

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: FRANK KASIMOV, PROGRAM SPECIALIST  
HOUSING AND COMMUNITY SERVICES  
SUBJECT: TEFRA HEARING – LEISURE PARK, LOCATED AT 2185  
OCCIDENTAL ROAD  
AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Council, by resolution, approve the issuance by the Independent Cities Finance Authority of tax exempt, mobilehome park revenue refunding bonds in an amount not to exceed \$15,250,000 for Leisure Park, a mobilehome park located at 2185 Occidental Road.

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EXECUTIVE SUMMARY

Millennium Housing, the owner of Leisure Park mobilehome park, has requested the Independent Cities Finance Authority, a joint powers authority of which the City of Santa Rosa is an associate member, to issue tax exempt revenue bonds in an amount not to exceed \$15,250,000 to refund outstanding bonds issued in 2007 that were used to finance the acquisition and renovation of the mobilehome park with 182 spaces known as Leisure Park, located at 2185 Occidental Road, Santa Rosa (the "Project"). Refinancing at a lower interest rate will enable Millennium Housing to build up its Capital Improvement & Surplus Funds and pay off a loan made by the Housing Authority in the amount of approximately \$240,000, including principal and interest. All financial obligations for the project are the responsibility of Millennium Housing. The issuance of tax exempt, private activity bonds, even by a joint powers authority, must be approved by the governing body in whose jurisdiction the project is located following a public hearing.

BACKGROUND

Leisure Park is a 182-unit all-age mobilehome park located at 2185 Occidental Road. The park is owned by Millennium Housing, a non-profit [501(c)(3)] corporation created to provide affordable housing through the acquisition and rehabilitation of mobilehome communities. Millennium's goals are to encourage and empower its residents to take an active role in budget and management decisions; provide enhanced maintenance and

services; and to ensure that its communities remain valuable sources of quality affordable housing. Each community Millennium Housing acquires has a long-term Regulatory Agreement recorded on the property to ensure that they achieve the goals of the City and resident group for that specific community. The Regulatory Agreement contains limits on rent increases and outlines how the park will be operated.

The Independent Cities Finance Authority (the “Finance Authority”) is a joint powers authority (“JPA”) formed for the purpose, among others, of assisting its Members and Associate Members with financing in connection with the improvement, construction, acquisition, creation, rehabilitation and preservation of affordable housing, including making loans to tax-exempt organizations from the proceeds of mortgage revenue bonds to finance the acquisition of multifamily rental housing, including mobilehome parks. The City of Santa Rosa (the “City”) is an associate member of the Finance Authority.

The prior mobilehome park owner had notified residents that the park would be subdivided. As a result, the City’s mobilehome rent control ordinance would be phased out. Instead, Millennium Housing purchased the park in 2007. The Finance Authority issued bonds in the aggregate amount of \$19,510,000 to assist Millennium Housing finance the acquisition and rehabilitation of Leisure Park.

In connection with issuance of the 2007 bonds, Millennium Housing and the City entered into a Supplemental Regulatory Agreement (“SRA”) and Declaration of Restrictive Covenants, dated November 1, 2007, and recorded November 15, 2007 as Document No. 2007122733 in the Official Records of Sonoma County.

The Supplementary Regulatory Agreement provides, among other things: (i) Millennium Housing shall establish and maintain a rental assistance fund; (ii) at least 20% of the spaces shall be occupied by very low-income households, and at least 30% of the spaces occupied by lower income households; (iii) the rent is restricted for 10% of the total spaces, which are also reserved for very-low income households; (iv) Millennium housing shall cooperate with the resident association board; (v) the owner shall have certain maintenance responsibilities; (vi) Millennium Housing shall establish and maintain a repair and replacement fund; (vii) Millennium Housing shall comply with the City Code with respect to Mobilehome Park Guidelines (Chapter 6-64), Mobilehome Rent Control (Chapter 6-66), and Mobilehome Park Conversions (Chapter 6-67 and Chapter 19-76); (viii) the covenants of the SRA shall run with the land and are binding on successors in title; (ix) sale or transfer of Leisure Park must be to a nonprofit organization with experience in operating a similar facility and which assumes the responsibilities of the SRA, and approved by the City; and (x) administration of the affordable housing requirements will be pursuant to an Administration and Oversight Agreement, which will be replaced with a new agreement as part of this transaction. The term of the SRA is 55 years, expiring November 1, 2062, and survives repayment of the bonds and sale of the property.

In addition, the City, the Finance Authority, Millennium Housing, and Wolf & Company, Inc. as oversight agent, entered into an Administration and Oversight Agreement dated November 1, 2007, which provides that an Oversight Agency monitor the income levels of the residents of the Qualified Spaces for very low and lower income residents under the Supplementary Regulatory Agreement.

