



# AGENDA

Special Meeting of the  
**CAPITOLA CITY COUNCIL**  
Wednesday, March 30, 2011 – 6:00 p.m.  
**City Hall Council Chambers**

## **5:45 P.M - CLOSED SESSION - CITY MANAGER'S OFFICE**

An announcement regarding the items to be discussed in Closed Session will be made in the City Hall Council Chambers prior to the Closed Session. Members of the public may, at this time, address the City Council/Redevelopment Agency Directors on closed session items only.

### **CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Govt. Code §54956.9a)**

Los Altos/El Granada Investors vs. City of Capitola, et al. (Castle Mobile Estates) [U.S. District Court N.D., Case No. CV 04-05138 JF (Judge Jeremy Fogel)]

## **6:00 P.M. – OPEN SESSION**

### **1. ROLL CALL AND PLEDGE OF ALLEGIANCE**

Council Members Harlan, Termini, Nicol, Storey and Mayor Norton

### **2. REPORT ON CLOSED SESSION**

### **3. ORAL COMMUNICATIONS**

*Oral Communications allows time for members of the Public to address the City Council on any item not on the Agenda. Presentations will be limited to three minutes per speaker. All speakers must address the entire City Council and will not be permitted to engage in dialogue. All speakers are requested to print their name on the sign-in sheet located at the podium so that their name may be accurately recorded in the Minutes.*

### **4. PUBLIC HEARING**

*Public Hearings are intended to provide an opportunity for public discussion of each item listed as a Public Hearing. The following procedure is followed for each Public Hearing listed: 1) Staff Explanation; 2) Public Discussion; 3) Council Comments; 4) Close public portion of the Hearing; 5) City Council discussion; and 6) Decision.*

NOTE: Any person seeking to challenge a City Council decision made as a result of a proceeding in which, by law, a hearing is required to be given, evidence is required to be taken, and the discretion in the determination of facts is vested in the City Council, shall be required to commence that court action within ninety (90) days following the date on which the decision becomes final as provided in Code of Civil Procedure §1094.6. Please refer to code of Civil Procedure §1094.6 to determine how to calculate when a decision becomes "final." Please be advised that in most instances the decision becomes "final" upon the City Council's announcement of its decision at the completion of the public hearing. Failure to comply with this 90-day rule will preclude any person from challenging the City Council decision in court.

**4. PUBLIC HEARING**

- A. Public Hearing to receive presentation from Millennium Housing regarding the proposed acquisition of Castle Mobile Home Estates, and to provide direction to staff. Presentation: Community Development Department.

**5. ADJOURNMENT**

Adjourn to a Joint Regular Meeting of the City Council/Redevelopment Agency to be held on Thursday, April 14, 2011, at 7:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

If you require special assistance in order to attend the meeting, including needs addressed by ADA, please notify the City at 831-475-7300 at least 3 days prior to meeting.

**This meeting will be televised “live” on Charter Communications Cable Community Channel 8 and streamed “live” on the City of Capitola Website at [www.ci.capitola.ca.us](http://www.ci.capitola.ca.us)**



Item #: 4.A.

# CITY COUNCIL/REDEVELOPMENT AGENCY AGENDA REPORT

## SPECIAL MEETING OF MARCH 30, 2011

FROM: OFFICE OF THE CITY MANAGER/EXECUTIVE DIRECTOR

DATE: MARCH 24, 2011

SUBJECT: CONSIDERATION OF A PROPOSAL BY MILLENNIUM HOUSING, A NON PROFIT HOUSING PROVIDER, TO ACQUIRE CASTLE MOBILE ESTATES

**Recommended Action:** By motion, that the City Council/Agency Board direct staff regarding the proposed acquisition of Castle Mobile Estates.

### **BACKGROUND**

On March 10, 2011 the City Council and Redevelopment Agency Board of Directors approved a \$1.0 million loan to Millennium Housing to acquire the 108 unit Castle Mobile Estates, plus \$100,000/yr for 10-years to provide rental assistance and assist in park infrastructure rehabilitation. While the City has committed funding for the acquisition, the City will still be called upon to approve the future rents, and to authorize Millennium's issuance of tax-exempt debt.

Millennium Housing is a nonprofit corporation created to provide affordable housing through the acquisition and rehabilitation of mobile home and apartment communities. Millennium Housing is a leading buyer of mobile home parks in California (Attachment 2).

