Analysis of Resident Ownership Options

The Resident Owned Discovery Committee was tasked to explore two ownership models. This analysis created by RODC members John Hansen (PAC), David Tetta, Serena Fisher, and Alan Gump is a **summary** of the *Resident Ownership Discovery Committee Report* that was submitted to the PAC on September 11, 2023.

We need to say from the outset that we are NOT experts in this real estate field. To the best of our ability, we tried to dig deeply into the requirements, facts, and nuances around each of these models, which ultimately involve multiple parties.

THREE PATHS FORWARD

There are potentially three paths forward that we investigated.

The first two are **resident ownership** models.

The third path maintains **City ownership** of the Park.

Path 1 Resident ownership — Park **transferred** to the community

Path 2 Resident ownership — Park **sold** to the community

Path 3 City ownership — Park stays **owned by the City** but with greater responsibility held by the Park for its management.

RESIDENT OWNERSHIP

Path 1 When the existing loan is paid off in 2026, the City transfers the Park to the community.

1. There are documents that indicate this intention.
2. Whether they constitute a legally binding understanding is to be determined.

Path 2 The City agrees to sell us at a negotiated price. The details outlined below pertain to becoming a **Resident Owned Community**, or **ROC**.

CITY OWNERSHIP

Path 3 We stay owned by the City on a 99-year renewable lease, under a new management plan.

1. We would require a new management plan in which we take the responsibility for capital improvements and remove the City from the dynamic.

2. NOTE: We have **not** delved into the details and the process involved in a scenario whereby the City continues as "owner" and maintains us as an affordable, manufactured home park under a long-term lease with a new management agreement, per #3 path outlined above.

LAND TRUST OWNERSHIP

We also investigated this model, but we would not own ourselves or be eligible for a MORE grant (below). Other restrictive requirements would likely not be acceptable to most residents, such as restrictions on the resale prices for our units and required governance that includes non-resident members on the board.

The following discussion provides an overview of **Path 2** above. The "Resident Ownership Options" table on pages 6–7 provides a more detailed evaluation of these models.

Path 2 RESIDENT OWNERSHIP MODELS

Of these possibilities, we identified two resident-owned options (**A and B**) that make the most sense for our community:

A. **Limited Equity Housing Co-Op** (**LEHC**) — under a non-profit corporation.
B. **Non-profit 501(c)4 Mutual Benefit Corporation** — PAC is currently incorporated under this designation.

Funding options

1. State/HCD MORE grant funds
2. Commercial loans (Fannie Mae/Freddie Mac)

Capital improvements

- In order to get a loan and a State grant, we are required to perform a professional independent property assessment.
- PAC and Management need to identify key capital improvements for the foreseeable future.
- Identified capital expenses will be included in the budget.
- Capital Improvements will impact our rents.

Property taxes

If we become self-owned, we will have to establish the property tax basis and yearly tax amount. The basis could be the same as identified in previous assessments, or a new assessment may be required. These property taxes would need to be shared by Park residents.

HCD MORE GRANT

We also identified a grant from the California Department of Housing and Community Development (HCD) — the MORE grant offered by the State. These funds come from our annual decal payments to HCD. In the past, the qualifying and reporting structure was so onerous that no one qualified, so the funds accumulated. Now they are trying to help communities like ours become resident-owned by providing grants that are forgivable after 35 years, on the condition that we maintain a certain level of affordability, starting at 40% low-income, based on Marin County income levels.

(HCD) has posted 2023 income limits for all California counties: https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2023.pdf

The 2023 Marin County "low-income" limits are:

Per household	1 person	2 persons	3 persons
Extremely Low	39,150	44,750	50,350
Very Low Income	65,250	74,600	83,900
Low Income	104,400	119,300	134,200

We believe there is a much higher number of low-income households in our Park, which may qualify us for a higher grant. It is extremely important that PAC immediately arrange a third-party confidential independent income survey to ascertain the percentage of households in the Park that qualify under these income categories, as this information is vital in securing a grant if PAC or the City decides to pursue either self-ownership or a 99-year lease.

