



THE CITY OF  
**NOVATO**  
CALIFORNIA

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May 29, 2008

To all Residents of Marin Valley Mobile Country Club:

This letter is intended to review the facts surrounding the issue of park ownership, to review the recent action by the Novato Finance Authority (NFA) and to dispel a number of rumors and misconceptions circulating at the park.

History

As many of you know, in the mid 1990's the Park Acquisition Corporation (PAC) representing the residents of Marin Valley Mobile Country Club (MVMCC) entered into an agreement to purchase the park from the owners, Paul and Eleanor Sade. After unsuccessfully trying to put a financing package together that would allow the purchase and keep rents affordable for the 315 households, the residents asked the City of Novato for help. After considerable discussion, in 1996 the City Council and Redevelopment Agency entered into a Joint Exercise of Powers Agreement that formed the Novato Financing Authority, whose purpose is to assist in financing the acquisition, and the operation and maintenance of mobilehome parks in the City.

In 1997, the NFA issued \$15.4M in tax exempt Senior Revenue Bonds and \$1.5M in tax exempt Subordinate Bonds to finance the purchase of the park from the Sades. Rent revenue generated by MVMCC was pledged to the bond payments. The NFA holds sole title to the park and is responsible for repayment of the tax exempt bonds.

The NFA delegated to the PAC, whose board members are elected by the residents of the park from amongst park residents, responsibility for management of the park. The PAC contracts with a professional management company to provide day-to-day onsite management of the facility (e.g. paying the bills, contracting with firms for repairs, etc.). The Delegation Agreement between the NFA and the PAC is to be renegotiated in 2010.

Annual rent increases must be approved by both the NFA and the PAC and are subject to the requirements of the City's Mobilehome Rent Control Ordinance. In recent years, the annual rent increase has remained well below 4%.

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In 2006, the PAC formed the Marin Valley Senior Community (MVSC), a non profit, 501(c)(3) tax exempt corporation. MVSC has proposed that title to the park be transferred from the NFA to MVSC under the terms and conditions described below. The NFA, the City Council, the Novato Redevelopment Agency and Financial Security Assurance (FSA) must all approve or consent to any change in ownership.

MVSC proposed to assume the Senior Bonds, pay off the Subordinate Bonds using the subordinate cashtrap and other borrowed funds, perform certain rehabilitation work at the park, assume the Delegation Agreement with PAC and extend the existing affordability covenants for an additional 20 years.

In 2007, MVSC applied for a \$2M loan from the State of California to help finance the transfer. As part of their loan application, they were required to demonstrate "site control". To meet this requirement and allow their application to move forward, in June of 2007 the NFA entered into an Exclusive Negotiating Rights Agreement (ENRA) with MVSC. The Agreement expires on June 7, 2008.

The proposal to transfer title has been discussed numerous times with the NFA and the City Council and several meetings have been held with MVSC and their negotiating team. MVSC has asked FSA for their consent but has yet to receive it.

In January, 2008, the NFA responded to the offer from MVSC outlining three main concerns: 1) the proposal seeks to transfer the property for significantly less than appraised value without demonstrating a public purpose sufficient to offset that difference; 2) the governance structure of MVSC does not guarantee park residents the level of transparency and accessibility they have with the NFA; and 3) the proposal burdens the park with \$3M in additional debt.

#### Public Purpose

A gap of almost \$20M exists between what MVSC is offering for the property (assumption of the senior debt of \$11.4M) and the current appraised value (\$31M based on a November 2008 property appraisal from Clifford Associates). While it is true, as MVSC has argued, that public agencies can dispose of property for less than fair market value if to do so accomplishes a public purpose, in this case the disparity is greater than the NFA believes is served by the mere continuation of the existing affordability covenants. In order to reduce or eliminate that gap, the proposal would have to include additional financial benefit so that the offer more closely aligns with the value of the

asset, or additional affordability covenants, thereby reducing the value of the property and bringing it more in line with the offer.

The NFA did not propose a method of resolving this issue, believing that the status quo (continued ownership by NFA with existing debt structure and affordability covenants) was an alternative superior to one that would burden the residents with additional debt or place more restrictive covenants on the park that could affect the value of individual coaches over time. It is not the goal of the NFA to transfer the property if to do so reduces the financial viability of the park or threatens the value of the residents' property.

#### Governance

The NFA is a public agency that must operate in accordance with the Brown Act, California's open meeting law. As a 501(c)(3), the MVSC operates according to its bylaws, a much less restrictive set of rules and one that can be changed by the MVSC board itself. The NFA believes the Brown Act provides a greater level of transparency and accessibility than MVSC would be required to provide and was concerned that the flexibility contained within the MVSC bylaws would make it impossible to guarantee residents the same access to the decision making and governance of the park that they enjoy under the current structure. Moreover, the NFA concluded that transferring ownership of MVMCC to any 501(c)(3) corporation would present the same dilemma and would presumably lead to the same conclusion.

At its meeting of May 22, 2008, the NFA was asked to extend the Exclusive Negotiating Rights Agreement (ENRA) with MVSC, due to expire on June 7, 2008, for an additional twelve months. For the reasons stated above, by a 4-1 vote with Boardmember Tiernan dissenting, the NFA declined to extend the ENRA.

The NFA and the City Council want to dispel a number of rumors that appear to have circulated at the park and which are troubling to them and residents of MVMCC. Neither the NFA nor the City Council is pursuing or intends to pursue any sale of MVMCC to any other entity or person. The City of Novato is not going bankrupt and has no intention of using MVMCC as a means of raising revenue for the City for the City's budget or to fund future liabilities. The NFA has no intention of raising rents at MVMCC beyond what is allowed by the City's Mobilehome Rent Control Ordinance and will continue to operate the park and address rents consistent with rent control even if the City's rent control ordinance is eliminated by court, legislative or voter action. Neither the NFA nor the City Council is considering further development of the property or a

Residents of Marin Valley Mobile Country Club

Page 4

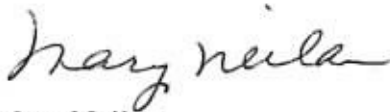
May 29, 2008

change of use from that of a mobilehome park. Further, it is not the goal of the NFA or the City Council to reduce or eliminate its involvement in the ownership and administration of the park.

The NFA and the City Council want to assure residents of Marin Valley Mobile Country Club that preservation of MVMCC as a safe, affordable and supportive community, where all opinions matter and where neighbors respect and care for one another is their primary goal.

Please feel free to call me at 899-8906 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Mary Neilan".

Mary Neilan

Assistant City Manager

M/4066