

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

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**NOTICE TO POTENTIAL APPLICANTS****RE: REQUEST FOR PROPOSAL
MOBILEHOME PARK RESIDENT OWNERSHIP PROGRAM****August 1, 2011**

I am pleased to announce the availability of funds for new applications under the Mobilehome Park Resident Ownership Program (MPROP).

MPROP provides financing to mobilehome park resident organizations, qualified nonprofit housing sponsors or to local public entities that wish to purchase a mobilehome park in order to preserve it as a source of affordable housing. Approximately \$8 million is currently available. Enclosed is a Notice of Funding Availability (NOFA) detailing the Program's requirements and the application process. Applications will be accepted until 5:00 p.m., Pacific Daylight Time, **August 1, 2012**.

To request an application package, please call (916) 323-3178, or e-mail a request to multifamilyhousingsection@hcd.ca.gov. Electronic copies of the applications can also be accessed at www.hcd.ca.gov/fa/mprop.

If you have any questions, please contact the MPROP staff at (916) 323-3178.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Westlake". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Chris Westlake
Deputy Director

**MOBILEHOME PARK RESIDENT OWNERSHIP PROGRAM (MPROP)
NOTICE OF FUNDING AVAILABILITY (NOFA)
AUGUST 1, 2011**

MPROP GENERAL FUNDING: \$8.0 MILLION

A. INTRODUCTION

The Department of Housing and Community Development (the Department) is pleased to announce that it is accepting applications under the Mobilehome Park Resident Ownership Program (MPROP). Approximately **\$8,000,000** is currently available for new loans, of which 20 percent is reserved for rural projects (as defined in Health and Safety Code Section 50101). In the event that an inadequate number of rural applications are received during this funding round, the Department may allocate these funds to non-rural projects.

MPROP provides financing to mobilehome park resident organizations, qualified nonprofit housing sponsors, and local public entities who wish to purchase mobilehome parks and convert them to either resident ownership or ownership by a nonprofit corporation. The purpose of MPROP is to encourage and facilitate the conversion of mobilehome parks to protect low-income mobilehome park residents from both physical and economic displacement, to obtain a high level of private and other public financing for mobilehome park conversions, and to help establish acceptance for resident-owned, nonprofit-owned, and government-owned mobilehome parks in the private market.

Applications will be accepted on an over-the-counter basis from **August 1, 2011**, 8:00 a.m., Pacific Standard Time, through **August 1, 2012**, 5:00 p.m., Pacific Standard Time, or until such time before August 1, 2012, that the Department has received a sufficient number of applications to reasonably use all funds currently available. The Department reserves the right, at its sole discretion, to suspend, amend, or modify the provisions of this NOFA. If such an action occurs, the Department will notify all interested parties.

The maximum amount available to each eligible project is \$2,000,000. However, if this funding round is under-subscribed or if funds are available, applicants may have the opportunity to request an increase of the requested loan amount, as determined by the Department in its sole discretion, in order to ensure financial feasibility. This funding round will be determined to be under-subscribed if after reviewing all applications submitted by the final application filing date of **August 1, 2012**, an insufficient number of applications have been deemed eligible, complete, and meeting all threshold requirements as outlined in this NOFA.

The process of purchasing a mobilehome park is complex and requires a high level of expertise. Applicants should consider the use of experienced consultants and other professional services to assist them in this process. To assist applicants in preparing their applications, the Department is available to provide personal technical assistance based on their specific needs and requirements.

B. LEGAL AUTHORITY

The MPROP is statutorily authorized by Chapter 11 of Part 2, Division 31 of the Health and Safety Code (Section 50780, et seq.) and may be found at www.leginfo.ca.gov/calaw.html. The program regulations may be found in the California Code of Regulations, Title 25, Part 1, Chapter 7, Subchapter 13, Sections 8000, et seq. and may also be found at www.oal.ca.gov. Copies of both of these documents are also included in the application package. Interested applicants should carefully review the MPROP statutes and regulations.

