

# Capitola City Council

## Agenda Report



**Meeting:** November 9, 2023

**From:** Community Development Department

**Subject:** 1098 38<sup>th</sup> Avenue Project

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**Recommended Action:** Adopt a resolution authorizing the City Manager to finalize the loan agreement with MidPen Housing to assist with predevelopment activities for a 100% affordable multifamily rental housing development located at 1098 38<sup>th</sup> Avenue.

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

On June 22, 2023, the City Council received a presentation on a future 100% affordable multifamily rental housing development located at 1098 38<sup>th</sup> Avenue and directed staff to prepare a loan agreement to assist with predevelopment activities.

**Analysis:** MidPen Housing intends to construct a 100% affordable housing development at 1098 38<sup>th</sup> 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 requested \$250,000 for predevelopment planning of the project, including \$200,000 for architectural design, \$32,000 for civil and survey costs, and \$19,800 for geotechnical reports and testing, with the expectation that the City would consider providing additional construction funding in the future.

The City 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 the new construction of an affordable housing development for households earning 80 percent or less of the area median income (AMI).

The City Attorney's office prepared a loan agreement in the amount of \$250,000 to assist with predevelopment planning of 1098 38<sup>th</sup> Avenue utilizing the Housing Successor Agency Funds (Attachment 2).

**Fiscal Impact:** The City has approximately \$2 million in the Housing Successor Agency Fund. MidPen's request for \$250,000 will be fully funded through the Housing Successor Agency fund.

**Attachments:**

1. Resolution
2. Loan Agreement

**Report Prepared By:** Katie Herlihy, Community Development Director

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

**Approved By:** Jamie Goldstein, City Manager