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Novato mobile home park explores forming cooperative, by Richard Halstead

Residents at the Marin Valley Mobile Country Club in Novato might form a limited-equity housing cooperative to purchase the city-owned lots their homes sit on.

“The residents are exploring options for self-ownership while we await the opportunity to get in the room to negotiate the ownership outcome with the city,” said Mary Currie, a board member of the Park Acquisition Corp., the community’s resident-led, nonprofit operator.

The city purchased the Marin Valley Mobile Country Club property for \$20 million in 1997. Forty-one percent of the spaces are required to be occupied by low- or moderate-income residents, although a much higher percentage of the current residents have low incomes.

The city intended the neighborhood to be financially self-sufficient with revenues coming entirely from tenants’ pad rental fees. However, a Marin County Civil Grand Jury report last year questioned the organization’s solvency.

“Novato’s 2022-2023 adopted budget shows that in the past four fiscal years MVMCC’s expenses have exceeded revenues by a total of more than \$3.6 million,” the report said.

The grand jury said the city was paying about \$200,000 a year to help cover the neighborhood’s utility costs. The grand jury also noted that in 2022 the city allocated \$3 million of its American Rescue Plan Act funds to help pay for a sewer system project in the community.

The Park Acquisition Corp. board disputed many of these numbers. The organization said its audited financial statements showed the park posting a \$2.1 million surplus over the same four fiscal years and having \$4.8 million in cash reserves.

Supervisor Eric Lucan, a former Novato councilman, later confirmed that the community had a net operating income of \$1.3 million in fiscal 2023-24.

In August, the Novato City Council declined a \$30 million offer for the site from HCA Property Management, even though the city was projecting a \$2.6 million budget deficit for the current fiscal year. Now the projection is even higher.

Large institutional investors nationwide, such as private equity firms and real estate investment trusts, have been seeking to purchase mobile home communities for the rental income they generate or the value of the land they occupy.

Since August, the Park Acquisition Corp. has been in talks with the city.

“We’re waiting to get the exclusive negotiating agreement signed, then we’ll start meeting again,” said Novato Mayor Mark Milberg.

The Novato council appointed Milberg and Councilman Tim O’Connor to an ad hoc committee to address the community’s long-term fiscal sustainability in partnership with its board. They are considering all options, including the sale or lease of the property.

Milberg said the big question is how to manage the cost of the community’s needed maintenance and infrastructure projects. The costs have been estimated at \$40 million to \$70 million.

According to the grand jury report, the city’s debt service payment for the community is about \$651,000 a year, but the loan balance of about \$2.3 million is scheduled to be paid in full by December 2026. Currie said the city made a non-contractual promise to residents when they purchased the park that they would end up owning the land when it was paid for.

Currie said the Park Acquisition Corp. board and a neighborhood resident committee became interested in the prospects for a limited-equity housing cooperative after speaking with ROC USA. The nonprofit, whose name refers to resident-owned communities, helps mobile home neighborhoods form cooperatives.

“They have templates for bylaws, templates for articles of incorporation,” Currie said. “They help you with everything you need to create to become a cooperative community.”

Using a limited-equity housing cooperative model, the residents at the Marin Valley Mobile Country Club would pay a modest fee to purchase a share in the cooperative and would then collectively own and manage the site.

ROC USA helps mobile home communities appraise the financial feasibility of forming cooperatives. In many cases, the organization also provides financing or forgivable pre-development loans to pay for attorneys, engineers and appraisals.

“If they eventually move forward with a purchase, that loan gets folded into their acquisition loan,” ROC USA spokesman Mike Bullard said. “If they vote not to move forward, it’s wiped out. They don’t have to repay it.”

The loans typically come with a 10-year mortgage, Bullard said.

“The idea being that at the end of 10 years, the community will have enough equity built up to go out and test the commercial real estate market for refinancing at a lower rate,” he said.

ROC USA also helps mobile home groups seeking to form cooperatives get grants to offset some of the costs.

Sometimes, in order to preserve affordability, cooperatives limit the amount of equity that a member can earn. But Bullard said, “Our financing does not come with any limit on resale value, specifically because we want the homeowners to be able to use their home as a wealth building tool, just like homeowners in any other kind of community.”

That would benefit the members of the Novato neighborhood who join the cooperative. Over the long term, however, it might result in the housing becoming less affordable to low-income residents.

“ROC USA will work with us using various mechanisms to remain affordable such as grants, forgivable loans and low-interest loans that can help with capital improvements, help people repair their homes and more,” Currie said.

On March 6, Marin Valley Mobile Country Club residents overwhelmingly voted in favor of forming a public benefit corporation as a first step toward the possible creation of a cooperative. Only three of the 286 participants voted against.

In another election on Sunday, 219 of the 234 participants voted to appoint the Park Acquisition Corp. board as the interim board for the new public benefit corporation.

Currie was adamant, however, that no decision has been made yet regarding the formation of a cooperative.

“We’re getting ourselves educated so we can know what we’re worth and what we can afford,” Currie said. “Then we will work with the city from that point forward.”

“We could hit a bump in the road at any time that would signal that perhaps we won’t be able to afford this option,” she said. “But we have to start down the road.”

Milberg said he thinks it is “great that they’re exploring it.”

“We have no reservations about that,” he said. “We are really looking for a win-win situation.”