

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: FRANK KASIMOV, PROGRAM SPECIALIST  
HOUSING AND COMMUNITY SERVICES  
SUBJECT: SUBORDINATION AGREEMENT, ADMINISTRATION AND  
OVERSIGHT AGREEMENT, AND AMENDMENT TO  
SUPPLEMENTAL REGULATORY AGREEMENT – LEISURE  
PARK, A MOBILEHOME 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 a Subordination Agreement, an Administration and Oversight Agreement, and an Amendment to the City's Supplemental Regulatory Agreement for Leisure Park, a mobilehome park located at 2185 Occidental Road.

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EXECUTIVE SUMMARY

On June 21, 2016, the Council conducted a "TEFRA" public hearing and approved a bond issuance by the Independent Cities Finance Authority to refinance most of the outstanding 2007 tax exempt bonds for Leisure Park in an amount not to exceed \$15,250,000. As contemplated at that meeting, Leisure Park owner, Millennium Housing, is requesting that the Council approve a Subordination Agreement and an updated Administration and Oversight Agreement. The Subordination Agreement will subordinate the recorded lien position of the City's Supplemental Regulatory Agreement and Declaration of Restrictive Covenants (the "Supplemental Regulatory Agreement"), so that it remains in position of priority behind the new bonds, as it is with the 2007 bonds. The Supplemental Regulatory Agreement reserves 50% of the total mobilehome spaces for very low- and low-income mobilehome owners (the "Qualified Spaces") and provides other benefits. The new Administration and Oversight Agreement provides for an Oversight Agent to continue monitoring the income levels of the mobilehome owners in the Qualified Spaces. Monitoring by the Oversight Agent started in association with the 2007 bonds. Since the June 21, 2016, Council meeting, Millennium Housing has agreed to an amendment to the Supplemental Regulatory Agreement in order to restart the 55 year term, so that it expires in 2071 rather than 2062.

## 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 Housing'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 it achieves 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. If the subdivision had been completed, the City's mobilehome rent control ordinance would have been 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 the Supplemental Regulatory Agreement, dated November 1, 2007, and recorded November 15, 2007, as Document No. 2007122733 in the Official Records of Sonoma County.

The Supplemental Regulatory Agreement provides, among other things that: (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 low-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 at all times abide by and follow the terms and provisions of, and shall not in any manner challenge, 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), and, further, shall not appeal any decision of the City or of an independent arbiter with respect to a request of discretionary rental increases under City Code Chapter 6-66; (viii) the covenants of the Supplemental Regulatory Agreement shall run with the land and are binding on successors in title; (ix) sale or transfer of Leisure Park shall be subject to City approval and must be to a nonprofit organization with experience in operating a similar facility and which assumes the responsibilities of the Supplemental Regulatory Agreement; and (x) administration of the affordable housing requirements will be pursuant to an Administration and Oversight Agreement.

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 Agent monitor the income levels of the residents of the Qualified Spaces under the Supplemental 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 low-income residents for a period of 55 years to align with the City's Supplemental Regulatory Agreement.

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 (the "Option Agreement"). The term of the Option Agreement is 35 years.

Millennium Housing and the Resident Association also entered into a non-recorded agreement on November 30, 2007, that 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, an affiliated entity or another nonprofit corporation, either of which will be subject all the terms and conditions of this agreement. The term of this agreement is 35 years or the duration of Millennium Housing's ownership of Leisure Park, whichever is greater.

### PRIOR CITY COUNCIL REVIEW

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

On October 16, 2007, the Council conducted a public hearing 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, 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 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.

On June 21, 2016, the Council conducted a TEFRA public hearing and approved the issuance of the tax exempt revenue bonds by the Finance Authority in an amount not to exceed \$15,250,000.

### ANALYSIS

In order to facilitate the 2016 bond refunding, Millennium Housing is requesting that the City agree to subordinate the Supplemental Regulatory Agreement to the 2016 Bond Regulatory Agreement and the 2016 Bond Deed of Trust. The Supplemental Regulatory Agreement will continue to be in lien position behind the bonds. The 2016 bonds (including the Bond Regulatory Agreement and the Bond Deed of Trust) will be in first lien position, followed by the remaining balance of the 2007 bonds, then the Supplemental Regulatory Agreement, then the Housing Authority Regulatory Agreement, and finally, the Option Agreement.

In addition, Millennium Housing is requesting that the City be a party to and approve a new Administration and Oversight Agreement by which an Oversight Agent will continue to monitor the income levels of the residents of the 91 mobilehome spaces reserved for very low- and low-income mobilehome owners (Qualified Spaces) for purposes of the Supplemental Regulatory Agreement. The monitoring started in association with the 2007 bonds.

Millennium Housing has agreed to amend both the City's Supplemental Regulatory Agreement and the Housing Authority Regulatory Agreement to restart the 55 year term. This will guarantee that the affordability and other beneficial provisions of both the City's Supplemental Regulatory Agreement and the Housing Authority Regulatory Agreement remain for 55 years to 2071, rather than expire in 2062.

Refinancing the 2007 bonds at a lower interest rate will enable Millennium Housing to prepay the Housing Authority loan in the amount of approximately \$240,000 (principal

plus interest), fund the Replacement and Reserve Fund to make capital improvements to the project and fund the Rental Assistance Fund.

### 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. 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

Not Applicable.

### ATTACHMENTS

- Attachment 1 – Leisure Park Request
- Attachment 2 – Locational Graphic
- Attachment 3 – Draft Subordination Agreement
- Attachment 4 – Draft Administration and Oversight Agreement
- Attachment 5 – Draft Amendment to Supplemental Regulatory Agreement
- Resolution

### CONTACT

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