MORE grant/loan overview

Currently, there is approximately $140M in the MORE grant fund. But since July 1, 2023 when they opened the program, MORE has received applications totaling over $180M. However, grants are made on a first come, first served basis to qualified applicants. There is no guarantee that there will be another tranche of funds available once this money is assigned. The MORE grant personnel would like to continue to make funding available, but it's up to the State to keep funding it.

Grants start at 50% of the purchase price.

- Depending on the percentage of homes that qualify as low-income, the grant could increase up to 95%.

- This is basically free money as MORE charges 0.42% annually for grant oversight, and the grant/loan is forgiven after 35 years if the same level (or greater) of low-income units is maintained. For a $15M loan, the annual costs would be approximately $63,000 in grant oversight fees.

- Through MORE, we are offered technical assistance with

  CaliROC — a national non-profit that supports residential ownership of mobile home Parks. They do not apply for the grant, but staff can help PAC apply.

- To receive a MORE grant, applicants must provide a second loan guarantor. CaliROC works together with **ROC USA Capital** and **CCCD** (California Center for Community Development) to secure this loan, which is provided at slightly lower rates than commercial rates. This particular partnership is available only to LEHCs.

- There are membership requirements to qualify for a 10-year loan:

  a. At least 51% of households must agree to purchase a co-op membership, and a majority of those members must approve a decision to apply for a loan to purchase the property.
     (One vote per household.)

  b. Required per-household up-front membership fees vary between $40-$1K, established by the resident organization (this keeps membership) affordable.

All parties -- MORE, CaliROC, CCCD — have their specific requirements and reporting processes, which will need to be coordinated and managed professionally.

TO SUMMARIZE

We believe there is a great sense of urgency for PAC and the City to come to some arrangement as to our future. Is it option 1, 2, or 3?

- **For the Resident Ownership models, the City must agree to sell us, as we are required to have a Letter of Intent in hand before we can apply for MORE grant funds. MORE grant funds would also be useful in any self-management arrangements with the City.**

- **In addition to the MORE grant, we still are required to make up the difference in the purchase price with a loan. We must secure this funding first before we can obtain a MORE grant. There are several options for securing this portion of the funding, including commercial loans at market rates or slightly lower-cost state loans.**

- **We must know how many Park households qualify as "low-income" or below, per HCD income standards. "Income" is defined as Adjusted Gross Income (Line 11 on your 1040 tax form). If you do not file, it's based on annual income. Per household income forms the basis for "low income" requirements.**

- **A third-party independently conducted income survey needs to be conducted in the Park urgently, as this income survey is required for the MORE grant application; further, the income survey will be an essential tool in the PAC discussions with the City.**

We recognize that this is a lot of information we are sharing. We endeavored to not be overwhelming with all the details as it is very complex. It is important that PAC hears your concerns about any of these options, including:

- Rent affordability.
- How to ensure protection for low-income residents.
- Any concerns/key desired features of self-ownership.

Whatever ownership path PAC/residents decide will likely require professional involvement to take it forward.

We thank you for the opportunity to play a role in our community's future.

RESIDENT OWNERSHIP OPTIONS

	Path 2 A Limited Equity Corporation (LEHC)	Path 2 B Nonprofit Mutual Benefit Corporation	Community Land Trust
Ownership and Legal Structure	**Resident Owned** Non-profit public benefit corporation that is intended to become an LEHC. The 501(c)3 application is a separate process.	**Resident Owned** 501(c)4 — PAC's existing designation.	**Trust Owned** Residents do not own.
Duration, Conditions of Land Ownership	Must own land in perpetuity. Share price of LEHC designed to remain stable — can't increase more than 10% per year. If sold must be sold to a non-profit or other cooperative. With ROC funding share prices more restricted.	Land value can increase — goes to 501(c)4. No known property value restrictions.	99-year lease terms, with option to renew.
Governance Structure	Board elected by residents — could be current PAC	PAC	Board consists of: 3 Park residents, 3 community members, 3 public officials.
Potential Land Property Tax Burden	Assessed at 2011 appraised value. May include 2% increase per year plus value of improvements made 2011-2023.	Same as LEHC option.	No property tax because trust owns land.
Loan Conditions	Eligible for predevelopment loan — forgivable if we decide not to buy. ROCUSA @ 6–7% based on current market (110% of purchase price, LTV, 10-year loan) Includes affordable housing and regulatory reporting requirements. HCD-MORE loan/grant: (35-year) 50% Project, 95% low-income.	Freddie/Fannie or commercial multi-family loan: 5.6% (110% LTV possible, 30-year). HCD-MORE – same as with LEHC option.	TBD

