

**SHORT-TERM LOAN AGREEMENT BETWEEN THE CITY OF CAPITOLA AND
THE COUNTY OF SANTA CRUZ FOR THE PURPOSE OF FUNDING THE
PURCHASE OF WATSONVILLE COMMUNITY HOSPITAL**

This Agreement, effective as of the date of the last signature below, is between THE CITY OF CAPITOLA (“City”), a municipal entity, and the COUNTY OF SANTA CRUZ (“County”), a political subdivision of the State of California. The City and the County are sometimes referred to in this Agreement individually as a “Party” or together as the “Parties.”

RECITALS

A. In February 2022, pursuant to Senate Bill 418, the State of California created the Pajaro Valley Health Care District (“District”) for the purpose of bringing Watsonville Community Hospital (“Hospital”) into public ownership, after the current owners declared bankruptcy.

B. A wide variety of community benefit organizations, private donors, and public agencies have joined together to fund the purchase price of the Hospital, and the last date to close the sale, as approved by the United States Bankruptcy Court, is August 31, 2022.

C. The State of California has committed to providing significant funding towards the purchase of the Hospital, as reflected in separate line items for ten million dollars and fifteen million dollars (for a total of \$25 million) in the 2022-2023 State Budget Bill.

D. Due to a drafting error in the State Budget Bill language related to the State’s \$25 million grant, the wrong entity was inadvertently inserted in place of the County, which was the intended recipient of the funds (to be received on behalf of the District). The result of the error is that the County will not receive the funds necessary to contribute towards the purchase price of the Hospital. This will require an amendment to the original State Budget Bill language, which is forthcoming. However, the necessary correction will not be accomplished quickly enough to accommodate the August 31, 2022, closing deadline.

E. The Parties agree that it is critical that the Hospital purchase be successfully concluded by August 31, 2022, in order to avoid additional unnecessary and exorbitant expenses that would follow a postponement, to ensure that the Hospital successfully transfers to public ownership on the bankruptcy court’s approved timeline, and to preserve the Hospital as a vital operating health care provider for the people of the Pajaro Valley region.

F. Accordingly, the City has agreed to provide the County with a \$5 million short-term loan (not to exceed 60 days) to fund the purchase price of the Hospital. This \$5 million will be pooled with money from other community partners to fund the \$25 million necessary to bridge the gap in funds needed to close the Hospital purchase transaction by August 31, 2022.

NOW THEREFORE, the Parties agree as follows:

1. Loan Amount. The City will loan the County five million dollars (\$5 million), to be used exclusively for purposes of funding the purchase price for the Hospital as referenced in the above Recitals.

2. Term. The term of the loan is sixty (60) days. City is to pay the loan to the County on August 22, 2022. The County will repay to the City the entire balance of the loan within sixty days of receipt of the funds from the City.

3. No Security Required. The Parties recognize that this loan is backed by the full faith and credit of the County of Santa Cruz, in its capacity as a political subdivision of the State of California, which has pledged the funds necessary to repay the loan amount. Accordingly, this is an unsecured loan.

4. Payment of Costs. The County agrees that, within thirty (30) days of receiving a request for payment from the City, the County will pay the City all costs that the City incurs in providing this loan

5. Interest. County agrees to pay interest in an amount equal to the LAIF daily interest rate from the date of issuance of the funds by the City to the date of repayment by the County.

6. Late Payment. The Parties agree the loan term is 60 days and shall be repaid by the County within 60 days of its issuance without any notice or request for repayment required from the City. However, if the loan is not repaid within 60 days, the County shall pay any additional costs incurred by the City in accordance with Section 4 related to County's failure to timely repay the loan. In addition, the County agrees to pay City a fee for any late payment equal to 1.0% per month of the overdue amount (12% annual rate, to be calculated for each day the payment is late). However, the Parties agree this late fee may be waived based on the mutual agreement of the Parties.

7. Waiver. The County acknowledges that the City is entering into and performing this Agreement only as an accommodation to the County, and hereby waives any claim for damages or otherwise against the City, its officials, officers, and employees arising from or in connection with this Agreement.

8. Indemnity. To the fullest extent permitted by law, the County agrees that it will defend, hold harmless, and indemnify the City, its officials, officers, and employees from any claims for damages or otherwise from third parties that may result from this Agreement.

9. Choice of Law. This Agreement shall be construed in accordance with and governed by the internal laws of the State of California without regard to conflict of law provisions.

10. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

11. Entire Agreement. This Agreement reflects the entire understanding and agreement of the Parties pertaining to its subject matter, and supersedes any prior oral or written agreements, representations, understandings or discussions between the Parties. No other understanding between the Parties shall be binding on them unless set forth in a further signed document amending this Agreement.

12. Further Assurances. Each Party shall, at the reasonable request of the other Party, execute and deliver to the other Party all further instruments, assignments, assurances and other documents, and take any actions as the other Party reasonably requests in connection with the carrying out of this Agreement.

13. No Third-Party Beneficiary Rights. The Parties do not intend to confer and this Agreement shall not be construed to confer any rights or benefits to any person, firm, group, corporation or entity other than the Parties.

14. No Waiver. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance. Any waiver granted by a Party must be in writing to be effective and shall apply solely to the specific instance expressly stated.

15. Severability. The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

16. Warranty of Authority. The signatories to this Agreement warrant and represent that each is authorized to execute this Agreement and that their respective signatures serve to legally obligate their respective representatives, agents, successors and assigns to comply with the provisions of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

CITY OF CAPITOLA

COUNTY OF SANTA CRUZ

By: _____

By: _____

Manu Koenig
Chairperson, Board of Supervisors

Its: _____

Date: _____

Date: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Samantha Zutler
City Attorney

Jason M. Heath
County Counsel