C. APPLICATION PROCEDURES

One original and one copy of the completed MPROP application can be submitted to the MPROP Program between **August 1, 2011 and August 1, 2012. No applications will be accepted after 5:00 p.m. on August 1, 2012.** The application and authorizing resolution(s) **must have original signatures.** The Department will determine when applications with the required attachments/exhibits are ready to proceed to the Department's Local Assistance Loan and Grant Committee (Committee). Some applications may require the Department's technical assistance to achieve the readiness required to proceed to Committee.

All applications must be made on the July 2010 Excel application form and must be complete and legible. An application that is deemed ineligible will not proceed to Committee, and the applicant will be notified in writing of the reason(s) for this determination.

Applications will be reviewed in the order in which they are received. The Department will endeavor to complete an initial staff review within 25 working days after receipt of the application. The initial staff review will include determinations of completeness and threshold eligibility issues. Qualifying projects will then move forward into a feasibility review, and projects successfully passing all reviews will be scheduled for presentation to the Committee (beginning in October 2011 as the Committee meetings are scheduled). The Department will endeavor to schedule all recommended applications for presentation before the Committee within 60 days after receipt of the last item required for review. The Department's date stamp on the last item required to complete the review will be used to determine the order in which applications will be awarded funds and presented to the Committee.

To request an application package, please contact the MPROP program representative at the telephone number or address below. Application materials are also available on the Department's website at <http://www.hcd.ca.gov/fa/mprop/>.

Department of Housing and Community Development
Division of Financial Assistance
Mobilehome Park Resident Ownership Program
P.O. Box 952054, Rm 460
Sacramento, CA 94252-2054
Telephone: (916) 323-3178
Facsimile: (916) 445-0117
multifamilyhousingsection@hcd.ca.gov

D. DESCRIPTION OF PROCESS FROM APPLICATION SUBMISSION TO COMMITTEE CONSIDERATION

The recommendations of staff will be presented to the Committee. Copies of the staff recommendation will be distributed to the applicants prior to the Committee meeting. The Committee will consider applications and will make recommendations to the Director. The Director will approve, modify, or disapprove the Committee's recommendations. The Director's approval of a project constitutes a conditional commitment of funding.

E. THRESHOLD CRITERIA

The application must fulfill the following threshold criteria in order to be eligible for an award of MPROP funding. If an application fails to meet all of the criteria listed below, the application will not be eligible for an award of funding.

1. Eligible Applicants (Threshold)

Eligible applicants are: mobilehome park resident organizations, qualified nonprofit housing sponsors, or local public entities.

Resident organization: "Resident organization" means an organization of mobilehome park residents which has all of the following characteristics: 1) is a legally recognized entity; 2) is able to enter into a contract; 3) is capable of suing or being sued; 4) may include residents from more than one park where the residents of those parks combine to form a single resident organization; and 5) the membership of a resident organization shall include at least two-thirds of the households residing in the mobilehome park(s).

Qualified nonprofit housing sponsor: "Qualified nonprofit housing sponsor" means a nonprofit public benefit corporation, as defined in Part 2 (commencing with Section 5110) of Division 2 of the Corporations Code, that: (1) has received its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code; (2) is not affiliated with or controlled by a

for-profit organization or individual; (3) has extensive experience with the development and operation of publicly subsidized affordable housing; (4) the Department determines is qualified by experience and capability to own and operate a mobilehome park that provides housing affordable to low-income households; and (5) has formal arrangements for ensuring resident participation or input in the management of the park that may include, but not be limited to, membership on the board of directors. "Qualified nonprofit housing sponsor" also means a limited partnership where all of the general partners are nonprofit mutual or public benefit corporations that meet the requirements of paragraphs (1) to (5), inclusive.

Local public entity: The entity may be a city, county, housing authority, redevelopment agency, community development commission, or other governing body as defined in Health and Safety Code Section 50079. In addition, the local public entity must assure resident participation by either resident representation on the board of directors of the entity that acquires the permanent ownership of the park or by establishment of a permanent resident advisory board (Health and Safety Code Section 50785(a)(5)). The local public entity must demonstrate that: (1) it is a legally recognized entity; (2) it is able to enter into a contract; and (3) it is capable of suing or being sued. In accordance with Health and Safety Code Section 50786.5, commitments to local public entities that have subdivided the park or intend to sell individual interests may be funded upon demonstration of a simple majority of households acquiring their interest in the park.

Individual: Applications for individual loans should be submitted through one of the above eligible entities. There will be an award by the Department, and loan fundings and recordings will occur on an individual loan basis.

The project must ultimately result in ownership by either a resident organization or nonprofit housing sponsor. Interim ownership by a public entity is limited to three years and up to six (6) years with special circumstances based on Health and Safety Code Section 50784(b).

The governing body of the applicant must authorize, by resolution, participation in the program and submission of the application. The resolution must be submitted with the application itself. No exceptions will be made to this requirement.

2. Eligible Project (Threshold) - See the requirements below for each type of ownership:

For resident organization ownership: A minimum of two-thirds of the residents living in the park(s) at the time of the application must support the conversion to resident ownership. The Resident Survey form must be completed and submitted with your application.

If the park is a subdivision or co-op and individual interests are being purchased, two-thirds of the residents must be buyers of their subdivided space, or co-op membership share, and participate as members of the resident organization at the time of funding. Membership is generally acquired as a result of purchasing an ownership interest.

For qualified nonprofit housing sponsor ownership: The qualified nonprofit housing sponsor must have the support of at least two-thirds of the residents living in the park in order to be eligible to apply for program funding. The park must also have at least 30 percent low-income households at the time of funding (or at least 30 percent of the completed and occupied spaces). See Item G, Loan Types, for loan amount limitations.

For local public entity ownership: Same as qualified nonprofit housing sponsor requirements above. See Item G, Loan Types, for loan amount limitations.

Subdivision projects must have the support of at least two-thirds of the residents living in the park(s) at the time of application, and there must be a Department of Real Estate (DRE) Final Public Report issued at the time of the MPROP application.

3. Site Control (Threshold)

Site control must be in the name of the applicant at the time of application submittal. Site control can be evidenced by: fee title; an enforceable purchase or sales agreement; leasehold interest with provisions that enable the lessee to make improvements on and encumber the property provided that the terms and conditions of any proposed lease shall permit compliance with all program requirements; an enforceable option to purchase or lease; a disposition and development agreement with a public agency; or an agreement with a public agency that gives the applicant exclusive rights to negotiate with that agency for acquisition of the site provided that the major terms of the acquisition have been agreed to by both parties.

Subdivided Parks:

The DRE Final Subdivision Public Report must be submitted with the application as Attachment 12M. Applications that do not have issuance

of the DRE Final Subdivision Public Report will not be accepted by the Department for review.

4. Certification of Resident Support (Threshold)

Submit Certification of Resident Support surveys indicating two-thirds of the residents support the park conversion. This certification form can be found on the Department's website at <http://www.hcd.ca.gov/fa/mprop>.

F. FINANCIAL FEASIBILITY AND LOAN SECURITY

The application must demonstrate a financially feasible plan for the park conversion.

MPROP has observed that residents in parks with high share values (generally above the range of \$5,000 to \$10,000) have experienced significant difficulty in selling their shares. If share values or membership interests are proposed to sell for \$15,000 or more, generally the project will not be deemed financially feasible.

G. LOAN TYPES

Blanket loans shall provide long-term financing to resident organizations, qualified nonprofit housing sponsors, and local public entities that purchase unsubdivided parks for the purpose of achieving affordable housing costs for low-income residents. The maximum loan-to-value ratio (counting senior debt as well as the MPROP loan) is one hundred percent (100 %) based on an appraised value of the park; however, the actual loan amount is determined by the percent of low-income spaces in the park. MPROP requires the loan amount to be limited to fifty percent of the costs that can be attributable to the number of low-income households in the park. Unless otherwise approved by the Department, a third-party entity must certify the eligibility of the low-income residents who benefit from the blanket loan.