Millennium Housing has prepared a comprehensive acquisition proposal for Castle Mobile Estates (Attachment 1) and submitted it to the City for consideration. The proposal includes two different tentative rent structure options. Please note these are tentative rent structures, and will likely vary based on interest rates and infrastructure evaluations.

| Option A       |                              | Option B       |   |
|----------------|------------------------------|----------------|---|
| Tentative Rent | Tenant Status                | Tentative Rent | Tenant Status                           |
| \$560          | Current residents            | \$510          | Very Low Income                         |
| \$650          | Future residents             | \$560          | Low Income                              |
| \$800          | Units owned by current owner | \$600          | Moderate Income                         |
|                |                              | \$650          | Above Moderate Income and future owners |
|                |                              | \$800          | Units owned by current owner            |

Option A provides across the board rental assistance, whereas Option B prioritizes assistance for very low and lower income residents, with lesser assistance available for moderate income residents. As has been stated at previous Council hearings, the Redevelopment Agency cannot provide rental assistance to above market residents.

The primary purpose of this hearing is to obtain Council feedback on Millennium Housing's proposed space rent options for Castle Mobile Estates.

### **DISCUSSION**

On March 21, 2011, Millennium Housing held a workshop with Castle residents to solicit their input regarding the two rent options. The workshop was attended by approximately 50 residents. Several key themes which emerged from the resident meeting are outlined below:

- Overall the residents were very supportive of the effort to purchase the park,
- Residents were split in their supported rent structure Option A and B.
  - Those in support of Option A were concerned about equity issues among neighbors, that is different residents paying different amounts.
  - Those supporting Option B were concerned about the ability of the lowest income residents in the park to pay the rent increase.

Staff suggests Council consider Option A due to the reduced administrative costs associated with implementing such a program, which would make more funds available for rental assistance and park infrastructure rehabilitation. It should be noted supplemental rent support for Extremely Low Income<sup>1</sup> residents could be made available through the separate contract with the Housing Authority to provide mobile home rental assistance.

### **FISCAL IMPACT**

As funding for the proposed acquisition has already been allocated, there is no fiscal impact associated with Council's current consideration of the acquisition options. Should the proposed acquisition ultimately fail, the City's current litigation with the park owners may continue. That litigation has cost the City approximately \$575,000 over the last 10 years, and would be expected to result in additional expenditures in the future.

### **ATTACHMENTS**

1. Acquisition proposal
2. Millennium Housing Information Sheet

**Report Prepared By:** Jamie Goldstein  
City Manager/Executive Director

**Reviewed and Forwarded by City  
City Manager/Executive Director:**

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<sup>1</sup> Extremely low-income is below 30% of the area median income; currently \$20,300 for a single person, \$23,200 for a two-person household, and \$26,100 for a three-person household.



# MILLENNIUM HOUSING

ATTACHMENT 1

PHONE 949.515.5100  
FAX 949.515.5101

## MEMORANDUM

TO: Jaime Goldstein  
FROM: George Turk  
SUBJECT: Proposal for Castle Mobile Estates  
DATE: March 16, 2011

I have summarized below the proposed project for Castle Mobile Estates and the steps necessary to pursue such a program.

### Project

We are proposing the sale of Castle Mobile Estates to Millennium Housing Corporation, a 501c3 non-profit housing corporation. Castle consists of 108 spaces, primarily occupied by very-low and low income households.

### Benefits

The sale of Castle to Millennium will accomplish several major objectives for the residents and the City of Capitola:

- All existing litigation between the City and the Parkowner will be dropped upon close of escrow.
- Castle will be permanently removed from any future rent control disputes and instead be operated pursuant to a recorded Regulatory Agreement and other agreements that will provide permanent rent protections.
- Residents can have a larger voice in rules, budget matters, capital improvement priorities, etc. Residents will have the benefits of ownership without the responsibilities.
- 108 units will be assured of remaining in the City's affordable housing stock.
- A minimum of 21 spaces will be occupied--and affordable to--very low income households; 43 spaces will be occupied and affordable to lower-income households.
- Millennium will make repairs to the streets and water system, which are both currently in poor condition.

- The City will not be the owner of the property and will not be involved in management.

**Project Finance**

- The Agency would provide a loan as outlined in the Loan Agreement previously executed between Capitola and Millennium. The Loan shall include \$1,000,000 initially, plus \$100,000/year for the next 10 years to provide for rent subsidies, additional repairs and improvements or other items approved by the City.
- The City would permit bonds to be issued by the Independent Cities Financing Authority, a statewide Joint Powers Authority which would issue tax-exempt bonds on behalf of the non-profit sufficient to pay the purchase price, create a reserve account for improvements and cover costs of issuance. A portion of these bonds will be carried back by the Seller. **Neither the City nor the Agency would be involved in the bond issuance.**
- Millennium would repay the bond issues out of Castle's cash flows. **Neither the City nor the Agency will assume any liability for bond repayment.**

Our analysis of the cash flows and a bond proforma indicates that the financing is feasible, subject to a one-time increase in rents. We envision a stated rent in the \$650-\$675/month range. However, we would use most, if not all, of the \$100,000 annual Agency assistance to subsidize these rents, so that the actual rent paid by most existing residents would be much less.

