



June 13, 2024

Ms. Katie Herlihy
Community Development Director
City of Capitola
420 Capitola Avenue
Capitola, CA 95010

RE: 1098 38th Avenue Affordable Housing – Request for Gap Funding

Dear Ms. Herlihy,

In February 2022, the Central California Alliance for Health (the Alliance) reached out to MidPen Housing with an exciting acquisitions opportunity. Many years prior, the Alliance had purchased a skilled nursing facility in the City of Capitola and, after attempting to rehabilitate the aging building, made the difficult decision to demolish the structure and sell the vacant land. Committed to ensuring the property would continue to benefit the community, the Alliance contacted MidPen Housing to inquire about the suitability of the site for affordable housing. After completing a feasibility analysis, including confirming the City's enthusiasm for a 100% affordable development at the site, MidPen moved forward with the acquisition and closed on the land in March of 2023. The affordable housing community currently in development will include 52 homes for low-income families, a community room, property management and services offices, and multiple outdoor community spaces including play areas and gardens.

Project Goals and Status

MidPen Housing is working with Architects FORA to design a community that will provide affordable, inclusive family housing that reflects and supports the Capitola community. Approved unanimously at the Planning commission on April 4th, the site plan consists of four buildings surrounding two landscaped outdoor community spaces with a community table, play areas for children, a community garden and a dog run. There will be 70 parking stalls at the rear of the property and a bike barn. The unit mix is as follows: four (4) studio units, twenty-one (21) one-bedroom units, thirteen (13) two-bedroom units, and thirteen (13) three-bedroom units. The community will serve families earning between 30% and 60% of AMI, and rents will range from \$951 (for a 30% AMI studio) to \$2,825 (for a 60% AMI 3-bedroom). Bogard Construction was selected as the project's general contractor, with construction to begin as early as October 2025.

The target population for this development will be low-income families and families at risk of homelessness. A partnership is currently under development between MidPen Housing, Soquel Union School District, and Santa Cruz County Office of Education to pilot a program to refer families that qualify as homeless through the McKinney Vento Act. We are projecting 5-10 units will have a preference for this population, with families receiving supportive services from school district staff. Additionally, all families will have access to supportive services from onsite MidPen Resident Services staff.

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Financing Request

MidPen Housing staff have worked diligently to apply for all available funds. To date, the following sources have been committed, applied for, and/or are projected. Please see attached summary proforma for a more detailed financial analysis.

City of Capitola Successor Agency Funds - Committed

In December 2023, the City of Capitola and MidPen Housing executed a loan agreement committing \$250,000 in PHLA funds for predevelopment.

HOME – Investment Partnership Program - Applied

In April 2024, MidPen submitted an application for \$12M in HOME funds through HCD. Award announcements expected Fall 2024.

Project-Based Vouchers - Committed

In March 2024 the project received a conditional commitment of 25 project-based vouchers from the Housing Authority of Santa Cruz County for an initial contract term of 20 years.

The HOME application, if successful, will leave the 1098 38th Avenue development with an approximately \$1.35M funding gap. If the City of Capitola is able to provide an approximately \$1.35M to the project in the form of a construction to permanent residual receipts loan, the project will be fully financed and ready to apply for tax credits in Round 1 2025.

Key Dates for Capitola Manor	
Date	Milestone
04/12/2024	Applied for State HOME funds
3/2025	Apply for 9% Tax Credits in Round 1
6/2025	Receive Tax Credit Award and Select Lender/Investor
10/31/2025	Pull Building Permits and Start Construction
8/2027	100% Lease Up

If you need any more information, please feel free to contact Vanessa Diffenbaugh at vanessa.diffenbaugh@midpen-housing.org or (617) 768-7168.

Sincerely,

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Vanessa Diffenbaugh
Associate Director of Housing Development
MidPen Housing Corporation