Blanket loans may be used for the following eligible costs: 1) to repay a short-term (or "bridge") conversion loan; 2) to establish operating reserves; 3) to provide long-term financing for a project; 4) to supplement other public or private financing; 5) to enable low-income households to obtain individual interests in the corporation which owns the park; and 6) to enable low-income residents to remain in the park through a Department approved Program of Assistance.

Blanket loans have monthly payments amortized over a maximum thirty-year term. If necessary, alternative repayment terms may be approved, if necessary, to achieve affordable housing costs for low-income residents. Unless otherwise approved by the Department, a third-party entity must certify the eligibility of the low-income residents who benefit from the blanket loan.

*Individual loans provide long-term financing to low-income households. Individual loans are only available to eligible lower-income residents in parks that have received an MPROP award. They are not available to the public at large. Pursuant to Section 8010 of the MPROP Regulations, individual loans for the purchase of a mobilehome space in a subdivided park shall not exceed fifty percent (50%) of the acquisition cost including nonrecurring closing costs.

Borrowers of individual loans shall have no less than five percent (5%) equity in the collateral securing the loan. Collateral includes the lot or other individual interest and usually includes the mobilehome. Individual loans have monthly payments amortized over a maximum term of thirty years unless, in order to achieve affordability, the Department approves alternative repayment terms. Such alternative terms will require payments to the extent that the resident can afford such payments. The Department may require periodic (e.g., every five years) verification of income to ensure that borrowers still qualify for alternative payment terms. Loans to individuals are due on sale, transfer, or non-occupancy by the MPROP borrower(s).

Prior to the first MPROP close of escrow in a subdivided park, the Department will require a minimum of sixty-seven percent (67%) of the occupied spaces in the park to be under contract. This must be demonstrated through a survey of residents prior to the first close of escrow. The Department may also require a minimum number of units to have already closed escrow prior to any MPROP closings.

If an MPROP borrower has refinanced the home within the 12 months prior to submission of the loan application and has received funds as a result of the refinance, MPROP borrowers shall be required to apply a sum equal to the cash-out funds received towards the purchase of the space.

Conversion loans provide interim, short-term financing to resident organizations, qualifying nonprofit housing sponsors, or local public entities with a three-year maximum term at three percent simple interest per annum. The maximum loan amount is fifty percent (50%) of the conversion costs attributable to the low-income residents of the park, or such lesser amount as required for project feasibility. The maximum loan-to-value ratio (counting senior debt and the MPROP loan) is one hundred percent (100%). Eligible costs include: 1) the park acquisition cost; 2) loan origination, appraisal, inspection fees, and other related financial costs; 3) title and escrow fees; 4) legal and other professional fees; 5) relocation costs; and 6) park rehabilitation costs. Monthly interest-only payments are required during the conversion loan term unless the Department approves an alternative repayment schedule.

H. Standard Conditions

Upon the Director's approval, a contract (the "Standard Agreement") between the awardee and HCD is prepared. This contract will contain the terms and conditions that must be satisfied prior to the closing and funding of the MPROP loan(s).

Standard conditions include the following:

