

Legislation Text

File #: #19-153, Version: 1

PREPARED BY: Charles Ching, Director

DATE OF MEETING: 04/15/19

SUBJECT:

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN PABLO APPROVING AND AUTHORIZING EXECUTION OF AN AGREEMENT REGARDING WILLOW MOBILE HOME PARK WITH CREEKSIDE VILLAGE MHC, LLC, RELEASING THE CITY'S MASTER LEASE, CONVEYING SIX CITY-OWNED MOBILE HOMES UPON CERTAIN CONDITIONS AND ALL NECESSARY RELATED ACTIONS

CITY MANAGER RECOMMENDATION

Adopt Resolution

COMPLIANCE STATEMENTS

This action follows the State's dissolution of the San Pablo Redevelopment Agency.

CEQA Compliance Statement

The execution of the Agreement Regarding Willow Mobile Home Park, conveyance of the City-owned mobile homes and related actions are not a project requiring environmental review under the California Environmental Quality Act ("CEQA") as changing the ownership is not an activity that may cause a direct or reasonably foreseeable indirect physical environment change pursuant to Public Resources Code section 21080(a) and 14 California Code of Regulations section 15002(d). If deemed a project, it can be exempt as having no possible significant effect on the environment pursuant to 14 California Code of Regulations section 15061.

BACKGROUND

City's Master Lease

In 1986, the former Redevelopment Agency of the City of San Pablo ("Agency") entered into a ground lease ("Master Lease") with the Roman Catholic Bishop of Oakland ("Diocese") for approximately 3.34 acres of land located on Willow Road adjacent to St. Joseph's Cemetery. The area is being operated as Willow Road Mobile Home Park ("Willow MHP").

The Master Lease was entered into as part of the relocation effort that was conducted in conjunction with the Towne Center Development Project which relocated residents from the former Willow Lodge and Castle's Trailer Parks. State law required the Redevelopment Agency to provide replacement housing. The Master Lease has been renewed from time to time since the original lease. With the dissolution of the Redevelopment Agency on February 1, 2012, the Master Lease was assumed by the San Pablo Local Successor Agency ("LSA"). On September 30, 2014, the LSA assigned the Master Lease to the City of San Pablo ("City") as the successor-in-interest to the housing

responsibilities of the former Redevelopment Agency. The current Master Lease was executed on December 17, 2014, and will expire on December 31, 2019, subject to an option to renew for an additional five years. Under the Master Lease, the City pays the Diocese the greater of \$2,000 per month or 25% of the gross receipts. The City is currently paying approximately \$4,000 per month to the Diocese.

Willow MHP is currently being managed by Evans Property Management on behalf of the City.

Purchase of Real Property from Diocese by Creekside

Creekside Village Manufactured Housing Community ("Creekside") is in the process of purchasing the land occupied by Willow MHP from the Diocese. Creekside is an experienced mobile home park operator and owns and operates a number of mobile home park communities in the Central Valley, as well as Creekside Village which is directly across the street from Willow MHP.

Termination of Master Lease and Transfer of City-Owned Mobile Homes

Staff has negotiated an Agreement Regarding Willow Mobile Home Park ("Agreement") with Creekside that would provide for the termination of the City's Master Lease and transfer of the City-owned mobile homes to Creekside in exchange for certain promises and commitments by Creekside designed to protect Willow MHP and the existing tenants.

Under the terms of the Agreement, Creekside has agreed that it will:

- a. Continue to use and operate the Willow MHP as a mobile home park through December 31, 2024, and to allow tenants in occupancy on the date it purchases the property to remain through December 31, 2024, if they desire to do so, as long as they are not in default under their lease agreement;
- b. Continue to operate the Willow MHP as a senior community if, on the date it purchases the property, 80% of the tenants in occupancy are 55 or more years old;
- c. Ensure that with respect to the tenants in occupancy on the date it purchases the property, rent increases are limited as follows:
 - (1) There will be no rent increase during the first 12-month period following the date it purchases the property ("Creekside Ownership Year 1"); however, an initial rental rate of \$995 shall be established for the current park manager who currently resides in a City-owned mobile home rent free to commence not earlier than sixty (60) days from the date it purchases the property;
 - (2) There may be a rent increase limited to \$110 per month during the next 12 month period following Creekside Ownership Year 1 ("Creekside Ownership Year 2");
 - (3) There will be no rent increase during the next 12 month period following Creekside Ownership Year 2 ("Creekside Ownership Year 3"); and
 - (4) Beginning on and after the last day of Creekside Ownership Year 3 (subject to 90 days'

written notice to tenants for each rent increase as required by Civil Code section 798.30), there may be periodic rent increases to the then-existing rent in an amount equal to the greater of (a) 3% or (b) the increase in the Consumer Price Index for all Urban Consumers for the San Francisco, Oakland, Hayward Area as published by the Bureau of Labor Statistics ("CPI") based on the CPI in effect 12 months prior to the date of Creekside's notice of rent increase (base year) and the CPI in effect on the date of Creekside's notice of rent increase; provided, however, that the maximum increase in rent during a calendar year shall not exceed 8%;

d. Ensure that there shall be a program in place to provide a 10% discount on rent to tenants whose rent exceeds 40% of their household income, provided, however, that the program may be limited to a maximum of 10% of the tenants in the Willow MHP;

e. Ensure that tenants in occupancy on the date it purchases the property shall be entitled to terminate their tenancy upon giving written notice to Creekside not less than 30 days before vacating the tenancy; and

f. Ensure that tenants in occupancy on the date it purchases the property shall be entitled to sublet their premises for any reason for a period not to exceed 12 months.

The above provisions will be incorporated in an Agreement Containing Covenants that will be recorded against the property to ensure the City's interests in maintaining the existence and affordability of the Willow MHP for the benefit of the existing tenants for what would have been the duration of the City's Master Lease. The current residents will also be offered new leases that include these provisions before the City terminates the Master Lease.

There are 6 City-owned mobile homes, four of which are occupied. The ages of these mobile homes are unknown and all are in need of repair. One of the mobile homes is uninhabitable and requires demolition. Because the mobile homes currently have little to no market value, title to them will be conveyed to Creekside at no cost in consideration for Creekside's assurances regarding operation of Willow MHP as described above.

FISCAL IMPACT

There will be a modest to no fiscal impact to the City resulting from this transaction. The Willow MHP is currently operating at a near break-even level and the 6 City-owned mobile homes have little to no market value.

The services of Evans Property Management will no longer be needed once the property is sold and the Master Lease terminated. Thus, the City Council is requested to also authorize the City Manager to terminate those services at the appropriate time.