



Agenda Report

Fullerton City Council

MEETING DATE: JULY 16, 2019

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: KENNETH A. DOMER, CITY MANAGER
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PREPARED BY: TED WHITE, DIRECTOR OF COMMUNITY DEVELOPMENT

SUBJECT: MOBILE HOME PARK RENT STABILIZATION
DISCUSSION

SUMMARY

At the March 19, 2019 City Council meeting, Mayor Silva requested that Staff bring an update to City Council in July 2019 on the status of negotiations between the ownership of Rancho La Paz Mobile Home Park and its residents related to space rental rate increases proposed by new park ownership. Staff was also directed to prepare an overview of potential tools that the City could consider to stabilize space rental rate increases at the City's mobile home parks. This request was in response to public comments from residents of the Rancho La Paz Mobile Home Park concerned about significant proposed rent increases.

RECOMMENDATION

1. Receive and file the report regarding mobile home park rent stabilization options.
2. Provide direction to Staff regarding implementation of potential rent stabilization tools.
3. Provide direction to Staff regarding the establishment of a Tenant-Based Rental Assistance (TBRA) Program.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statements:

- Infrastructure and City Assets
- Public Safety.

FISCAL IMPACT

Any fiscal impact will depend on the City Council direction provided to Staff. At this time, there is no fiscal impact related to the recommended actions to receive and file and provide direction to Staff. It is expected that there will be increased expenditures related to any implementation of a rent control ordinance based on the need to administer the program to include inspections, rent reviews and the appeal process for denied rent increases, among other administrative costs. Any fiscal impact of a provided direction will be included when the item is brought back for consideration.

DISCUSSION

The Rancho La Paz mobile home park is located at 501 East Orangethorpe Avenue, Anaheim. The park was constructed in approximately 1955 and is age restricted (55 years and older). There are 387 “spaces” or mobile home sites in the park. The park is located in both the cities of Fullerton and Anaheim. The California Department of Housing and Community Development reports that 155 of the 387 spaces are located in the City of Fullerton. Approximately 148 of those spaces are currently occupied with coaches in the City of Fullerton.

On March 19, 2019, residents of the Rancho La Paz Mobile Home Park spoke during public comments regarding significant space rent increases proposed by new park ownership. Residents of the park also spoke at City of Anaheim City Council meeting on the same subject. In response to these comments, City Council directed Staff to report back with potential tools that could be used to stabilize space rent increases at the City’s mobile home parks. In addition, City Council members also expressed their desire to see the new park ownership work with the residents of the park on a compromise solution.

During the intervening time, Council Members attended numerous meetings with residents and strongly encouraged Rancho La Paz ownership to seek a compromise with residents. Rancho La Paz ownership has submitted a letter (Attachment No. 2) providing an overview of their efforts to reach a compromise with the residents. Their efforts culminated in a non-binding agreement with the park’s residents committee that was mediated by Orange County Superior Court Presiding Judge James Smith. The non-binding agreement sets forth the amount and schedule of rent increases as follows:

- Residents will be offered either 6-year or 10-year lease terms, commencing on October 1, 2019
- Residents were given 45 days (from July 1, 2019) to decide whether to enter into one of the leases, or continue with their current month-to-month lease.
- Initial rent under all leases will be based on an increase from the rent currently being paid by the residents (Base Rent). Rent under the term of the leases will be as follows:
 - 1st year commencing October 1, 2019 – Base Rent plus 19%
 - 2nd year commencing October 1, 2020 – Year 1 rent plus 19%
 - 3rd year commencing October 1, 2021 – Year 2 rent plus 15%
 - 4th year commencing October 1, 2022 – Year 3 rent plus 9%

- 5th year commencing October 1, 2023 – Year 4 rent plus 9%
- 6th year commencing October 1, 2024 – Year 5 rent plus 9%

The rent for years 7 through 10 will be increased by not more than 7% each year on October 1st of each year, commencing October 1, 2025.

The Ranch La Paz owner also developed a “Safety Net Rent Subsidy Program” to be offered to coach owners within the park who cannot afford to pay some or all of the rent increases. The program sets forth income eligibility guidelines and corresponding rent subsidies. A copy of the program guidelines are provided as Attachment 3 to this report.

Tenant-Based Rental Assistance

In addition to the voluntary Safety Net program proposed by the park’s ownership, City Staff researched other governmental programs that may be utilized to provide rent subsidies to income-eligible park residents.

The most promising program is a Tenant Based Rental Assistance (TBRA) Program, which uses Federal HOME Investment Partnerships Program (HOME) funds to provide rental assistance to low-income residents. The City has administered a TBRA Program in the past, but did not continue the TBRA program this fiscal year because the City’s HOME funds were identified for development of low-income residential units. However, at this time, there is no specific development project identified that is eligible for use of the HOME funds. Therefore, at the direction of City Council, Staff can explore the necessary steps to redesignate the City’s HOME funds to establish a TBRA program applicable to mobile home park residents.

On June 27, 2019, the City’s Housing & Homeless Resources Manager met with approximately 55 residents of the park to better understand the needs of the residents and discuss potential programs and resources. At the meeting, some residents provided Staff with basic income information to assist Staff in ascertaining potential income eligibility for a TBRA program. Of the 55 residents in attendance at the meeting, 32 signed an interest sheet and 23 provided enough information (annual income, monthly mortgage payment and space rent costs) to determine income eligibility for the program. Based on the information provided by the residents, it would appear that there would be a significant number of residents who would qualify for a TBRA program.

