

City Council Meeting: April 25, 2017
Agenda Item: 8.C

To: Mayor and City Council
From: Andy Agle, Director, Housing and Economic Development, Housing Division
Subject: Transition of Mountain View Mobile Home Park to Nonprofit Ownership

Recommended Action

Staff recommends that the City Council:

1. Authorize the City Manager to enter into exclusive negotiations with the Caritas Corporation, a California-based non-profit corporation, to transfer ownership of City-owned Mountain View Mobile Home Park pursuant to Council-approved parameters; and
2. Authorize the City Manager to negotiate and execute a seventh modification to Contract #9183 in an amount not to exceed \$566,052, including a ten-percent contingency, with Real Estate Consulting and Services, Inc., a California-based company, to provide property management services at Mountain View Mobile Home Park. The proposed amendment would result in a 99-month amended contract with a new total contract amount not to exceed \$4,260,939, and would extend the contract term for an additional twelve months through June 2018.

Executive Summary

Council directed staff to issue a Request for Proposals (RFP) to affordable housing organizations to acquire and operate Mountain View Mobile Home Park (Park) as long-term, affordable housing. Three non-profit organizations which own and operate affordable mobile-home communities submitted proposals in response. Staff engaged a consultant to assess the financial feasibility of the proposals and capacity of the proposing organizations. Staff also created a forum for Park residents to meet the three organizations, hear presentations, ask questions, and provide feedback. A five-member evaluation committee (Committee) of non-profit and government professionals was formed to evaluate the proposals, consider Park residents' comments, review the consultant's assessment, and rate the proposals. The Committee, Housing Commission, and staff recommend that the City enter into negotiations with the Caritas Corporation (Caritas), a nonprofit affordable housing organization, for transition of the Park. Staff recommends that the negotiations be guided by parameters proposed in this report. Staff would return to Council with negotiated terms for Council consideration and final approval.

Real Estate Consulting and Services, Inc. (RECS) has provided property management services at the Park since 2010. Staff recommends extending the contract for an additional twelve months through June 2018, resulting in a 99-month total contract term

to provide consistent property management until the Park is transferred. The increase in contract budget of \$566,052 includes management fees, estimated operating expenses for a twelve-month period, and a standard ten-percent contingency.

Background

The City purchased Mountain View Mobile Home Park (Park) in December 2000. Prior to City ownership, the Park was privately owned by the Ring Trading Corporation (Ring). In the 1990's, tenants of the Park and Ring independently filed lawsuits against the City for alleged damages caused by an adjacent City-owned abandoned landfill. The residents' lawsuits against the City were dismissed by the court in December 1998. The Ring lawsuit against the City was resolved through a Settlement Agreement, which included the City's acquisition of the Park in December 2000. In addition to settling the lawsuits, the City's acquisition created opportunities to preserve affordable housing and develop a plan for needed infrastructure improvements at the Park. The City purchased the Park using Redevelopment and Tenant Ownership Rights Charter Amendment funds targeted for affordable housing. As part of the purchase, the Park was deed-restricted for future occupancy by low- and moderate-income households.

On December 11, 2012 (Attachment A), Council directed staff to explore disposition of all City-owned affordable housing properties, including the Park. Council provided the direction in order to focus on the City's core affordable housing competencies of administering rental-assistance programs and creating affordable housing opportunities. Council recognized that affordable housing organizations, rather than the City, possess core competencies in owning and operating affordable housing. Since the Council direction, all City-owned affordable housing has been transitioned, except for the Park.

Request for Proposals Process

At its April 12, 2016 meeting (Attachment B), Council authorized staff to issue an RFP to affordable housing organizations to acquire and operate the Park as affordable housing. On May 26, 2016, staff met with Park residents to discuss the RFP process and solicit feedback regarding desirable qualities of new management, ideas for new amenities, and preferences regarding RFP review and comment opportunities. On June 9, 2016, a

draft RFP was provided to Park residents, incorporating input from the May meeting with Park residents and providing Park residents with a two-week comment period, pursuant to their request. On July 21, 2016 (Attachment C), staff presented the draft RFP, along with input from Park residents, to the Housing Commission (Commission) for additional public comment. On September 7, 2016, staff returned to residents to present a revised draft RFP for final comments.

