



Attachment 1  
MEMORANDUM

TO: Nancy Gornowicz  
FROM: George Turk  
SUBJECT: Leisure Park Proposed Refinance  
DATE: April 26, 2016

This Memo is a follow-up to our discussion of a possible Leisure Park refinance. Leisure Park is a 182 space all-age community located at 2185 Occidental Road, Santa Rosa 95401.

**Background**

10+ years ago, the prior owner of Leisure Park notified residents that their Park would undergo a condo conversion, whether or not the residents supported the conversion. If Leisure were subdivided, the City's rent controls would be phased out.

The residents got an attorney and appealed to the City for help. The City enacted a moratorium on such conversions; the Leisure parkowner responded with a lawsuit seeking \$23,100,000 in damages from the City. The parkowner also brought an action to force a large rent increase. Not only were the Leisure homeowners worried about the affordability of their rents, but the threatened litigation made it almost impossible for residents to sell their homes.

Millennium Housing's program was seen as the solution to all this, so in November 2007, with \$200,000 from the Housing Authority and the issuance of tax-exempt bonds, Leisure Park was converted to non-profit ownership.

It was a win for all sides: the Seller got a fair price; the City gained 91 low- and very-low income units and a guarantee that Leisure Park will never again be a party to rent control litigation; and residents got peace of mind and much greater input into how their community is operated.

**Millennium's Stewardship**

All project surpluses are reinvested back into Leisure Park for such things as housing assistance, capital improvements, additional maintenance and other uses that benefit Leisure's residents. During our 9 years of ownership, for instance, we have provided

\$1,200,000 in housing assistance and invested approximately \$600,000 in park upgrades--none of which has been passed through to the residents.

We've also used the Project Surpluses to limit the rent increases. When we closed escrow, rents were set at \$650/month. 10 years later, rents have only increased to \$753, with many of our residents receiving low-income housing assistance that lowers their payment even more.

SPARC, our resident services partner, has been particularly active in Leisure Park. Just a few examples:

- Our Food Bank Program delivered approximately \$125,000 in free food in 2015.
- 23 Leisure students have received SPARC College Scholarships of varying amounts.
- Approximately \$8,000 in gifts was distributed at the Children's Christmas Party, in partnership with Redwood Empire, a community service organization.
- SPARC sponsored a Health Fair, Hearing Event and numerous other health-related programs, Back-to-School Parties/school supply giveaways, field trips...
- We provide a monthly allowance to the Social Club to encourage their various events.

We meet periodically with the Homeowners' Board and, on occasion, with the entire Park to go over Leisure's financials, obtain resident input for capital improvement and budget priorities and to discuss matters of concern to our homeowners.

In summary, we're confident that we've met the City's expectations for this project.

### **Proposed Refinancing**

Leisure Park currently has only about \$189,000 in its Capital Improvement & Surplus Funds, which isn't very much for a park of this complexity. We particularly need to reserve for repairs that we know are coming for the water well system for a future upgrade of the 44-year-old gas & electric systems.

By refinancing at today's low municipal bond rates, we believe Leisure Park can potentially generate an additional \$1,000,000 in Capital Improvement funds while maintaining the current levels of debt service. We wouldn't be doing our duty to our residents if we didn't try to redirect those funds away from bondholders and into Leisure's capital needs.

As with the existing bonds, the proposed new bonds will be issued by the Independent Cities Financing Authority, a statewide Joint Powers Authority of which Santa Rosa is a member. There will be no City liability, credit or obligation relating to the new bonds.

## **Housing Authority Loan**

As noted above, the Housing Authority contributed \$200,000 to assist the acquisition and resolve the ongoing litigation. The Authority contribution was a “soft” loan which accrued interest at 3% simple interest, payable upon sale or refinance of the project.

The loan balance will be approximately \$240,000 by the time the refinance is completed. In keeping with the terms of the Loan, Leisure will repay the Housing Authority Loan upon closing of the bonds.

## **Project Timeline**

We anticipate that it will take approximately 90 days to complete required City actions, finish the third-party studies and legal documentation, sell the bonds and close the refinancing escrow. We would prefer to have the City process done on the front-end of the timeline so that we are in a position to complete the refunding on the next payment date.

If the City is prepared to move forward with this request, we’ll direct the Bond Counsel to prepare the required City documentation.

## **Conclusion**

We are asking the City Council to hold the required TEFRA Hearing that would allow the Independent Cities Finance Authority to refinance the existing bonds. Our Bond Counsel will draft the required Public Notice and Council Resolution at our cost.

The proposed bond refinance will strengthen Leisure Park’s financial structure; fund needed capital improvements and other resident priorities; repay the Housing Authority loan and free \$240,000 or so to advance the City’s housing goals; and once again demonstrate the City's continued support of the residents of its manufactured home communities.

Please let me know if you need anything else to move forward on this request.