

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA AUTHORIZING THE CITY MANAGER TO EXECUTE AN AMENDED LOAN AGREEMENT WITH MP RAIL TRAIL ASSOCIATES, LP, A CALIFORNIA LIMITED PARTNERSHIP, TO INCREASE AN EXISTING LOAN OF \$250,000 BY \$1,307,808 FOR A TOTAL LOAN OF \$1,557,808 TO FUND DEVELOPMENT OF FIFTY-TWO RESIDENTIAL UNITS AFFORDABLE TO LOW INCOME HOUSEHOLDS AT 1098 38TH AVENUE, CAPITOLA, CALIFORNIA AND ALLOCATING \$357,807.60 OF PERMANENT LOCAL HOUSING ALLOCATION FUNDS AND \$950,000 OF HOUSING SUCCESSOR FUNDS THERETO

WHEREAS, MP Rail Trail Associates, LP, a California limited partnership ("**Borrower**"), an entity controlled by MidPen Housing Corporation, a California nonprofit public benefit corporation ("**MidPen**"), is the owner of approximately 1.97 acres of real property located at 1098 38th Avenue, Capitola, California ("**Property**"); and

WHEREAS, on November 9, 2023, the City of Capitola ("**City**") entered into a Predevelopment Loan Agreement ("**Loan Agreement**") with Borrower to provide a loan of \$250,000.00 (the "**Loan**") from its Low and Moderate Income Housing Asset Fund, established pursuant to Health and Safety Code § 34176 (d) ("**Housing Successor Funds**"), to fund the costs and expenses that Borrower would incur to assess the feasibility of the development of affordable multi-family residential housing on the Property, design the project, and apply for governmental land use approvals needed for the development and construction of the project; and

WHEREAS, on April 4, 2024, the City of Capitola Planning Commission unanimously approved Borrower's application to develop the Property with fifty-two (52) multi-family residential units, comprised of four (4) studio units, twenty-one (21) one-bedroom units, fourteen (14) two-bedroom units, and thirteen (13) three-bedroom units, for a total of fifty-one (51) residential units affordable to households earning between 30% and 60% of area median income for Santa Cruz County, and one (1) unit permitted for a Property Manager, located within four (4) separate buildings which are surrounded by two landscaped outdoor community spaces with a community table, play area for children, community garden, dog run, 70 surface parking spaces, and a bike barn (the "**Project**"); and

WHEREAS, in March 2024, Borrower secured a conditional commitment of 25 project-based vouchers for the Project from the Housing Authority of Santa Cruz County for an initial term of 20 years; and

WHEREAS, in April 2024, Borrower submitted an application for HOME funds through the State of California, Department of Housing and Community Development ("**HCD**"), with awards to be announced in the fall of 2024, and are intending to apply for funding from CDBG-DR Disaster Relief Funds in September 2024 in the event the HOME fund application with HCD is unsuccessful; and

WHEREAS, if either the HOME or CDBG funding application is successful, the Project will still have a funding gap of approximately \$1,350,000; and

WHEREAS, the timely appropriation of local housing funds to close the Project funding gap is necessary to enhance the chances that the Project will secure the requested award of HOME or CDBG funds that will then allow the Project to apply for tax credits at the earliest opportunity; now, therefore, be it

RESOLVED THAT THE CITY COUNCIL OF THE CITY OF CAPITOLA HEREBY DETERMINES AS FOLLOWS:

1. An additional sum of \$1,307,807.60, consisting of \$357,807.60 of Permanent Local Housing Allocation (“PLHA”) Funds and \$950,000 of Housing Successor Funds, is hereby committed and allocated by the City to the Project in the form of an amendment to the Loan Agreement (“**Amended Loan Agreement**”) to thereby increase the total amount of the Loan to \$1,557,808 (the “**Project Loan**”), in the form of a subordinate construction loan, convertible to a permanent loan, subject to loan terms set forth in Exhibit A of this Resolution, to fund the construction of the Project. The City Manager is hereby authorized to negotiate, execute, enter into and implement all documents associated with or required for the Amended Loan Agreement, including but not limited to an amended promissory note to evidence the Project Loan to be secured by an amended deed of trust to be recorded against the Property, in a form approved by the City Attorney, and to amend the term of the Amended Loan Agreement, as deemed necessary by the City Manager, to require repayment of the Project Loan if Project Funding is not secured by MidPen within five years from the date of the Amended Loan Agreement.
2. As a condition of the Project Loan, Borrower shall execute, enter into and record against the Property an Affordable Housing Agreement and Declaration of Restrictive Covenants (the “**Regulatory Covenant**”) with City that requires all residential housing units developed on the Property, excluding one (1) Property manager’s unit, to be available to and rented at rents affordable to households earning between 30% and 60% of area median income for Santa Cruz County for a period of time no less than fifty-five (55) years from the date of occupancy of the Project. The City Manager is hereby authorized to negotiate, execute, enter into and implement all documents associated with or required for the Project Loan and Regulatory Covenant in a form approved by the City Attorney.

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on August 22, 2024, by the following vote:

AYES: BROOKS, CLARKE, PEDERSEN, BROWN, KEISER
NOES: NONE
ABSENT: NONE
ABSTAIN: NONE

Margaux Keiser, Mayor

ATTEST:

Julia Moss, City Clerk

Exhibit A

Proposed City of Capitola Project Loan Terms	
Item	Term
Borrower	MP Rail Trail Associates, L.P., a California limited partnership
Project Sponsor	MidPen Housing, a California nonprofit public benefit corporation
Project Loan Amount	\$1,307,807.60; to be combined with \$250,000 Predevelopment Loan; Total Project Loan amount of \$1,557,807.60.
Project Loan Term	55 years from Perm Conversion
Security	Project Loan Amount to be evidence by Promissory Note to be secured by a subordinate Deed of Trust recorded against the Property at the time Project construction financing is closed
Eligible Expenses	PLHA Funds: Predevelopment; Housing Successor Agency Funds: Construction and Permanent Financing
Interest Rate	3% simple interest
Amortization	N/A residual Receipts payments
Repayment	Residual Receipts