PAC The Park Acquisition Corporation of Marin Valley Mobile Country Club

August 11, 2025

Re: Counteroffer to City from PAC/MVC

Bill Rose, Assistant City Manager,

The Park Acquisition Corporation (PAC) of the Marin Valley Mobile Country Club (MVMCC or the Park) and Marin Valley Cooperative (MVC) are amending their previously submitted Acquisition and Financing Proposal dated June 19, 2025 to increase the purchase price to be paid for the acquisition of MVMCC to $23,500,000. This increased purchase price represents a midpoint between the two current appraised values for the Park, the Semple appraisal's final market value of $25,600,000 and the John Neet appraised valuation of $21,300,000. The PAC/MVC will finance the purchase with a loan from ROC USA Capital and a grant from the United States Department of Housing and Urban Development. The purchase price will be paid to the City of Novato in cash at close of escrow and does not rely upon the City financing the acquisition, as required by the City.

The PAC fully considered and analyzed the City's demand for a $26 million purchase price and determined that the impacts of such a purchase price on the residents of the Park could not be adequately mitigated. The $26 million purchase price would also not meet the City's Housing Element goal of preserving the Park as a source of naturally occurring affordable housing. [1]

Increasing the purchase price to $23,500,000 and relying upon conventional financing will require some revisions to the PAC's Financing Plan as follows:

- An increase in the carrying charges for each space for members joining the cooperative by approximately $140 to $185 per month per member household to be effective immediately after close of escrow. The amount of the carrying charge increase cannot be finalized until the terms of the loan from ROC USA Capital and the amount of the HUD grant are finalized;
- The increase in cooperative member carrying charges will negatively impact all residents of the Park but will have a disproportionate impact on the extremely low- and acutely low-income residents. In order to mitigate that impact the PAC will implement a deferred carrying charge program for members who require financial aid that would reduce carrying charges for low-income members who cannot afford the increase in exchange

[1] See City of Novato Housing Element, 6th Cycle, Program 5.F: Preserve mobile home parks states that mobilehome parks are "an important source of 'naturally occurring' affordable housing" and that conserving all 315 units of "naturally occurring" affordable housing at MVMCC is an objective.

for a lien for the benefit of the PAC/MVC on the member's mobile home, only to be collected at the time the member leaves the Park and the mobile home is sold. The PAC is also exploring options to fund a subsidy program and would be interested in discussing the City's contribution to such a program as was proposed by the City when it was considering the unsolicited offer from Dean Moser[2];

- Impose the maximum allowable annual rent increases pursuant to the Novato Mobile Home Rent Stabilization ordinance for residents of the Park who do not join the cooperative;
- Seek individual rent adjustments for nonmembers' space rents to cover capital improvements costs that will be incurred by the PAC/MVC after acquisition of the Park;
- Reductions in the projected reserves to cover future capital needs and emergency repairs that may arise; and
- Adjustments to scheduled capital improvement work that could result in deferral of some capital improvement work.

The PAC will share the updates to the Financing Proposal necessitated by this increase in the purchase price with the City when we meet to negotiate the other terms of the Acquisition Agreement.

As noted above, the PAC's offer is based on the midpoint of the two recent appraisals of the Park, while the City's demanded purchase price is higher than the highest appraisal which was prepared by the City's appraiser and contains questionable assumptions. The PAC commissioned its own appraisal of MVMCC from a highly qualified appraiser with extensive experience appraising mobile home parks. The PAC's appraisal found the value of MVMCC to be $21.3 million after deducting $1 million for deferred maintenance and capital improvements. Both appraisals reached similar conclusions of value using the income approach to valuation, the most likely valuation method to be used by arms-length purchasers. This demonstrates that both appraisers agree that given the current rental revenue generated in the Park and the limits on increasing rents imposed by the City's mobile home rent stabilization, the most likely value of MVMCC in an arms-length transaction is closer to the value ascribed in the PAC's appraisal than the value found by the City's appraiser. The PAC would request that the City review the PAC's appraisal, which provides a very thorough analysis of the determination of value as well as the current market for mobile home parks.

