

BLUE = added by PAC Board

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Black - original content from City's Fact document, fall 2023

CITY OF NOVATO/PAC ~~MVMCC~~ Agreed Facts

● **Purchase & Historical Activity**

- The Park Acquisition Corporation (PAC), representing the residents of MVMCC, negotiated with the Sade Family Trust to purchase the park and subsequently entered into a purchase agreement with the Sade Family Trust to purchase the property for approximately \$15.4 million.¹
- Residents at the time approached the City and asked them to purchase it as they were unable to obtain financing.¹
- The City formed the Novato Financing Authority (NFA) to make the purchase in 1998, through the issuance of tax-exempt bonds without risking the City's General Funds.¹
- The NFA was composed of the City of Novato & The Novato Redevelopment Agency.
- Trustees of Paul and Eleanor Sade 1985 Trust transferred the title of MVMCC to the PAC and assigned to the PAC the rights to receive rents.²
- PAC immediately transfers title and rights to collect rents to Novato Financing Authority (NFA), which was necessary to finance the purchase of the park through the issuance of tax-exempt bonds.²
- The City, NFA and PAC signed the 1997 In-Lieu-of-Tax Agreement which states....
“the Owner and the PAC expect to transfer and assign all of their respective rights, interests and obligations in the Project and the various agreements entered into by the Owner and the PAC with respect to the Project to a nonprofit 501(c)(3) corporation upon the terms and conditions set forth in the Loan Agreement and the Insurance Agreement”.³
- The State of California dissolved Regional Redevelopment Agencies in 2012.
- The City of Novato is the successor agency for Novato's former redevelopment agency.
- At, or around this time, the NFA was dissolved as it solely consisted of the City of Novato.
- As the successor agency, the City of Novato assumed all of the RDA's assets and liabilities.
- One of these assets was the ownership interest of the RDA in the NFA.
- One of these liabilities was the loan/bonds the NFA had acquired for the park purchase.
- Per the 2012 Bank of Marin loan agreement: The City's obligation to pay the Loan Repayments is a special obligation of the City limited solely to amounts available from Gross Revenues.... and no other funds or property of the City are liable for the payment of the Loan Repayments.⁴

¹ PDF- March 8 2011 Agenda Packet - re bonds loans, Page 2 **BACKGROUND** paragraphs 2 &3

² PDF-1997 Disclosure Statement from City of Novato- Notice of Transfer

³ PDF- 1997 CITY-PAC-NFA In-Lieu-of Tax Agreement- Page 2, paragraph 4

⁴ PDF- City of Novato Bank of Marin Loan Agreement Page 15 Section 3.5 paragraph a

- **Ownership & current operations**

- The City of Novato holds the title to the park and is listed as “The Owner” in all legal documents and agreements.
- ~~The park is solely owned by the City of Novato~~
- Park residents own the structure on each lot.
- The City, ~~owns~~ as the title holder, is responsible for maintaining all lots, infrastructure, and all common areas.
- Rent checks paid by residents are made payable to ~~the City~~ “MVMCC” and deposited into MVMCC cash accounts, managed by the City, for the lot, park, operations, and amenities of the park.
- The PAC is elected by the residents to represent the homeowners in business and management decisions.
- The City has final decision-making authority on all park budgets and business operations.
- The City and PAC entered into an agreement (the Delegation Agreement) that authorizes the PAC to act on the City’s behalf on defined operating responsibilities.
- One of these responsibilities is that the PAC contracts with a property manager to handle the day-to-day operations of the park, including, but not limited to, tenant relations, collection of rent, routine maintenance, and application processing.
- Both groups, the City and the PAC, strive to have a high-functioning, collaborative partnership.
- Some current processes are unnecessarily burdensome and make operating the park more complex than it needs to be.
- Both groups want to streamline and simplify processes and operations while also still being compliant to all laws, regulations, etc.
- The NFA entered into an ENA with the MVSC to purchase the park in 2007.
- The City, via the property management company, collects rental income from park residents.
- This income is maintained in a separate fund (called various things at various times-“MVMCC”, etc), and is listed as an “Enterprise Fund” in the City’s Annual Budget and by the City’s Auditors.⁵
- As ~~an operating practice~~ a condition of the 2012 Bank of Marin Loan Agreement, the City ~~has chosen to~~ maintains this income as a separate fund.⁶
- Per the 2012 loan agreements, the MVMCC Gross Receipts and other funds are “irrevocably pledged” to secure the loan and “may not be used for any other purpose so long as the Loan Repayments remain unpaid”.⁷

⁵ PDF- City of Novato Annual Budget 24-25- Excerpt Page 147

⁶ PDF- City of Novato Bank of Marin Loan Agreement Page 16 Section 3.6 paragraph b

⁷ PDF- City of Novato Bank of Marin Loan Agreement Page 16 Section 3.6 paragraph a

- Currently, the funds in the MVMCC accounts may only be used by the City in accordance with the guidelines set forth in Section 3.6 “Pledge and Application of Gross Revenues” of the BoM loan agreement.⁸
- ~~○ It is not obligated to do this in any way.~~
- ~~○ The funds held in this fund are technically classified as “Unrestricted Income”. Meaning the City realized income earnings and there are no restrictions on how the City chooses to use those funds (unlike for instance grant funds or restricted State funding).~~
- It has been the historical practice of the City to maintain these funds as a separate fund.
- To the best of everyone's knowledge, these funds were used by the City to operate the park and repay the loan/bonds used to purchase MVMCC.
- These funds are solely ~~owned~~ controlled by the City of Novato.
- No City general funds were used to acquire MVMCC—bond and loan debt service payments have been paid by revenues generated from mobile home space rentals within the park.⁹
- In 2024, the City issued its “6th Cycle Housing Element Update,” which states its commitment to use all MVMCC funds for the benefit of park residents. *“All rent revenue not needed for operations is put into a reserve to be used for capital improvement projects which upgrade Park infrastructure, improving the safety and quality of life for residents”*.¹⁰

- **Committee Goals**

- Preserve the community as a 55+ senior community
- Maintain up to/at least 40% of units as very low-, low-, or moderate-income units.

⁸ PDF- City of Novato Bank of Marin Loan Agreement Page 16 Section 3.6 paragraph c

⁹ PDF- McGill-Blunk MVMCC Presentation Page 2 City Acquisition paragraphs 4-5

¹⁰ City of Novato Housing Element Revised Combined 6th Cycle. Page 39