On September 28, 2016, staff issued the RFP. The RFP opportunity was marketed directly to mobile-home park owners and operators through industry publications and trade-association distribution lists, reaching more than 600 members. Additionally, the RFP was emailed directly to organizations using a staff log of interested parties and general affordable housing organizations. The notice of RFP was also posted in the *Santa Monica Daily Press*, on PlanetBids, on City posting sites, and on a City webpage which was created specifically for the RFP issuance process. Interested parties were invited to scheduled tours of the Park, and to submit questions during an RFP question and answer period. Nine organizations toured the Park and eleven organizations submitted a total of 133 questions. On November 10, 2016, staff posted responses to the questions and provided 13 supporting reference documents on the project webpage. Staff received proposals from three organizations by the December 1, 2016, submission deadline.

Given the unique (only mobile-home park owned by the City), and complex (rent-controlled, deed-restricted, mix of homeowners and renters) nature of the Park, staff engaged Keyser Marston Associates, Inc. (KMA), a financial/real estate/economics consultant with deep experience in affordable housing, to assess the financial feasibility of the proposals and the capacity of proposing organizations. KMA's assessment concluded that all three proposals met financial feasibility and capacity thresholds.

Each submitted proposal is approximately 150 pages. In order to familiarize Park residents with each proposing organization and associated proposal, staff facilitated three independent meetings where each organization presented its proposed approach to owning and operating the Park, and residents were provided a forum to ask questions

regarding the proposal presentations and provide oral comments. Residents were also provided an opportunity to submit written comments regarding each organization and associated proposal.

A five-member evaluation committee (Committee) was formed with staff from the Legal Aid Foundation of Los Angeles (nonprofit legal-services organization), Santa Monica Planning Division (land-use and zoning regulations), Santa Monica Rent Control Agency (rent-control regulations), and Community Corporation of Santa Monica and Hollywood Community Housing Corporation (nonprofit affordable-housing organizations).

Committee members were asked to:

1. Independently review and preliminarily score each proposal based on the RFP evaluation criteria; and
2. Meet, confer, and provide collective final scores for each proposal and a recommendation based on the RFP evaluation criteria.

The Committee recommended that the City select Caritas as the owner and operator.

On March 30, 2017 (Attachment D), staff presented a recommendation to the Housing Commission (Commission) to negotiate with Caritas for transfer of the Park.

The Commission supported the recommendation for Caritas, while noting that specific income-targeting and appropriate funding expenditures should be identified before a transfer is finalized. The proposal package, including supporting reference documents and submitted proposals, were included in the March 30, 2017 staff report to the Commission.

On-going Property Management

RECS has been providing property management services at the Park since 2010 pursuant to a Council-authorized contract (see Attachments E, F, G, H, I, and J).

RECS has performed well, demonstrating expertise in property-management services, familiarity with City rental regulations, and professionalism in their communications with residents. The current RECS contract expires in June 2017, and would need to be extended through June 2018 while business terms and conditions are negotiated with the selected proposer and Council considers final approval.

Discussion

Proposal to Acquire and Operate the Park

Each proposing organization demonstrated experience with owning affordable mobile-home parks. Caritas emerged as the preferred owner and operator with significant experience and financial capacity, a solid framework for property management, and a collaborative approach to managing a mobile-home park property with both homeowners and renters.

Key factors that distinguished Caritas from other proposing organizations include:

1. Experience

- a. Caritas owns and operates 20 mobile home parks with a total of 3,665 spaces. Comparatively, one of the proposers owns six parks totaling 925 spaces, and the other proposer owns nine parks totaling 915 spaces.
- b. Caritas has a continuous, 20-year history as a mobile-home park owner and operator. Comparatively, the other proposers have 19 and 15 years of experience.
- c. Caritas has purchased six mobile-home parks from the cities of Garden Grove and Lancaster, and entered into regulatory agreements with the cities of Brea, Palmdale, Rohnert Park, San Marcos, Vista, and Yucaipa.
- d. In 2014, Caritas successfully refinanced six existing mobile home properties and acquired three new mobile-home properties with \$85 million in bond financing.