We can't specify an exact Subsidy Program until we've completed our income surveys, however the following are two possible subsidy scenarios:

| <u>Option A</u> |                                 | <u>Option B</u> |  |
|-----------------|---------------------------------|-----------------|--|
| <u>Rent</u>     | <u>Category</u>                 | <u>Rent</u>     | <u>Category</u>                        |
| \$560           | Current Residents               | \$510           | Very Low Income                        |
| \$650           | Future Residents                | \$560           | Low Income                             |
| \$800           | Units owned by<br>Current Owner | \$600           | Moderate Income                        |
|                 |                                 | \$650           | Above Moderate and Future<br>residents |
|                 |                                 | \$800           | Units Owned by Current Owner           |

The foregoing rents are net of the subsidy and would be conditional upon Resident being in compliance with park rules and being an Owner-Occupant. Spaces occupied by a sub-tenant would not receive a subsidy. Subsidies would also be only to the extent of funds available.

### **Project Conditions**

**Affordability:** The non-profit owner will enter into covenants that will assure the units will remain affordable during the life of the Regulatory Agreement.

**Maintenance:** To begin the upgrade of Castle to its proper condition, a working capital reserve will be created as part of this transaction. The goal of management will be to increase the equity in residents' homes by stabilizing rents and maintaining the capital improvements.

**Monitoring:** If requested by the Agency, the Agency and Millennium will agree to a regular monitoring program, including annual review of affordability and level of maintenance.

### **Implementation**

A preliminary analysis of Castle's cash flow indicates the project is feasible and the Owner has expressed an interest in participating. In order to proceed, the following major steps need to be accomplished:

- Preliminary expression of interest and willingness of Agency to make the requested Loan and issue a threat of condemnation letter to the Owner.
- Preparation and review of feasibility studies.
- Document preparation, including bond counsel opinion.
- TEFRA Hearing, Issuer approval and Capitola joining the Independent Cities Financing Authority as an Associate Member.

We believe our program and the Castle Project have merit and warrant your consideration.



# MILLENNIUM HOUSING

ATTACHMENT 2

MILLENNIUM HOUSING CORPORATION PHONE 949.515.5100  
FAX 949.515.5101

## MISSION STATEMENT

Millennium Housing Corporation is a non-profit [501(c)(3)] corporation created to provide affordable housing through the acquisition and rehabilitation of mobilehome communities. Millennium's goals are to encourage and empower its residents to take an active role in budget and management decisions; provide enhanced maintenance and services; and to ensure that its communities remain valuable sources of quality affordable housing.

## MILLENNIUM COMMUNITIES

| <u>Community</u>        | <u>City</u>         | <u>#of Units</u> |
|-------------------------|---------------------|------------------|
| Lamplighter             | Salinas             | 251              |
| Westlake Park*          | Fresno              | 330              |
| Marineland              | Hermosa Beach       | 60               |
| Copacabana              | La Verne            | 173              |
| Windmill                | Lemon Grove         | 32               |
| Hacienda Valley*        | Morgan Hill         | 166              |
| El Granada              | Moss Beach          | 226              |
| Sahara*                 | Palm Springs        | 254              |
| Las Casitas de Sonoma   | Rohnert Park        | 126              |
| Rancho Feliz            | Rohnert Park        | 297              |
| San Juan Mobile Estates | San Juan Capistrano | 312              |
| Palomar Estates East*   | San Marcos          | 372              |
| Palomar Estates West*   | San Marcos          | 474              |
| Rancho Vallecitos*      | San Marcos          | 340              |
| Leisure Park            | Santa Rosa          | 182              |
| The Tropics*            | Union City          | 544              |
| Grandview East          | Yucaipa             | 100              |
| Rancho del Sol          | Yucaipa             | 114              |

\* denotes 55 and over age restricted community

For more information about these communities please visit the Millennium Housing website at [www.millenniumhousing.net](http://www.millenniumhousing.net)

2000 Bouslog, Suite 1470, Irvine, CA 92618  
[www.millenniumhousing.com](http://www.millenniumhousing.com)