The PAC's appraiser discounted the valuation of the Park in order to account for deferred maintenance and capital improvement needs based on the capital needs study commissioned by the PAC. The City's appraiser apparently was not provided with a copy of the City's capital needs assessment prepared in 2023 that found that the Park's capital needs would be in the range of

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[2] https://www.novato.org/Home/Components/News/News/6547/

$40 million to $70 million over the next 30 years[3] or the full list of capital improvement projects that the City has approved for the Park as part of this year's budget but has not yet undertaken. Only the clubhouse roof was included for purposes of adjustments to the determination of value. Given that the City's appraisal does not address all of the deferred maintenance and capital improvement projects, the PAC/MVC assumes that the purchase of the Park by the PAC/MVC is contingent upon the City completing these capital improvement projects, including but not limited to the replacement of the clubhouse roof, repairing termite/water damage to the clubhouse, and the ADA upgrades of the clubhouse, pool and spa. The funds for these improvements have already been accumulated by the City from resident rents.

The City's appraisal also assumed that the covenants restricting occupancy and space rents on certain spaces within MVMCC to very low- and low-income households pursuant to the recorded Housing Pledge Agreement would not be applicable to MVMCC upon sale. The PAC previously provided the City with an analysis of Surplus Land Act compliance related to the disposition of MVMCC to the PAC that included a requirement that a minimum of 40% of the spaces in MVMCC be restricted to very low- and low-income households. Although the City has not formally responded to that analysis, it was the PAC's understanding that the City generally concurred with the PAC's proposal for Surplus Land Act compliance. If the City has determined that there is a Surplus Land Act compliance path that does not require continued restriction of spaces similar to the restrictions in the current Housing Pledge Agreement, the PAC needs to understand that including what if any restrictions are necessary for compliance and will have to evaluate if that compliance option has any impacts on its financing proposal.

Although the increased purchase price detrimentally impacts MVMCC residents and appears to be counter to the City's Housing Element Goals, after presenting the residents with the proposed increase in the purchase price in an effort to reach agreement with the City, a majority of the MVMCC residents have expressed support for moving forward. The residents understand that resident ownership is the only option that assures that MVMCC remain a source of affordable housing for seniors for the long term. The City's consideration of a purchase offer from a profit-motivated entity in 2023 demonstrates that in times of financial need future City Councils may again consider sale of MVMCC, jeopardizing the stability of the Park, and this City Council cannot provide enforceable commitments that the Park will not be sold in the future.

This offer is contingent upon (i) the PAC/MVC and the City reaching agreement on the additional items raised in the City letter of July 16, 2025; (ii) resolution of the matters set forth above; (iii)

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[3] https://legistarweb-production.s3.amazonaws.com/uploads/attachment/pdf/1857584/J.2_cc23-057_MVMCC_Presentation.pdf

the PAC/MVC receiving financing from ROC USA Capital and a grant from HUD; and (iv) the parties reaching agreement on the terms of an Acquisition Agreement.

The PAC/MVC are ready to proceed with the purchase of MVMCC and look forward to meeting with the City negotiating team to go over the details of this offer and to complete our negotiations.

Respectfully submitted by,

John Hansen, President

The Park Acquisition Corporation of the Marin Valley Mobile Country Club/Marin Valley Cooperative

See Attachments

cc: Tim O'Connor, Novato City Mayor
Rachel Farac, Novato Mayor Pro Tem
Mark Milberg, Novato City Councilmember
Pat Eklund, Novato City Councilmember
Kevin Jacobs, Novato City Councilmember
Amy Cunningham, City Manager
Carla Carvalho-Degraff, City of Novato
Gary Bell, Colantuono, Highsmith & Whatley, PC
Karen Tiedemann, Goldfarb & Lipman LLP
Eric Lucan, Member, Marin County Board of Supervisors
California Assemblyman Damon Connolly
California Senator Mike McGuire
U.S. Congressman Jared Huffman
California Attorney General Rob Bonta
Randy Keller, California Center for Cooperative Development and ROC USA

SUMMARY
MVMCC PAC Board's Acquisition and Financing Proposal Submitted
to the City of Novato, June 19, 2025

On June 19, 2025, the Park Acquisition Corporation (PAC) Board of Directors submitted a formal acquisition proposal offering a net $20 million for the acquisition of Marin Valley Mobile Country Club's (MVMCC or Park) 63 acres located in Novato, CA. The proposal emphasized the need to preserve housing affordability for the Park's 400+ senior residents — many of whom fall into the extremely low- and acutely low-income brackets for Marin County *($41,150 and $19,600, respectively*). The $20 million net offer represents 94% of the PAC Board's mobile home park expert appraisers' value of $21.3 million.