2. Financial Capacity

Standard & Poor's Rating Services determined Caritas' long-term rating to be stable, and in reviewing a previous Caritas credit profile, provided the following findings:

- a. Caritas' properties have very strong economic fundamentals and market dependencies, reflecting excellent demand due to relative affordability and desirable locations.
- b. Caritas demonstrates strong property ownership and management by an experienced owner and property manager with extensive track records in the operation and management of mobile home parks.
- c. Caritas' financial strength is indicated by strong loss-coverage levels and strong projected debt-service on bonds.

3. Management Plan

- a. Caritas affirmatively accepts existing restrictions (Rules & Regulations Regulatory Agreement, Rent Control Law), and agrees to enter into a new regulatory agreement to maintain ongoing affordability.

- b. All three proposers agreed to take ownership of the 29 rental homes currently owned by the City, although one of the three proposers (not Caritas) expressed some reservations due to concerns regarding conflicts when a mobile-home park owner also owns some of the mobile homes.
 - c. Caritas proposes a plan for placing manufactured homes on the currently vacant 13 spaces, and proposes a strategy for resolving the issues associated with the 11 spaces which are compromised by encroachment from adjacent mobile homes (pursuant to Council action on April 12, 2016) by approaching existing homeowners with new home opportunities. Comparatively, the other proposers have not affirmatively committed to placing homes on all vacant and encroached spaces.
 - d. Caritas offers a program designed to educate and encourage mobile home renters to become home owners.
 - e. Caritas has a comprehensive management agreement with Birtcher Anderson, a management company with over 40 years of experience, to manage all mobile home parks owned by Caritas. The structure provides a strong continuing relationship between the park owner and the management company, and economies of scale for management framework and resources.
4. Community Engagement

Caritas provided more specific information about its outreach to multi-cultural and multi-lingual communities, compared to the other two proposers. Examples of programs include after-school games and activities, summer reading programs, English as a Second Language classes, exercise classes, and movie and game nights. Caritas' community programs encourage and empower residents to take an active role in collaborating with management to develop social and educational programs that serve the needs of residents.

Park Resident Feedback

Park residents who attended the proposal presentations and submitted written comments expressed favorable comments related to all three proposals. Park resident attendance ranged from 14 to 18 residents per presentation, and seven to eight written comments were submitted by residents regarding each proposal. Caritas received positive comments for its responsiveness to the RFP, approach to management, community involvement, and experience with owning and operating 20 mobile-home parks. The other two proposals received positive comments for responsiveness to the RFP and for providing handouts at the presentation. Some residents expressed concerns related to management diversity, out-sourced property management, and

possible rent increases associated with the presentations of the other two proposers.

At the March 30, 2017 Commission meeting, three out of four Park residents in attendance affirmatively expressed support for the recommendation to select Caritas and proceed with negotiations. One Park resident in attendance spoke favorably of RECS' and staff's dedication to the Park, but did not address the staff recommendation regarding the transfer of Park ownership.

Financial Feasibility

All three proposers identified the existing Park structure as financially infeasible due to a combination of challenges: low rents, minimal allowable annual rent increases, significant vacancies (several due to lot encroachments), and the high cost of property management due to the 29 City-owned rental homes. As a result, each proposal contemplates various forms of financial assistance from the City to ensure long-term financial viability. The primary variables that impact the financial assistance associated with long-term viability include:

1. Minimal rent increases subject to the Rent Control Board annual general adjustment.

Vacancy de-control is not applicable to mobile home parks, therefore rents cannot be increased to market rate after a vacancy. Maximum annual rent increases at the Park are limited to the Rent Control Board annual general adjustment, which has averaged one percent per year over the past five years. The financial viability of the Park will be stressed if operating expenses outpace rental revenue increases.

