

Capitola City Council

Agenda Report



Meeting: June 22, 2023

From: Community Development Department

Subject: 1098 38th Avenue Project Introduction and Funding Request

Recommended Action: Receive presentation and direct staff to prepare loan agreement to assist with for predevelopment activities for a 100% affordable multifamily rental housing development located at 1098 38th Avenue.

Background: On March 10, 2023, MidPen Housing, a local non-profit affordable housing developer, acquired 1098 38th Avenue. Upon acquiring the property, the non-profit approached City staff with a request for \$250,000 of funding for predevelopment planning costs.

Analysis: MidPen Housing intends to construct a 100 percent affordable housing development at 1098 38th Avenue. Since acquiring the site, the non-profit has been working on buildout scenarios for the site. After much consideration, MidPen has decided to pursue a 52-unit, multifamily housing development.

Recently, MidPen hired Architects FORA to design the future multifamily housing development. MidPen is requesting \$250,000 for predevelopment planning of the project, including \$200,000 for architectural design, \$32,000 for civil and survey costs, and \$19,800 in geotechnical reports and testing, with the expectation the City would consider providing additional funding in the future.

The City currently has multiple funding options which could be utilized for predevelopment planning of the project, including Permanent Local Housing Allocation Fund (PLHA) and Housing Successor Agency funds. On May 10, 2023, the City was awarded \$481,732 in PLHA funds toward predevelopment rental housing. PLHA grant funding may be utilized for predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, and rental housing that is affordable to extremely low-, very low-, low-, or moderate-income households, including necessary operating subsidies. The City also has approximately \$2 million in funds in the Housing Successor Agency fund due to a recent loan pay-off. The Housing Successor Agency funds may be utilized for new construction of an affordable housing development to households earning 80 percent or less of the area median income (AMI).

During the June 22 City Council meeting, MidPen will introduce their team and provide a conceptual overview of the proposed project. If there is conceptual support for the project, staff recommends the City Council direct staff to prepare a loan agreement for \$250,000 to assist with predevelopment planning for consideration at a future Council meeting.

Fiscal Impact: The City received a PLHA grant award for \$481,732 for 2020 - 2022 and anticipates an additional award of \$149,426 for 2023 and 2024. The City also has approximately \$2 million in the Housing Successor Agency fund. MidPen's request for \$250,000 could be fully funded through either fund. Should City Council direct staff to proceed with the loan, staff will research which funding source would be most appropriate for the project.

Report Prepared By: Katie Herlihy, Community Development Director

Reviewed By: Julia Moss, City Clerk; Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager