



**CITY OF ENCINITAS  
CITY COUNCIL  
AGENDA REPORT**  
Meeting Date: February 18, 2009

**TO:** Mayor and City Council

**VIA:** Phil Cotton, City Manager

**FROM:** Planning and Building Department  
Patrick Murphy, Planning and Building Director  
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FOR YOUR RECORDS  
From City Clerk

**SUBJECT:** Consideration to create a Mobilehome Park Resident Acquisition Program

**BACKGROUND:** Over the past year, the City Council has been reviewing the status of the City's eleven mobilehome parks and their capacity to serve as a source of affordable housing. One outcome of the study was the identification and discussion of the range of policies and programs available to encourage the conservation and preservation of mobilehome parks and its mobilehomes. A survey was conducted to determine potential barriers to sustaining affordability, which included exploring ways to achieve and sustain affordability within mobilehome parks.

On June 18, 2008, the City Council approved a six-point strategy, which outlined various regulatory and non-regulatory approaches for further exploration to address mobilehome resident's needs and concerns. To date, three strategies have been considered, which resulted in the implementation of a Residential Rehabilitation Program, creations of a mobilehome park and resident resource center on the City's website, and the further consideration of implementing a rental assistance program to complement the City's Section 8 Housing Choice Voucher rental assistance program, which could assist mobilehome residents. The fourth strategy approach is the consideration of creating a mobilehome park resident acquisition program.

Over the years, rents can increase in a mobilehome park to the point where some lower-income residents fear economic eviction and physical displacement. Many of these residents can't afford to move their homes to another mobilehome park. To stabilize increases in rental costs, residents in parks can consider

pursuing the idea of forming a nonprofit corporation to purchase and own their mobilehome park (in order to maintain affordability).

In general, a Mobilehome Park Resident Acquisition Program offer loans to lower-income individuals, resident associations and nonprofit organizations to assist in the acquisition financing of the mobilehome park. Resident ownership can take the form of a common-interest (condominium or cooperative), where residents obtain fee title to, or some right or exclusive use of, their mobilehome spaces. Where a non-profit's purchase of the park is pursued, the nonprofit entity establishes and maintains affordable mobilehome space rents for the lower-income residents.

**ANALYSIS:** Typically, multiple sources of funds are used in the resident purchase of a mobilehome park. Cash, bank loans, federal, state and local funds, and mobilehome park owner funds are used for acquisition sources. For those mobilehome residents not possessing sufficient cash or incomes to borrow adequate funds from commercial lending institutions, funding programs are available.

#### **State Funds**

The State of California Department of Housing and Community Development (HCD) administers more than twenty State funded programs that award loans and grants to resident organizations, local public agencies, housing service providers, and individuals who have varying financial needs. One such program, the State's Mobilehome Park Resident Ownership Program (MPROP), provides the needed margin of financial support necessary to facilitate a successful, combined financial package to cover costs related to mobilehome residents' or non-profit's purchase of a park.

Eligible activities include the purchase (conversion) of a mobilehome park by a resident organization, nonprofit entity or local public agency; rehabilitation or relocation of a purchased park; or purchase by a lower-income resident of a share (or space) in a converted park. Through the MPROP, HCD has assisted in funding 74 mobilehome park conversions since 1984. Many mobilehome parks within San Diego County have received MPROP funds, including the cities of Santee, Poway, Escondido, El Cajon, San Marcos, and Vista.

MPROP does not fund the full cost of a conversion to resident ownership; however, the program provides three types of loans. These funding sources include loans to the resident organization as interim financing to cover acquisition or financing costs; and individual loans to enable a lower-income resident to purchase a lot or other individual interest in the park. Typically, MPROP applications are invited through the issuance of funding availability notices where mobilehome park acquisitions are evaluated, ranked and funded through a competitive process. The maximum funding, in most cases, is \$2,000,000 for each mobilehome park. Given the State's budget issues, there will be delays

providing funding. At this time, HCD staff does not know when they will be able to provide new funding.

### **Federal and Local Funds**

Typical local funding sources include redevelopment funds and housing and community development funds (usually from federal funds).

The City has three non-general fund sources available for housing activities. Two sources are federal funds that include the Community Development Block Grant Program and Home Investment Partnership Program. Additionally, the City has an Affordable Housing Fund derived from fees paid in-lieu of constructing an affordable housing unit by a developer as required by the City's inclusionary policy.

### ***Community Development Block Grant Program (CDBG)***

Annually, the City receives approximately \$400,000 of CDBG funds, which are used for community development and housing activities. Every year, approximately 35 percent of the funds are committed and expended on public services and program administration. The balance of the funds can be committed and expended on other eligible activities (approximately \$260,000), such as capital improvements and housing. The acquisition of a mobilehome park is an eligible activity.

The flexibility of CDBG funds allows the acquisition of mobilehome parks with mixed homes (i.e., trailers and mobilehomes) and incomes, as long as a simple majority of the mobilehome households within the mobilehome park are lower-income households (i.e., less than 80 percent of area median income).

CDBG regulations require that a jurisdiction must not have more than 150 percent of its annual funds unexpended at any one time. Based on the City's current annual receipt of CDBG funds, no more than approximately \$600,000 could be accumulated before expenditure is required.

Also, the City may be able to borrow up to five years of CDBG funds (typically not approved for more than three years of funds) when an eligible activity, such as a mobilehome park acquisition, is identified. If this approach was pursued, the City would need to collateralize the loan at 150 percent of the borrowed amount with non-federal funds. This was a similar process used in acquiring sixteen units at Pacific Pines. The City used general funds for "up front" acquisition costs and reimbursed the City's general fund expenditure with CDBG and HOME funds.

### ***HOME Investment Partnership Program (HOME)***

The City annually receives approximately \$200,000 through the County of San Diego HOME Consortium. Additionally, the City Council can reallocate previously committed HOME funds. HOME funds must be committed to an

activity within two years and expended within five years. The City may be able to request an advance of its annual allocation from the County.

HOME regulations require that the funds directly benefit a lower-income household (i.e., can not use funds for purchase of entire mobilehome park unless all households in the mobilehome park are lower-income) and can only assist manufactured homes and mobilehomes on permanent foundations (trailers do not qualify) that are currently code compliant. Therefore, a mobilehome park will need to be subdivided, so that assistance could be provided to a lower-income household on a legal individual lot.

### ***Affordable Housing Fund (AHF)***

A developer of a subdivision, subject to meeting the City's inclusionary requirements, can request the City Council to accept a fee in-lieu of constructing the affordable unit. The in-lieu fee is deposited into the AHF for a future opportunity to fund the acquisition or construction of affordable rental housing units for very low-income households (i.e., less than 50 percent of area median income).

Although the intent of the AHF is for the funds to be used for the creation of new affordable units, the City Council could consider the use of funds to assist in a mobilehome park purchase. Since the collection of the in-lieu fees occurs on an irregular basis and the acquisition and construction of new affordable housing assists in meeting the City's affordable housing goals, staff recommends continuing using the AHF as originally intended.

### **Mobilehome Park Owner Funds**

Although not providing additional funds in the acquisition of the mobilehome park, owners can assist in funding a critical gap in the purchase costs by carrying back a promissory note (essentially providing a deferred loan).

**PUBLIC OUTREACH and COMMENTS:** Staff met with interested mobilehome residents and mobilehome park owners to provide information to be contained in this report and invited comments. Generally, staff concluded from the comments that the residents would be interested in pursuing a City program to assist in a mobilehome park purchases and mobilehome park owners would need more information on the program specifics.

**SUMMARY:** Mobilehome residents' purchase of their mobilehome park is an opportunistic event. That is, there typically is no timeline when the mobilehome park owner will sell. Also, many mobilehome park sales are generated from unsolicited offers. Mobilehome residents must be organized (e.g., formation of a resident association) with a reasonable financial acquisition plan established in order for the mobilehome park owner to consider selling the mobilehome park to the residents. Additionally, a park purchase committee must gather financial data, compile a financial feasibility study, and develop a tentative operating

budget for the mobilehome park. Obviously, two key components of the residents' acquisition plan are the funding sources and the timing.

The leveraging of private and public funds will probably be necessary for the mobilehome residents to purchase their mobilehome park. After maximizing private funds, then State MPROP funds should be requested. Many times, an acquisition funding gap still occurs and local funds or a mobilehome park owner deferred loan is necessary. As identified in this report, public funds are available but the funds disbursement timing and/or program expenditure compliance matters typically require a longer escrow period before acquisition closing.

Based on the available local funds, program compliance requirements, and ongoing housing and community development activities, staff does not recommend that City Council establish and set-aside funds for a Mobilehome Park Resident Acquisition Program; rather staff recommends that City Council establish a policy of financial assistance to mobilehome residents for purchasing their mobilehome park when the mobilehome park is offered for sale and local funds are available.

For CDBG and HOME funds, the financial commitment consideration would occur at the annual Action Plan or through an amended Action Plan during the year. If CDBG funds were used, the City Council could consider using City general funds to expedite funding the purchase and reimburse the City's expenditure over time with annual CDBG funds, if available.

**FISCAL IMPACTS:** There are fiscal and staffing impacts to the implementation of a Mobilehome Park Resident Acquisition Program. If City Council wishes to consider implementing a program with the use of the identified local funds, staff will identify the impacts for City Council consideration during the annual Action Plan or amended Action Plan process.

**RECOMMENDATIONS:** Staff recommends the following:

1. Establishing a policy of intent to assist the resident purchase of mobilehome parks when the mobilehome park is offered for sale and funds are available.
2. That City Council consider use of HOME and/or CDBG funds during the annual Action Plan or amended Action Plan process and allocating CDBG and/or HOME funds only at such time that a mobilehome park purchase opportunity exists;
3. That the Affordable Housing Fund is retained only for the acquisition and construction purposes of new affordable housing units.