2. Property tax burden once the Park transitions to private ownership.

Under City ownership, the Park is exempt from property taxes. Upon transfer, the Park owner would receive property tax abatement only for spaces occupied by tenants certified as low-income households. Obtaining appropriate household income documentation will be crucial to achieving the necessary tax exemption and maintaining the financial viability of the Park.

3. Placing new homes on vacant spaces to stabilize Park revenue, including resolving use of vacant spaces containing existing encroachments.

The net annual loss for the Park between fiscal years 2013-14 and 2015-16

averaged \$92,000. The Park is currently generating revenue from 81 out of the available 105 spaces due to vacancies. Of the 24 vacant spaces, 13 spaces are available for immediate use. The maximum allowable space rent in the Park is currently \$378 per month. Leasing the 13 spaces, projected within two years of transfer, would generate approximately \$59,000 in additional annual revenue, leaving a continued operating gap.

Resolving the issues associated with the 11 spaces compromised by encroachment from adjacent mobile homes would further enhance operating revenue, strengthening the financial viability of the Park.

4. City's commitment to fund reserve accounts.

The Park is currently not generating sufficient revenue to cover operating expenses and may need a one-time capitalized operating reserve at transition to fortify the Park's financial capacity until vacant and encumbered spaces are occupied with new homes over time.

5. Capital improvements

Park residents have expressed an interest in improvements to the community building for gatherings and community-building activities. Funding for upgrades to the community building would also enhance the marketability of vacant spaces.

In 2009, the City completed a \$5 million infrastructure project to underground electrical, telephone, and cable television lines; improve natural gas, potable water, sanitary sewer, and street-lighting systems; and upgrade curb, gutter, and roadway pavement surfaces. The City recently completed an expansion of the pool deck, replacement of the pool fence, and installation of a pool lift for persons living with disabilities.

6. Restricted household income level of future households.

All three proposals model Park occupancy assuming home ownership on the existing vacant spaces. Whether the new tenants can afford to purchase and install new manufactured homes depends on the desired target population for the vacant spaces. New manufactured homes are estimated to range in cost from \$55,000 to \$75,000. A household with incomes at the lowest end of the spectrum would need a 100 percent subsidy to purchase a new manufactured home, while a very low-income household would need the majority of the cost subsidized. A low- or moderate-income household would likely not need a subsidy to purchase a new manufactured home.

7. City's commitment to fund a homeowner program for existing renters of City-owned manufactured homes. None of the proposals project long-term viability without programs to help renters become owners.

As owner of the 29 rental homes, the City is currently responsible for expenses related to regular maintenance and repairs of the homes. Furthermore, the financial burden of upkeep compounds as the homes age and would continue to strain the Park's financial viability. These factors result in atypical operating expenses for the Park when compared with tradition mobile-home parks occupied entirely by homeowners, who are responsible for the maintenance and repairs of their homes.

Negotiating Parameters

The Park must maintain long-term financial viability, provide quality property management and resident engagement, sustain affordable rents pursuant to housing covenants and the Rent Control Law, and minimize the investment of limited housing funds. As a result, staff recommends that the Council adopt parameters to guide the negotiations with a selected proposer. Recommended parameters for the disposition agreements include:

1. Develop a long-term financial operating plan that reflects the housing-affordability covenants and rent-control restrictions associated with the property and ensure sufficient annual budgets to support quality property management and resident services, while minimizing housing-trust-fund assistance that is necessary to support long-term viability;
2. For City financial assistance that is required, direct resources toward capital replacement and operating funds at transition, rather than on-going assistance;
3. Include a detailed strategy to encourage mobile-home renters to become owners, including financial impacts associated with the strategy;
4. Include a plan with financial contingencies for renters who choose not to become owners;
5. Include a cost-effective plan to finance common-area improvements (e.g., clubhouse, lighting, fencing) over the short-term and long-term, including incorporation of the City's sustainability initiatives;
6. Include a plan for occupancy of vacant spaces that respects the City's policy for addressing vacancies (i.e. existing residents may maintain encroachments until they leave voluntarily or otherwise give up the encroachment voluntarily) while incorporating the City's sustainability initiatives;
7. Include a plan for new occupancy of vacant spaces to incorporate a mix of affordability levels;
8. Include a provision to ensure that the City's long-term interests are maintained, such as a City option to repurchase the property at the end of the affordability covenant term.
9. Include a plan for addressing property-tax expenses, including obtaining income-qualification information from existing residents, as well as funding

property taxes in cases where income qualifications cannot be met.

