



**County of Santa Cruz Board of Supervisors
Agenda Item Submittal**

From: Redevelopment Successor Agency
(831) 454-2280

Subject: Capitola Rd Commercial Site Disposition

Meeting Date: November 10, 2020

Recommended Action(s):

Approve the revised Affordable Housing and Property Disposition Agreement By and Between the Santa Cruz County Redevelopment Successor Agency and MP Live Oak Associates, L.P., a partnership established by MidPen Housing; authorize the County Administrative Officer to execute the agreement; and take related actions.

Executive Summary

The revised Affordable Housing and Property Disposition Agreement (Revised AHPDA) for the disposition of the Capitola Road Commercial Site (Site) reflects changes to the original Affordable Housing and Property Disposition Agreement (Original AHPDA) approved on November 5, 2019 to address environmental contaminants discovered on the Site in January 2020. The project team has worked with County staff and the appropriate regulatory agencies to develop a mitigation plan that mitigates risks posed by the contamination and allows the project to be developed as planned; however, the sale price must be revised to reflect the required mitigation costs.

Background

The Office for Economic Development and the Planning Department have been working to dispose of property owned by the former Redevelopment Agency of the County of Santa Cruz (RDA). Through a disposition process that included a Request for Proposals, MidPen Housing (MidPen) was selected as the lead developer for a project to include a 57-unit affordable housing development and two clinics (Project). On November 5, 2019, the Redevelopment Successor Agency (RSA) Board approved the Original AHPDA with MidPen for the sale of the Site. A detailed background and history of the Project and a summary of the salient terms of the Original AHPDA is set forth in the November 5, 2019 Board Memorandum.

Analysis

Shortly after approval of the Original AHPDA, MidPen commissioned a Phase II environmental assessment to be completed for the Site. The soil vapor investigation as part of the Phase II identified dry cleaning solvent contaminants on the Site. In response, the County hired Weber, Hayes and Associates (WHA) to characterize the extent of the soil contamination and advise upon the methodology for mitigation for the Site to enable the sale of the Site and the Project to proceed. Included as Attachment A is a report prepared by WHA that summarizes this analysis, titled Chronology of Environmental Conditions Resulting in Required Mitigation that Decreases Property Value (Environmental Summary Report).

The Revised AHPDA includes additional and revised language to reflect the existence of contaminants on the Site, the mitigation requirements for developing the Site and the ongoing monitoring and management as required to protect human health and the environment by the Central Coast Regional Water Quality Control Board and the Monterey Bay Air Resources District. The original purchase price for the property (\$3,525,000) was determined through an appraisal report dated December 3, 2018 prepared by Valbridge Property Advisors. The purchase price has been reduced by \$2,117,399 to reflect the cost of vapor barrier mitigation required for developing the Site and ongoing monitoring and management costs to a revised purchase price of \$1,407,601. MidPen will pay the value that is attributable to the site to be developed with the affordable housing development, which is \$1,407,601. The purchase price for the sites to be developed with the clinics (i.e., Santa Cruz Community Health Centers and Dientes Community Dental Care) is \$0. The purchase price will be paid at close of escrow upon satisfaction of various performance requirements set forth in the Revised AHPDA and the net sales proceeds will be distributed to the affected taxing entities in proportion to their respective shares of taxes derived from the Site.

If approved by the RSA, the RSA's approval of the Revised AHPDA is scheduled to be presented to the Santa Cruz County Consolidated Oversight Board at the a special meeting with a date to be determined. A clean version of the Revised AHPDA is attached as Attachment B, and a strike-out version of the Revised AHPDA showing changes from the Original AHPDA is attached as Attachment C.

Elsewhere on today's agenda, a companion item from the Planning Department will approve changes to the Project budget to reflect the reduced purchase price and increase development costs due to the necessary mitigations, and to approve the Revised AHPDA consistent with the actions of the RSA.

Strategic Plan Element(s)

- 1.A (Comprehensive Health & Safety: Health Equity)
- 2.A (Attainable Housing: Affordable Housing)
- 2.B (Attainable Housing: Community Development)
- 2.C (Attainable Housing: Local Inventory)
- 2.D (Attainable Housing: Homelessness)
- 4.A (Sustainable Environment: Outdoor Experience)
- 5.A (Dynamic Economy: Regional Workforce)
- 5.B (Dynamic Economy: Community Vitality)

Submitted by:

Carlos J. Palacios, County Administrative Officer

Recommended by:

Edith Driscoll, Auditor-Controller-Treasurer-Tax Collector

Attachments:

- a Environmental Summary Report (Attachment A)
- b Revised AHPDA (Attachment B)
- c Edits to original AHPDA, Strikeout-underline (Attachment C)

cc:

County Administrative Office
Planning Department
Redevelopment Successor Agency