The $20 million proposal put forth by the PAC Board would:

- Allow the residents of MVMCC to fully fund the park operations without the use of Novato City public funds, as it has since the City took ownership in 1997.
- Provide the City of Novato with $500,000 of annual income for 35 years, in addition to approximately $2.3M from MVMCC cash accounts for immediate use for any purpose.
- Maintain affordable space fees for all residents by keeping annual rent increases in line with the City's Mobile Home Rent Control Ordinance Consumer Price Index (CPI) formula, currently 2.7%.
- Provide funding for long-deferred capital improvements, including bringing the Park's facilities into compliance with the Americans with Disabilities Act (ADA), replacing the clubhouse roof, and repairing structural damage due to water and termite infestation.
- Allow MVMCC to implement a long-term, sustainable economic plan that ensures that the Park remains affordable for MVMCC residents.

The City's July 16 response to the PAC Board's proposal was an ultimatum for a $26 million purchase price and refusal to assist with financing the acquisition, thereby greatly increasing the financial burden on the community, and an outright rejection of applying the MVMCC capital improvement reserves, collected from resident rents, to pay for the long-deferred capital improvements to the park facilities.

The assurances made by Novato Mayor O'Connor that the City will protect the Park from sale to a for-profit entity provide no security to the Park's residents for a future of affordable and sustainable housing. Future administrations can easily undo any action taken by the current council. Further, MVMCC's City Council representative, Mark Milberg, consistently stated that a "win-win" solution would be accomplished - a $26 million demand is a win only for the City.

The only way to ensure that the Park remains affordable for residents now and into the future is by achieving the MVMCC residents' goal to become a resident-owned community through a realistically priced purchase from the City.

BACKGROUND
MARIN VALLEY MOBILE COUNTRY CLUB, NOVATO, CA

Marin Valley Mobile Country Club (MVMCC or Park) is a 315-unit, low-income, affordable senior mobile home park located in the City of Novato with over 400 residents. Amenities include a 15,000-square foot clubhouse, swimming pool/spa, gym, and laundry facility. The Park was built in three phases during the late 1960s and early 1970s.

In 1988, the residents formed the Park Acquisition Corporation (PAC) with the intent of purchasing the Park themselves to preserve the affordability of senior housing. In the late 1990s, the PAC agreed to acquire the Park from the owners, the Sades. Funding became the obstacle. In 1997, the PAC Board asked the City of Novato (City) for assistance in purchasing the Park.

Novato Finance Authority (NFA) acquired MVMCC through bond financing (~$17 million). NFA transferred title to the City in March 2011 with the state's dissolution of redevelopment agencies. Following the NFA's purchase, the City and PAC entered into a Delegation Agreement to outline the control and management of the Park.

In 2006, the PAC formed the Marin Valley Senior Community (MVSC), a nonprofit, 50l(c)(3) tax-exempt corporation, as the entity to take title to the Park when the residents could identify funding to purchase the Park. MVSC proposed to NFA that title to the Park be transferred from the NFA to MVSC. The NFA, the City Council, the Novato Redevelopment Agency, and Financial Security Assurance ALL had to approve or consent to any change in ownership. The transfer was denied for reasons that were not valid from the perspective of MVMCC residents.

The City refinanced the Park in late 2012/early 2013 with a loan from Bank of Marin to repay all outstanding bond debt. Bond and loan debt service payments have been paid entirely from the residents' mobile home space rental revenues. In December 2027, when the loan is paid off, the residents <u>alone</u>, through rents collected, will have paid $24 million in principal and interest.

The Park is operated per the Second Restated and Amended Delegation Agreement executed between the City and PAC on June 4, 2013. Per the Delegation Agreement, the City of Novato is the owner of MVMCC and is responsible for the operations and financial control of the Park.

The PAC is delegated the right to operate the Park to provide a portion of the spaces to residents with very low to low incomes. The Helsing Group, a property management company under contract with the City, handles day-to-day Park operations.

The City received an unsolicited offer for the property in June 2023 at $30,000,000. Residents implored the City not to go through with the sale; the City dropped consideration of the offer on August 22, 2023. In May 2024, the City entered into an Exclusive Negotiating Agreement with the PAC Board to negotiate, in good faith, a win-win solution for the ownership of the Park.