1. In a resident-owned park, at least two-thirds of the spaces in the park must be occupied by households who have purchased their individual interests in the park, or who are under contract to purchase and fully qualified for financing and otherwise committed to and ready to purchase. Long-term leases or purchases by parties other than the residents occupying their individual spaces may not be substituted for purchases by residents to meet this requirement. Where individual interests are not sold, at least two-thirds of the park resident households must be members of the resident organization that will own and manage the park following the conversion.
2. If the park will be owned by a qualified nonprofit, verification that at least thirty percent (30%) of the households in the park are low-income (eighty percent (80%) of area median income adjusted for family size).
3. Prior to any assignment of the park to a nonprofit or single-purpose entity proposed to be formed by the nonprofit, the Department shall be required to approve the final organizational structure and corporate documents. If a single-purpose entity with resident representation on the board does not take title to the property, documentary evidence of an active resident advisory board in the park must be provided to the Department for its review and approval.
4. Verification that either: (a) park residents are not being displaced, through rent increases or other means, in compliance with the MPROP Anti-Displacement Guidelines, or (b) displacement is being mitigated in accordance with State relocation law.
5. Verification of the adequacy of the collateral securing the Department's loan. Unless otherwise approved by the Department, the adequacy of the collateral shall be evaluated through an appraisal or appraisals ordered by the Department and paid for by the borrower. The Department may reimburse the borrower for expenses incurred, if sufficient proceeds are available.
6. Approval by the Department of a Phase I Environmental Site Assessment and any follow-up studies required by the Phase I assessment. Payment for these items shall be the responsibility of the borrower, with reimbursement at loan closing, if sufficient proceeds are available.
7. Execution of the Standard Agreement and loan documents as required by the Department, including but not limited to the following: (a) a promissory note or notes evidencing the Department's loan; (b) security documents as

necessary to secure the Department's loan, and (c) where a blanket loan is being made, a Regulatory Agreement governing the operation of the park for the term of the MPROP loan, if resident-owned, and for no less than thirty (30) years if nonprofit-owned. The Regulatory Agreement, and all Trust Deeds, shall be recorded against the borrower's interests.

8. Issuance of a title insurance policy or policies approved by the Department insuring the Department's security interest.
9. Approval by the Department of all project costs, and of the terms, conditions and documents for all sources of funds to be used to defray these costs.
10. Approval by the Department of a first-year operating budget and cash flow analysis.
11. Approval by the Department of a Replacement Reserve Study performed in accordance with the requirements of the DRE for subdivision projects.
12. Approval by the Department of an Assistance Analysis Chart detailing, for every recipient of MPROP assistance, their incomes, their housing costs, the amount of their loans or rent subsidies, and such other information as the Department may require.
13. Where MPROP provides a blanket loan, approval by the Department of a Program of Assistance detailing the mechanism whereby the subsidy provided by the MPROP funds is provided to the low-income residents.
14. Approval by the Department of the property management company that will manage the park upon loan funding; any and all contract(s) executed by the company relating to its management duties; and management plan developed by the company.
15. Verification that the park and any homes occupied by the recipients of MPROP direct loan assistance comply with the Mobilehome Parks Act (Title 25 of the California Code of Regulations).
16. If any rehabilitation or construction work is planned in connection with the conversion, approval by the Department of the scope of work, detailed budget, construction contractor and the construction contract documents.
17. If loans to individual residents will be made, approval by the Department of a third party loan originator, and the contract for those services.
18. Approval by the Department of all professional services contracts entered into or to be entered into in connection with the conversion.
19. Approval by the Department of the borrower's organizational documents, resident lease agreements, and other legal documents. If required by the

Department, issuance of an opinion of the Borrower's counsel addressing such legal issues as deemed necessary by the Department.

20. Verification of hazard, liability, flood and fidelity insurance coverage in accordance with Department requirements.
21. Verification that all required governmental approvals have been received, including, as applicable, approvals by local planning agencies and the DRE or the Department of Corporations.

Project applicants that execute loan origination and/or servicing agreements with an loan originator where servicing responsibilities are not performed by the Department, must assure the Department that the loan originator meets the minimum standards for licensing and registering as a mortgage loan originator required under the Secure and Fair Enforcement Mortgage Licensing Act of 2008 ("SAFE Act"), as implemented in California by SB 36.

QUESTIONS

If you have any questions regarding this NOFA or are interested in project specific technical assistance, please contact either Ben Dudek at (916) 445-6508 or Nancy Mee at (916) 327- 3625 before the final application date of August 1, 2012.