On-going Property Management

The scope of property management duties that RECS currently performs covers all necessary routine functions, including: handling day-to-day operations; supervision and coordination of maintenance and repair contracts; payment of all operating expenses such as utilities, maintenance, repairs and fees; occupancy responsibilities, including leasing and rent collection. City's Housing staff provides direct oversight of RECS to ensure effective and efficient management, including conferring with RECS weekly and reviewing monthly status reports.

In December 2016, staff recommended a six-month extension of the RECS contract in anticipation of transferring the Park by June 2017. The proposals received in response to the RFP, and recommendation from the Committee and Commission, show that transferring the Park in a manner that meets the City's expectations would require significant negotiations, development of detailed long-term plans, and final Council approval. Therefore, staff recommends extending the existing property management contract with RECS for an additional twelve months through June 2018, to ensure continued management until proposed deal terms can be approved by Council and the transfer completed. The current contract expires on June 30, 2017.

Alternative

Council could select a transferee and authorize the City Manager to negotiate and execute final transfer documents pursuant to Council-adopted parameters. However, the opportunity for public review and Council approval of specific terms such as affordability levels and total city investment would be missed. Council could also reject all proposals and direct staff to conduct a new RFP process, which staff does not believe would result in different outcomes. Finally, Council could reject all proposals and maintain City ownership of the Park. Such an approach would distract the City from its core affordable-housing competencies of operating rental-assistance programs and supporting the production and preservation of affordable housing.

Next Steps

With Council direction, staff would proceed to negotiate with Caritas pursuant to the parameters described in this report, and return to Council with deal terms for Council consideration.

Financial Impacts and Budget Actions

Proposal to Acquire and Operate the Park

There is no immediate financial impact or budget action necessary as a result of the recommended action authorizing the City Manager to negotiate the transfer of the Park to Caritas. Staff would return to Council for consideration of deal terms for transitioning Park ownership to Caritas and would present specific financial impacts and required budget actions at that time.


On-going Property Management

The contract modification to be awarded to RECS is \$566,052, for an amended contract total not to exceed \$4,260,939. Funds are available in the FY 2016-17 budget in the Housing and Economic Development Department. The contract would be charged to account 01264.533220. Future-year funding is contingent on Council budget approval.


Prepared By: Ava Lee, Senior Development Analyst

Approved

Forwarded to Council



Andy Agle, Director 4/17/2017



Rick Cole, City Manager 4/20/2017

Attachments:

- A. Council Staff Report - December 11, 2012
- B. City Staff Report April 12, 2016

- C. Housing Commission Staff Report - July 21, 2016
- D. Housing Commission Staff Report - March 30, 2017
- E. Council Staff Report - March 9, 2010
- F. Council Staff Report - September 13, 2011
- G. Council Staff Report - June 11, 2013
- H. Council Staff Report - April 28, 2015
- I. Council Staff Report - March 1, 2016
- J. Council Staff Report - December 6, 2016
- K. Written Comments

Vernice Hankins

From: Mary Vincent <mary.vincent.mav@gmail.com>
Sent: Monday, April 24, 2017 7:02 PM
To: councilmtgitems; Clerk Mailbox
Subject: Agenda Item 8-C City Council meeting 4/25/2017



Dear City Mayor and Council Members,

Re: Agenda Item 8-C Transition of MVMHP to non-profit ownership

We support Caritas Corporation (a non-profit organization) as the new owner for MVMHP.