On October 22, 2007, the Housing Authority adopted Resolution No. 1400 approving a loan in the amount of \$200,000 to assist Millennium Housing with some rehabilitation costs. A loan agreement, promissory note, deed of trust, and regulatory agreement are dated on or around March 18, 2009. The Housing Authority Regulatory Agreement, executed March 11, 2009, and recorded March 18, 2009, as Document No. 2009023767 in the Official Records of Sonoma County, provides that 50%, or 91, of the spaces shall be used only for housing very low and lower income residents for a period of 55 years from the date of the SRA to November 1, 2062.

An option agreement between Millennium Housing and the Leisure Park Mobilehome Owners Association (the "Resident Association"), dated November 30, 2007, and recorded on December 28, 2007, as document number 2007136315 in the Official Records of Sonoma County grants to the Resident Association the exclusive right, but not the obligation, to purchase the Project.

This agreement provides, in part, that Millennium Housing (i) set up a funded Repair and Replacement Fund; (ii) solicit input from residents; (iii) establish a Rental Assistance Fund to subsidize the increase in space rents caused by Millennium Housings purchase of the mobilehome park; (iv) cooperate and communicate with the Residents Association; (v) provide financial and maintenance records; (vi) maintain the property to the highest standards; and (vii) only sell the property to the residents, and affiliated entity or another nonprofit corporation, either of which will be subject all the terms and conditions of this agreement.

#### PRIOR CITY COUNCIL REVIEW

On October 9, 2007, the City Council adopted Resolution No. 26948 approving an Associate Membership Agreement with the Finance Authority.

On October 16, 2007, conducted a TEFRA public hearing and adopted Resolution No. 26955 (1) approving the issuance of mobilehome park revenue bonds by the Finance Authority in an amount not to exceed \$24,000,000 to assist in financing the acquisition and rehabilitation of Leisure Mobilehome Park by Millennium Housing; and (2) approving a Supplemental Regulatory Agreement and Declaration of Restrictive Covenants between the City and Millennium Housing, and (3) approving an Administration and Oversight Agreement among the City, the Finance Authority, Millennium Housing, and Wolf & Company, Inc.

## ANALYSIS

Millennium Housing has requested the Finance Authority to issue bonds in an aggregate amount not to exceed \$15,250,000 to refund outstanding 2007 Series A Bonds, 2007 Series C Bonds, 2007 Series D Bonds and part of the 2007 Series B Bonds. Some of the 2007 Series B Bonds will remain outstanding at the request of the bondholder.

The proceeds of the 2016 Bonds, along with other funds of Millennium Housing, will be used to prepay the Housing Authority loan in the amount of approximately \$240,000 (principal plus interest), fund a replacement and reserve fund to make capital improvements to the project and fund the rental assistance fund.

The issuance of private activity bonds, even by an outside joint powers authority, must be approved by the governing body in whose jurisdiction the project is located following a public hearing, which is often referred to as a TEFRA Public Hearing because it is held in accordance with the Tax Equity and Fiscal Responsibility Act ("TEFRA") of 1982, Section 147(f) of the Internal Revenue Code of 1986, as amended.

To maintain the same lien structure with respect to the collateral, Millennium Housing is requesting that the resulting lien order will be: (i) the 2016 Bonds and the related Tax Regulatory Agreement would have a senior lien position, (ii) the remaining 2007 Series B Bonds would be subordinate and (iii) the City Supplemental Regulatory Agreement and the Housing Authority Regulatory Agreement would continue to be subordinate in the same way that those documents are currently subordinated to the 2007 Bond documents. In addition, the unrecorded agreement between Millennium Housing and the Resident Association will remain. There will be a new unrecorded Administration and Oversight Agreement.

At a future date, the Council will be asked to consider subordination of the Supplementary Regulatory Agreement and approve the Administration and Oversight Agreement. The Housing Authority will be asked to consider subordination of its Regulatory Agreement.

## FISCAL IMPACT

All financial obligations for the Project will be the responsibility of Millennium Housing with no impact on the General Fund. The Bonds to be issued by the Finance Authority for the project will be the sole responsibility of Millennium Housing, and the City will have no financial or legal obligation, liability or responsibility for the project or the repayment of the bonds for the financing of the project. Financing documents with respect to the issuance of the bonds will contain clear disclaimers that the bonds are not obligations of the City, but are to be paid for solely from funds provided by Millennium Housing. The source of repayment will be revenue from the operation of Leisure Park.

### ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not Applicable.

### NOTIFICATION

A notice of public hearing was published in the Press Democrat on June 3, 2016.

### ATTACHMENTS

- Attachment 1 – Leisure Refinance Request
- Attachment 2 – Locational Graphic
- Resolution

### CONTACT

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