

Capitola City Council

Agenda Report



Meeting: June 12, 2025

From: Community Development Department

Subject: Castle Mobile Home Park Overview

Recommended Action: Receive a report on Castle Mobile Home Estates regarding encroachments into the Regional Transportation Commission corridor right of way.

Background: On May 22, 2025, City Council requested an item placed on a City Council agenda to receive an overview of Regional Transportation Commission (RTC) encroachment issues at Castle Mobile Home Estates .

Discussion: Castle Mobile Home Estates is a 108-space mobile home park located at 1099 38th Avenue in Capitola. The park is owned by Millennium Housing Corporation, a non-profit agency. The park was acquired by Millennium Housing in July 2011 with financial assistance from the City of Capitola in the form of Redevelopment Agency (RDA) funds. The purchase resolved a legal dispute with the previous owner, who had filed suit against the City's mobile home rent control ordinance. As part of the settlement agreement, the park was transferred to the non-profit Millennium Housing, and affordability restrictions were established to protect residents.

The City provided a \$2 million loan to support the acquisition and ongoing affordability of the park; \$1 million for park acquisition and \$1 million for park rehabilitation and rent subsidies. The loan carried a 3% simple interest rate and a 55-year term. No repayment of principal or interest was required for the first 15 years. The transaction and subsequent affordability requirements are governed by a First Amended and Restated Loan Agreement and a Regulatory Agreement and Declaration of Restrictive Covenants.

The City must approve any proposed changes in property management and retains authority to replace the management agent if necessary. Space rents were capped at \$650 for owner-occupants and \$800 for non-owner occupants in 2011, with annual rent increases limited to the Consumer Price Index (CPI).

A total of 85 of the park's 108 units are designated as affordable and must serve income-qualified households. Specifically, 21 spaces are reserved for Very Low-Income households ($\leq 50\%$ of Area Median Income), 11 for Lower-Income households ($\leq 80\%$ AMI), and 54 for Moderate-Income households ($\leq 120\%$ AMI), with housing costs not to exceed 30% of household income.

Castle Mobile Home Estates is adjacent to Segment 10 of the Santa Cruz County Regional Transportation Commission's (RTC) Coastal Rail Trail project. As part of the planning for the trail, the RTC conducted an encroachment review. In May 2024, the RTC published the *Mobile Home Encroachment Options Report*, which outlines possible strategies for resolving these encroachments. The report is publicly available at: <https://www.sccrtc.org/mobile-home-encroachment-options-report/>.

City staff helped set up a meeting between Millennium Housing and RTC staff in March, and at the meeting outlined the framework for a potential agreement to help the parties identify mutually acceptable solutions to resolving the encroachments. Millennium indicates they received a proposed "tolling" agreement from the RTC on May 23.

A tolling agreement is a legal document that pauses, or "tolls," the running of the statute of limitations on a potential legal claim. In this case, the RTC has proposed a tolling agreement related to the encroachments from Castle Mobile Home Estates into the planned trail corridor. By entering into such an agreement, the parties would agree to temporarily suspend any deadlines to file legal action while they pursue discussions or negotiations. Tolling agreements are often used to allow more time to explore potential resolutions without the pressure of litigation deadlines.

The agreement is currently being reviewed by Millennium representatives.

Fiscal Impact: There is no fiscal impact associated with this report.

Attachments:

1. RTC Presentation for Town Hall

Report Prepared By: Katie Herlihy, Community Development Director

Reviewed By: Julia Gautho, City Clerk; Sam Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager