



PROPOSED ORDINANCE (FIRST READING) MOBILEHOME SPACE RENT STABILIZATION

CITY COUNCIL MEETING

MARCH 4, 2019



OVERVIEW

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

PUBLIC MEETINGS AND OUTREACH TO DATE

■ Public meetings to date

- July 16, 2018 – Presentation to City Council
- October 22, 2018 – Rules Committee
- January 14, 2019 – City Council Meeting

■ Outreach for tonight

- Mailing to all addresses in the 9 San Leandro Mobilehome Parks
- San Leandro Next
- Nextdoor
- Email list of interest stakeholders who have attended public meetings and/or made written comments

MOBILEHOME PARKS IN SAN LEANDRO

- 9 Mobilehome parks (855 spaces) in San Leandro
 - Bal Trailer Court (14831 Bancroft Ave) – 31 spaces
 - Bayshore Commons (1468 Grand Ave) – 40 spaces
 - Golden State (1511 150th Ave) – 18 spaces
 - Sandev (2100 Lewelling Blvd) – 71 spaces*
 - San Leandro (2470 Washington St) – 45 spaces
 - Salel's Mobilehome Park (747 Lewelling Blvd) – 66 spaces
 - Trailer Haven (2399 E. 14th St) – 160 spaces*
 - Mission Bay (15333 Wicks Blvd) – 366 spaces
 - Hesperian (15263 Hesperian Blvd) – 58 spaces

**also has RV spaces*

ORDINANCES BY JURISDICTION

- In Alameda County, 6 jurisdictions have regulations:
 - Alameda County - 19 parks/712 spaces
 - Fremont - 3 parks / 732 spaces
 - Hayward - 16 parks / 2,160 spaces
 - Oakland - 3 parks / 49 spaces
 - Pleasanton - 4 parks / 412 spaces
 - Union City 3 parks / 918 spaces

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.

ELEMENTS OF PROPOSED ORDINANCE

- Definitions
- Exemptions
- Space Rent Increase Cap
- Special Circumstances Households
- Vacancy Decontrol
- “Fair Return” Rent Increases
- Procedures for Rent Review
- Appeals Process
- Miscellaneous

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

DEFINITIONS (CON'T)

- Capital Replacement (CR) – An improvement required to maintain the common facilities and areas of the park in a decent, safe and sanitary condition or 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 – All costs reasonably and necessarily related to the planning, engineering, and construction of CR and shall include 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.

EXEMPTIONS

- This ordinance is required to defer to CA State Mobilehome Residency Law (MRL) Cal. Civil Code §798.17(b):
 - 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.

SPACE RENT INCREASE CAP

- Proposes to establish an annual rent increase, which is the lesser of the increase to the Consumer Price Index (CPI) 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

SPECIAL CIRCUMSTANCES HOUSEHOLD

- Proposed Ordinance provides protections from Capital Improvement pass-throughs to Special Circumstances Households defined as:
 - 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)

VACANCY DECONTROL

- Proposed ability for Mobilehome Park Owners to charge a new Space rent upon:
 - Voluntary sale or transfer of a mobilehome that remains in place to a new buyer;
 - 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) Preapproval of Temporary Rent Increase for specified Capital Improvements and Capital Replacements
 - 3) Rent reduction for Service Reduction

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;

MISCELLANEOUS REQUIREMENTS (CON'T)

- Notice of Rights of Prospective Mobilehome Owners:
 - Current and proposed base space rents,
 - Copy of the City's MH Space Rent Regulation Ordinance,
 - Rent stabilization exemptions under Mobilehome Residency Law.

MISCELLANEOUS REQUIREMENTS (CON'T)

- 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.

NOTICING REQUIREMENTS

- Written notice of each rent increase or increased capital improvement/capital replacement pass-through charge must be filed by mobilehome park owner with the City's Housing Services Division and provided to each affected mobilehome owner at least 90 days before the rent increase goes into effect.

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 rent stabilization administration fee
 - *Typical monthly fee structure is \$ per space,*
 - *Fee shall cover cost of 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