We are against arbitrarily extending the contract with Real Estate Consulting and Services, Inc (RECS) property management company for one year. Instead, we support giving Caritas Corp. authority, effective immediately upon completion of the sale, to determine the process of transition from RECS to their existing mobile home management team, Birtcher Anderson. We presume there will be many benefits and efficiencies from running Caritas Corp.'s various mobile home parks under one management team, that will result in significant cost savings as well.

We are in support of expediting the sale of MVMHP to Caritas, and keeping any need for extending RECS contract to a minimum.

The Vincent Family--Mountain View Mobile Home Park residents (Space X4)

Vernice Hankins

From: Cris Mac <crismac11111@gmail.com>
Sent: Tuesday, April 25, 2017 10:02 AM
To: councilmtgitems; Clerk Mailbox
Cc: cristopher; mvmira_inc@hotmail.com; ken_ward@email.com; Belinda Van Sickle; P-N-A-Board@yahoogroups.com; Mary Marlow
Subject: Agenda Item 8-C Transition of MVMHP to non-profit ownership,

Dear City Mayor and honorable Council members,

Tonight's Agenda Item 8-C Transition of MVMHP to non-profit ownership.

Whilst I support Caritas Corporation (a non-profit organization) as the new owner for MVMHP -- spending half a Million Dollars on an incompetent REC'S management company I do not support.

The staff report recommends extending Real Estate Consulting Services inc for a further 12 month period. Whilst I don't believe this will happen -- \$500,000 plus is a glaring misuse of public funds and a give away of funds when little to no work is done in exchange.

It would behoove everyone if we stop for a moment to consider who REC'S is.

Since the City entered into contract #9183 with REC'S, they have been sold 3 times and are in their third ownership, 3.394,887:00 Million Dollars and 7 years later the park is in worse condition than before REC'S was hired (this would exclude recent work on the pool area which took the City 17 years to finally initiate/complete).

In light of the Elizabeth Riel debacle and the give away of \$1,000,000:00 by then Mayor Pam O'Connor's actions/influence on EX City Manager Rod Gould and the deliberate removal of evidence by staff at City Hall, one must consider that money Laundering is occurring through large sums of public monies paid for little or no work ie new City manager Rick Cole has signed staffs report recommending REC'S contract be extended for 12 months, 10% of the half million dollars is \$50,000:00 split 5 ways would make 5 members of staff/city council or john/jane does very happy as cleaned cash is king and difficult to follow etc.

I am against arbitrarily extending the contract with Real Estate Consulting and Services, Inc. (RECS) property Management Company for one year. Instead, I support giving Caritas Corp. authority, effective immediately upon completion of the sale, to determine the process of transition from RECS to their existing mobile home management team, Birtcher Anderson.

We are in support of expediting the sale of MVMHP to Caritas, and keeping any need for extending RECS contract to a minimum.

Yours Sincerely:

Cris McLeod Pico Neighborhood Association Chair/MVMIRA INC Secretary Cris McLeod, 1930 Stewart St. #60A

Vernice Hankins

From: mickey475@juno.com
Sent: Tuesday, April 25, 2017 12:09 PM
To: councilmtgitems
Subject: 4/25 council item 8C

RE: Agenda item 8-c Transition of Mobile Home Park to new owner

I support the transition of Caritas Non-Profit Corporation as the new owner of the Mobile View Mobile Home Park.

I do not support the one year extension of the RECS contract for 566,052.

I believe the new owner should have the right to bring in their own management company, this would be a savings to the City of \$500,000 plus and could be used to purchase new homes and fill all vacant spaces. Any transition should not take one year. I find this one year extension to be arbitrary and without basis. RECS is lavishly paid at ½ million a year – yet the maintenance done is at a minimum. The rules are not uniformly enforced as the manager is conflicted by her duties versus sitting in a locked office all day.

I currently live at the Mobile Home Park and have been a tenant since 1984.

3 Life-Shortening Foods You Should Avoid

3 Harmful Foods

<http://thirdpartyoffers.juno.com/TGL3132/58ff9edadb6a41eda7788st04vuc>



REFERENCE:

**Modified Contract
No. 9183**