



MOBILEHOME SPACE RENT STABILIZATION ORDINANCE

CITY COUNCIL MEETING

MAY 20, 2019



OVERVIEW

- Public Meetings and Outreach to Date
- Background and Analysis
- Elements of the Proposed Ordinance

PUBLIC MEETINGS AND OUTREACH TO DATE

- Outreach for tonight
 - Mailing to all addresses in the 9 San Leandro Mobilehome Parks
 - Posts on Social Media
 - Facebook
 - Nextdoor
 - Email to list of interested stakeholders who attended public meetings, made written comments, or requested notification

PUBLIC MEETINGS AND OUTREACH TO DATE

- Public meetings to date
 - July 16, 2018 – Presentation to City Council
 - October 22, 2018 – City Council Rules Committee
 - January 14, 2019 – City Council Meeting
 - March 4, 2019 – City Council Meeting
 - April 17, 2019 – Community Meeting with Mobilehome Owners
 - April 25, 2019 – Meeting with Mobilehome Park Owners and Industry Representatives

BACKGROUND AND ANALYSIS

- Establishes a method to review mobilehome park space rent increases.
- Ensures that mobilehome park owners/operators/investors receive a fair and reasonable ROI.

BACKGROUND AND ANALYSIS

- Two Changes to DRAFT Ordinance since March 4 City Council Meeting:
 - 1) References CA Mobilehome Residency Law Section 798.56 (“7 Authorized Reasons for Termination of Tenancy”)
 - 2) Changed CPI reference to San Francisco-Oakland-Hayward

CA MOBILEHOME RESIDENCY LAW SECTION 798.56 – “JUST CAUSE”

- “Just Cause” eviction protection language for mobilehome residents statewide
- Prohibits park owners from terminating or refusing to renew space rent tenancies except for specific reasons
- Notable reasons for termination of tenancy include:
 - *Nonpayment of rent*
 - *Non-compliance with rental agreement*
 - *Conduct constituting substantial annoyance to other residents*
- City Ordinance broadens the State termination of tenancy protections to all individuals renting a Mobilehome Space regardless of the type of structure on the space (such as RVs)

DEFINITIONS

- Base Rent – Rent in effect for a mobilehome space on July 1, 2018. The ordinance establishes an amount not to exceed the 90th percentile of all rents in effect in the Mobilehome Park
- Base Year – 2018 or if a “Fair Return” Application subsequently establishes a new Base Rent
- “Fair Return” Application – Allows for application to increase rent beyond the lesser of the CPI (San Francisco-Oakland-Hayward) or 4%

DEFINITIONS (CON'T)

- Mobilehome – A structure designed for human habitation and that can be moved on a street or highway (e.g.: manufactured homes, trailers, RVs). The ordinance definition includes those RVs defined by Cal. Civil Code section 798.3(b)(1) and (2):
 - Has a rental agreement with a term of 1 month or longer
 - Has occupied a space in a Mobilehome Park for nine or more continuous months

DEFINITIONS (CON'T)

- Rent – Cost to use or occupy a mobilehome space (either by lease or sublease of the space). Rent shall not include:
 - 1) Utility charges for sub-metered gas and electricity
 - 2) Charges for water, refuse disposal, sewer service, and/or other services, which are either provided or charged to tenants solely on a cost pass-through basis and/or are regulated by state or local law
 - 3) Any amount paid for the use and occupancy of a mobilehome unit (vs amounts paid for use and occupancy of a mobilehome space).
 - 4) Laundry service charges
 - 5) Storage charges

DEFINITIONS (CON'T)

- Capital Improvement (CI) – New improvements or facilities to an existing mobilehome park.
- Capital Improvement Costs (CIC) – All costs reasonably and necessarily related to the planning, engineering, and construction of a CI, including debt service costs, if any, incurred as a direct result of the CI. CIC do not include ordinary maintenance or repairs or capital replacement costs. CIC are required to be amortized over the useful life of the improvement pursuant to the US Internal Revenue Code.

DEFINITIONS (CON'T)

- Capital Replacement (CR) – An improvement required to maintain the existing common facilities and areas of a park in a decent, safe and sanitary condition or to maintain the existing level of park amenities and services. CR is an expenditure as defined by the US Internal Revenue Code which replaces, upgrades or repairs an existing improvement (e.g., onsite water or electrical distribution or sewage collection system, a street, a parking area, or common facility such as a laundry, community kitchen or meeting room). If the expense can be fully deducted in one year as a business expense, then it does not qualify as CR.
- Capital Replacement Costs (CRC) – All costs reasonably and necessarily related to the planning, engineering, and construction of CR, including debt service costs, if any, incurred as a direct result of the CR. CR does not include ordinary maintenance or repairs or CI costs.

DEFINITIONS (CON'T)

- Service Reduction – A decrease or diminution in the basic service level provided by the Park Owner occurring at any time since January 1, 2019, including but not limited to services the park owner is required to provide pursuant to applicable state law
- Special Circumstances Households -
 - *A resident that is 62 years of age or older; OR*
 - *A resident qualified as disabled by Title 42, U.S. Code §423 OR handicapped as defined by California Health & Safety Code §50072; AND*
 - *Total household income is \leq 50% Area Median Income (AMI)*

EXEMPTIONS

- Per applicable Cal. Civil Code sections under CA MRL:
 - Mobilehome Owners who have signed a lease for a specified space rent are not subject to this ordinance and that has not lapsed;
 - Newly built Mobilehome Spaces;
 - Mobilehome Spaces that are not the principal residence of the Mobilehome Owner;
 - Mobilehomes or Parks owned or operated by a governmental agency or any publicly subsidized rental unit;
 - Mobilehome parks with 10 or fewer spaces

SPACE RENT INCREASE CAP

- Proposes to establish an annual rent increase, which is the lesser of the increase to the Consumer Price Index (CPI) for San Francisco-Oakland-Hayward or 4% once per year
- Proposes to require Mobilehome Park Owners provide written notice of rent increases for Capital Improvements or Capital Replacements 90 days in advance of the rent increase

CAPITAL IMPROVEMENT PROCESS

- Space Rent Increases Above the Cap for Capital Improvements requires:
 - Consultation with Mobilehome Owners (purpose and estimated costs)
 - Receive prior written consent by at least 50+1% of Mobilehome Owners
- Special Circumstances Households shall be capped at 4%/year for any CIC pass through costs
 - *With the 4% maximum rent cap, these households shall be capped at 8%/year for a temporary rent increase to cover CIC plus any annual rent increase*

CAPITAL REPLACEMENT PROCESS

- Space Rent Increase Above the Cap for Capital Replacement requires:
 - Consultation with Mobilehome Owners (purpose and estimated costs)
 - Receive prior written consent by at least 50+1% of Mobilehome Owners
 - City staff sends “Capital Replacement Notice” with 45-day protest period
 - If application contested, then expert review of proposed project
 - If application not contested, the CR proceeds as planned

VACANCY DECONTROL

- Proposed ability for Mobilehome Park Owners to charge a new and uncapped space rent upon:
 - Voluntary sale or transfer to a new buyer of a mobilehome that remains in place
 - Voluntary removal of a mobilehome by Mobilehome Owner
 - Judgement of unlawful detainer or other legal termination of tenancy
 - Abandonment

VACANCY DECONTROL (CON'T)

- Proposed Ordinance does not allow:
 - Rent increases when an existing mobilehome owner replaces their unit in the same space
 - Rent increases when there is a transfer of title to specified heirs:
 - Parents
 - Siblings
 - Children
 - Grand Children
 - Nieces/Nephews

“FAIR RETURN” RENT INCREASES

- Proposed Ordinance establishes a methodology that allows Mobilehome Park Owners to calculate a “Fair Return” on their Investment — “Maintenance of Net Operating Income”
 - Gross Income (minus) Operating Expenses

RENT REVIEW PROCEDURES

- Three areas covered by Mobilehome Space Rent Review:
 - 1) Fair Return Rent Increase
 - 2) Temporary Rent Increase for specified Capital Improvements and Capital Replacements
 - 3) Rent reduction for Service Reduction

90 day written notice of each rent increase, temporary rent increase based on Capital Improvement or Capital Replacement pass-through charge must be filed by mobilehome park owner at least 90 days before an increase goes into effect.

APPEALS PROCESS

- 30-day deadline from the date the Rent Review Officer mailed their decision
- 25% of Affected Mobilehome Owners must sign the appeal application
- Reviewed by a 3rd party Hearing Officer selected through the CA Office of Administrative Hearings (OAH)

MISCELLANEOUS REQUIREMENTS

- Park owners shall annually register their parks with the City
- Notice of Sale of Park – upon sale or transfer of a mobilehome park, seller shall notify the City and Mobilehome Owners;
- Notice to Prospective Park Purchasers – park owners shall provide new buyers a copy of the ordinance
- Notice of Rights of Prospective Mobilehome Owners
- Retaliation against the mobilehome owner exercising their rights is prohibited;
- Mobilehome owner may refuse to pay illegal rent;
- Prospective tenants shall not be denied the option of a tenancy of 12 months or less in duration.

ADMINISTRATION COSTS

- City's Housing Services Division staff will administer the ordinance and monitor administrative cost impacts in the first 12 months
 - *Depending on activity level, staff estimates an annual administrative cost of \$30K - \$75K*
- To recover future costs as needed, City Council may approve an annual mobilehome space rent stabilization administration fee
 - *Typical monthly fee structure is \$ per space,*
 - *Fee will cover administration costs such as staff time, expert analysis, and independent Hearing Officer.*

CONTACT

MARYANN SARGENT, SENIOR HOUSING SPECIALIST

HOUSING SERVICES DIVISION

835 EAST 14TH STREET

SAN LEANDRO, CA 94577

msargent@sanleandro.org

510-577-6005