

37. Authorize the Director of Community Development and Infrastructure (CDI) to make a Predevelopment Loan of \$362,241 to MP Green Valley Associates, LP for Affordable Housing at 578 Green Valley Road, Watsonville, and take related actions
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County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Community Development and Infrastructure

Subject: Predevelopment Loan to MP Green Valley Associates, LP for Affordable Housing Project on Green Valley Road

Meeting Date: February 25, 2025

Formal Title: Authorize the Director of Community Development and Infrastructure (CDI) to make a Predevelopment Loan of \$362,241 to MP Green Valley Associates, LP for Affordable Housing at 578 Green Valley Road, Watsonville, and take related actions

Recommended Actions

1. Authorize the CDI Director to commit \$362,241 in Permanent Local Housing Allocation (PLHA) funds for a predevelopment loan to MP Green Valley Associates, LP, an affiliate of MidPen Housing Corp., for a proposed affordable rental housing project at 578 Green Valley Rd. in Watsonville; and
2. Authorize the CDI Director or designee to sign a predevelopment loan agreement and related loan documents with MP Green Valley Associates, LP, in final form as approved by County Special Housing Counsel and the State of California Department of Housing and Community Development (HCD).

Executive Summary

Authorize CDI to make a predevelopment loan of \$362,241 in PLHA funds to MP Green Valley Associates, LP (Borrower) to plan a new affordable rental project at 578 Green Valley Road in Watsonville. The loan funds are from the County's 2020 and 2021 PLHA grants. The 2020 PLHA funds (approximately \$180,000) will expire if not committed to a predevelopment loan at this time. The proposed loan will be used by the Borrower for typical predevelopment costs such as architecture and engineering, special studies, development application fees, and funding applications.

Discussion

The project site is in the 2023 Housing Element sites inventory and was recently rezoned to allow multifamily housing. In early 2024, the Board authorized the CDI Director to commit an acquisition loan of \$1.2 million in Housing funds to assist the Borrower in acquiring this site. That acquisition occurred in August 2024.

The County receives annual formula grants from the PLHA formula grant program enacted in 2018 to provide California cities and counties with flexible funding for affordable housing activities. The first five years of PLHA formula grant allocations were funded by the State between 2019 and 2023. The current PLHA Grant award, HCD Standard Agreement # 20-PLHA-15557 dated May 16, 2023, includes three years of formula grants (2019 through 2021).

The Board approved the County's Five-Year PLHA Plan in 2020, as required by HCD, and amended it slightly in 2023. The [PLHA Plan](#) allocates the County's PLHA grants to three activities: Low-Mod Fund Matching Grants (Activity 4"), Homeless Services and Supportive Housing ("Activity 6"), and Administration. Activity 4 funds must flow through the County's Low- and Moderate-Income Housing Fund (Low-Mod Fund). The Low-Mod Fund holds revenues from the Housing assets of the County's former Redevelopment Agency. Once in the Low-Mod Fund, PLHA Activity 4 funds can be used for

development or preservation of rental housing affordable to lower-income households. The proposed predevelopment loan for the Green Valley project is an eligible use of Activity 4 funds.

Funding for Activity 6 is passed through to the County's Housing for Health Division of the Human Services Department (H4H) to support its contracts for winter shelter operations and supportive services.

The site of the proposed affordable housing project, Parcel 2 as shown on the Parcel Map of 578 Green Valley Rd. (MLD 231360), was acquired by the Borrower in August 2024 with the acquisition loan from the County's Affordable Housing Impact Fee (AHIF) fund. A County deed restriction was recorded at that time, restricting the entire site to be used for lower-income housing, with an estimated unit yield of 60 to 120 units. The proposed PLHA Predevelopment loan would add an additional layer of restriction to five of the future units, restricting them to an affordability level of 60% of Area Median Income (AMI), which is within the state-defined Low-Income level, and to the PLHA regulations.

The proposed pre-development loan would provide funding needed for the Borrower to design the project, apply for County design review and building permits, complete related environmental reviews and/or environmental studies that may be needed, and undertake other predevelopment activities, such as seeking financing for construction of the project.

The proposed loan documents are based on a template provided by HCD for PLHA loans and have been reviewed by CDI's Special Housing Counsel. HCD requires PLHA loan documents to be submitted to its legal team for review and approval before execution. That review is currently underway and expected to be complete by March. The deadline to request 2020 PLHA funds is March 1, 2025. The recommended actions would allow the County to meet this deadline.

Financial Impact

The recommended actions would not impact the General Fund. The proposed expenditure is consistent with the FY 2024-25 budgets for the PLHA Grant Fund (Index 136201) and Low-Mod Housing Fund (Index 135490). The Activity 4 funds from the 2020 and 2021 PLHA grants (a total of \$362,241) are proposed to fund this loan, consistent with the current Five-Year PLHA Plan.

Strategic Initiatives

Equity Framework - Plans, Policies & Budgets, Community Voices & Partnership
Operational Plan - Attainable Housing

Submitted By:

Matt Machado

Recommended By:

Carlos J. Palacios, County Administrative Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this

agenda item.

Vicinity Map: 578 Green Valley Rd. Project Site



January 21, 2025

Supervisory Districts

 Supervisory Districts

City Limits

 City Limits