Membership Fee/ Buy in Requirements/ Level of Participation Needed	ROC USA: 40% of resident households must approve pursuing a predevelopment loan —51 % of households need to become co-op members, and a majority of members need to approve a decision to proceed with a final loan and purchase.. $40–1,000 membership fee per resident buy-in to create LEHC is typical range — could be lower. Refundable when leaving. New residents ***must*** become co-op members.	Approx. $ 6,000 per household for loan down payment assuming $16 M loan 51% resident participation required to create down payment and apply for purchase loan.	TBD
Loan Negotiation Fees, Administrative Support Costs	<u>CDFI* loan:</u> 2–4% (likely closer to 2%) max $400,000 negotiation fee. Administrative costs for ROC loan — i.e., need technical assistance provider for 10 years — ROC does that as part of loan fees. <u>HCD-MORE loan/grant:</u> 0.42% annually or $63,000 annually.	Consultant to assist with purchase and obtain commercial loan: $300,000 – $600,000. HCD-MORE: Same as LEHC option	$200,000 charge to become one.
Reserves, Operating Costs, Capital Improvements	ROC loan LTV 110% from CDFI can handle up to $3M CIP (Capital Improvement Program) reserve. Capital reserves financed from loan are managed by ROC and they pay for capital items.	<u>HCD-MORE</u>: Same as in LEHC option <u>Secondary loan:</u> Commercial loan can provide up to 110% LTV. PAC manages funds.	TBD
Low-Income Preservation	As an LEHC, only City rent control restrictions apply, but no LEHC specific restrictions. Co-op bylaws contain resale conditions. <u>HCD-MORE: loan/grant</u>: Rents set at 80% below Area Median Income (AMI) of Marin County. Annual self-certification. Resale conditions determined by our LEHC bylaws.	HCD-MORE: Same conditions as described in LEHC option. <u>Freddie/Fannie</u>: None & no resale value limit. City rent controls apply.	Resale amount limited. Inheritance value set by CLT Board. HUD 80% AMI used.

Estimates for loan negation fees are based on an assumed loan value of $15M and $30M sale price.

**Community Development Financial Institutions (CDFI) Fund of the US Treasury enables equity capital.*

RESIDENT OWNERSHIP RELATED WEB SITES

General ROC Organizations and Articles

- ROC USA
    - List of ROC USA Podcasts
- California Resident Owned Communities
    - Spreadsheet List of CA Resident Owned Communities
- Golden State Manufactured Home-Owners League
- Mobile Home Park Owners Allegiance
- PMC Financial Services (Deane Sergeant)>Financing Options
- Mobile Home Park Home Owners Allegiance

Co-ops

- Resources
    - CCCD>Housing Co-ops
    - CCCD 2021> Overview of CA Co-ops
    - CCCD 2004> CA Coop Legal Handbook
    - CCCD>June 2023 Co-op Workshop Agenda and Speakers
    - CCCD>California Cooperatives: Today's Landscape of Housing Cooperatives

Land Trusts

- California Community Land Trust Network
    - List of Members
    - LEHC-CLT Ground Lease Overview
- County of Marin>Community Land Trust Resources
- Community Land Trust of West Marin
- Marin Open Space Trust
- Lincoln Institute 2014>Community Land Trusts and Limited Equity Cooperatives

Grants-Foundations

- Weinberg Foundation
- CA Grants Portal>Infrastructure State Revolving Fund Program
- CA-IBank > ISRF Program
- CA-IBank > ISRF Loan Criteria
- HCD>Manufactured Housing Opportunity and Revitalization Grants Home Page
    - HCD>MORE Grant Program PowerPoint Overview
    - More Grant Checklist