an independent nonprofit organization created in the wake of the 2017 Sonoma Complex Fires to advocate for more diverse housing at all income levels in Sonoma County. Despite some policy advancements, there are still roadblocks and opposition to the development of much-needed housing. Generation Housing was incubated and is directed by cross-sector leaders representing healthcare, education, environment, and business who agree that a housing advocacy organization to promote housing policy and educate the public is a crucial missing component in our local housing development.

Generation Housing educates policymakers and the public about this critical intersectional relationship between housing and quality of life to increase public and political will for housing development, and to inspire and activate a counter voice to NIMBYism. Generation Housing rallies support for smart housing projects and helps to develop and champion solutions that reduce procedural and financial barriers to housing development.

Generation Housing's work is strategically guided by its Mission, Vision, and Guiding Principles, which include values of equity and environmental sustainability, and a commitment to cross-sector collaboration.

Vision

We envision vibrant communities where everyone has a place to call home and can contribute to an equitable, healthy, and resilient North Bay.

Mission

Generation Housing champions opportunities to increase the supply, affordability, and diversity of homes throughout the North Bay. We promote effective policy, sustainable funding resources, and collaborative efforts to create an equitable, healthy, and resilient community for everyone.

GUIDING PRINCIPLES

People

Everyone deserves to have a place to call home – a mix of ages, races, ethnicities, and socioeconomic status contributes to our economic and social vibrancy.

Sustainability

We support development of energy efficient and climate resilient homes and communities that offer access to jobs, schools, parks, and other needed amenities.

Place

Vibrant walkable urban areas, rich agriculture economy, and environmental stewardship require thoughtful, sustainable housing development.

Impact

Safe, stable, affordable housing near community services is integral to economic mobility, educational opportunity, and individual, family, and community health.

Collaboration

We are committed to working collaboratively and transparently – conducting positive advocacy, aligning efforts along the points of agreement, and working across sectors to create actionable and lasting solutions.

Housing Options

Our communities need a range of housing types, sizes, materials, and affordability levels.

Acknowledgements

BOARD

Jorge Inocencio, Board Chair
Electrical Engineer, Keysight Technologies

Harman Dhillon, Board Vice Chair
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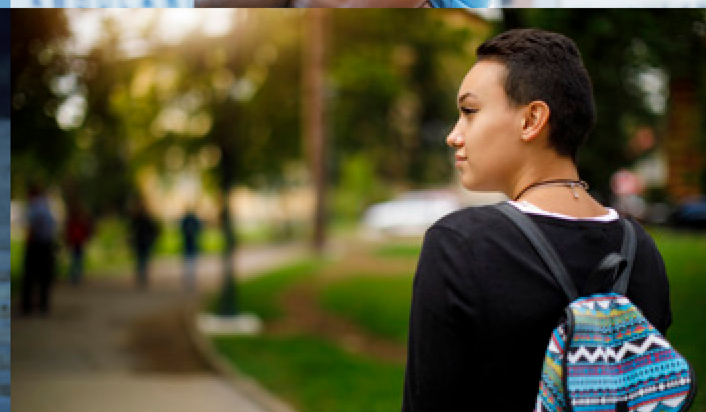
Report Commissioned by the Napa County Board of Supervisors:
Joelle Gallagher (District 1), Chair of the Board
Ryan Gregory (District 2)
Anne Cottrell (District 3), Vice Chair
Alfredo Pedroza (District 4)
Belia Ramos (District 5)

The Napa County Board of Supervisors, as part of its prioritization of the housing deficit within the county, sought out a rapid assessment of how rising home prices and limited availability had been impacted by underproduction in the last decade — and how in turn the shortage has affected residents' ability to afford to live in Napa County's jurisdictions. Its goal is to utilize this assessment to set baseline metrics, determine and drive local implementation of the Housing Element plan, and prioritize its grantmaking strategy in the years to come. This assessment is one part of the Board of Supervisors' plans to prepare the county for the potential utilization and expenditure of a nine-county general obligation bond measure on the November 2024 ballot that will unlock $10–$20 billion for affordable housing and homelessness solutions. Each county will determine how best to distribute funds to target highest need housing and support effective developments. It additionally seeks a tool that benefits advocates of housing throughout the county, generating shared language around — and key figures attesting to — the need to make the strongest possible case for housing now.

Special Thank You To:
This report would not have been possible without the guidance, leadership, and overall support of Jennifer Palmer, Director of Housing & Homeless Services with Napa County. Jennifer initiated and drove the effort to conduct a unified assessment of the jurisdictions' housing needs in order to understand the challenge as a regional rather than exclusively local task. As a testament to her collaborative approach, Jennifer assembled a Steering Committee of local advocates, industry leaders, and sector employers to establish a uniquely cross-public & private alliance on housing needs. The members, each of whom had seen firsthand how high housing prices made it difficult for their clients, employees, and workforce to live and work in Napa County, were instrumental to tailoring this assessment to the unique history, workforce profile, and housing needs of the county's key sectors including its accommodation, farm and agriculture, beverage manufacturing, health care, and childhood care & education employees.

Additional Support Provided By:
This report received input from numerous stakeholders within the county on needs ranging from quantitative and qualitative data to logistical support conducting interviews. Without them, the assessment would not have been the rich document it is, authentic to Napa County's needs and emblematic of its collaborative approach to solutions. Ryan O'Connell, How To ADU; Stephanie Gaul, Housing Manager at City of Napa; Charlotte Kuduk, Human Resources Business Partner at Providence Queen of the Valley Medical Center; Steph Shieh, Manager of Early Learning Programs & Provider Services at Community Resources for Children; Selena Polston, Principal at Selena Polston Consulting; Leo Buc, Principal at Breakaway Political; Michael Walker, Senior Planner at City of Napa; Alma Garibay, Relations Coordinator at Napa Valley Vintners; Julio Olguin, Executive Director at St. Helena Preschool for All; Milli Pintasci, Executive Director at Le Petit Elephant.





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