A TBRA program can be developed to provide a larger subsidy to a smaller number of residents or a smaller subsidy to a larger number of residents. At the direction of City Council, Staff can develop recommended program parameters and the steps required to re-establish a TBRA program.

Staff also contacted the Orange County Housing Authority to see if any Section 8 vouchers may be available for residents of the park. Unfortunately, Staff was advised that no vouchers are available.

Rent Stabilization Tools

Cities may regulate the rent charged for residential rental units (duplexes, multifamily apartment buildings and mobile home spaces), consistent with state law. The Costa–Hawkins Rental Housing Act (Civil Code Section 1954.50 *et seq.*) generally limits local rent control to apartments built before 1995, with some exceptions. Rent control of

mobile homes is governed by the Mobilehome Residency Law (Civil Code Section 798 *et seq.*), which exempts from local rent control 1) mobile homes first offered for rent after January 1, 1990 2) mobile homes with a rental agreement term of at least 12 months and other specified criteria in Civil Code section 798.17 and 3) mobile homes that are not used as a person's primary residence and are not being leased to someone else.

Local rent control ordinances must serve a legitimate governmental purpose (such as protection of tenant welfare and protection from excessive rents) and permit the landlord to earn a just and reasonable return. Cities use various formulas or methods for granting rent increases in their rent control ordinances. Many allow an annual increase based on the percentage change in the Consumer Price Index in the preceding 12 months. A rent control ordinance must establish a public hearing process for review of individual rent adjustment applications, in which a landlord is afforded due process. Ordinances must be carefully crafted to allow for a just and reasonable return consistent with the guidance provided by the courts. A denial of a just and reasonable return constitutes an unconstitutional taking of property. Examples of mobile home park rent control ordinances from the cities of El Monte and San Juan Capistrano are provided as Attachment Nos. 4 and 5.

State Regulations

Mobile homes and mobile home parks are extensively regulated by state law. The Mobilehome Residency Law covers many aspects of the landlord-tenant relationship, including: 1) the rental and lease contract terms and specific conditions of receipt and delivery of written leases, park rules and regulations and other mandatory notices 2) mandatory notice and amendment procedures for mobile home park rules and regulations 3) mandatory notice of fees and charges, including increases or changes; and 4) specific conditions governing mobile home park evictions, including "just cause" requirements for evicting mobile home owners who rent their lots.

Government Code Section 65863.7 requires that, prior to a mobile home park closure, cessation of use or conversion to another use, the person or entity proposing the change in use shall file a report on the impact of the conversion, closure or cessation of use upon the displaced residents of the mobile home, including addressing the availability of adequate replacement housing in mobile home parks and relocation costs. The approval body shall review the report prior to any change of use and may require, as a condition of the change, the person or entity to take steps to mitigate any adverse impact of the change on the ability of displaced mobile home park residents to find adequate housing in a mobile home park. The steps required to be taken to mitigate may not exceed the reasonable costs of relocation. Government Code Section 66427.4 establishes a similar impact report requirement in connection with the filing of a tentative or parcel map for a subdivision to be created from the conversion of a mobile home park and permits local agencies to enact more stringent measures. Cities have adopted ordinances that set forth more detailed requirements relating to the contents of an impact report and compensation for relocation. Examples of mobile home park conversion ordinances from the cities of San Juan Capistrano and Westminster are provided as Attachment Nos. 6 and 7 to this report.

Other Local Ordinances

In addition to rent control and mobile home park conversion ordinances, cities have adopted other measures to address tenant welfare and provide protection from excessive rents. For example, in February, the City of Glendale adopted an ordinance creating a rental rights program that consists of right to lease, just cause eviction and relocation components. Under this program, landlords must offer tenants a minimum one year written lease at the time of a rent increase, landlords may evict tenants only under specified conditions and tenants are eligible for relocation assistance when they vacate a unit in response to a rent increase of more than 7% in a twelve-month period. This program applies to non-exempt rental units as defined in Glendale's municipal code. Glendale has estimated that the cost to administer this rental rights program is approximately \$400,000 a year.

Other cities have adopted ordinances requiring a tenant's right to mediation or a hearing upon notice of a rent increase exceeding a certain amount or if a dispute arises over a rent increase. These ordinances involve administration and oversight by the city. Examples of such ordinances include the creation of a rent review or mediation board by the city to hear rent disputes.

City of Anaheim Response to Rancho La Paz Mobile Home Park

On March 19, 2019, residents of Rancho La Paz spoke during public comment at the Anaheim City Council meeting regarding the proposed rental rate increases. Council Member Moreno requested the City Attorney prepare a temporary ordinance or policy that would prevent significant spikes in mobile home space rental rates. On March 26, Anaheim's Mayor and Council Members O'Neil and Faessel met with the property owner. Around the same time, the property owner met with Mayor Silva and separately Council Member Zahra. Based on these meetings, the property owner agreed to rescind the notices of rental rate increases and meet with residents to explore a phased approach to rent increases. The property owner also agreed to not increase rents until at least September 1, 2019. In light of the meeting, the consideration of proposed ordinances limiting mobile home space rent increase was tabled by a majority of the Council Members at the April 2, 2019 meeting. Under City Council Communications, Council Member Moreno requested that an interim ordinance limiting mobile home space rent increases be brought back for consideration at the April 16 meeting. At the April 16 meeting, a majority of Anaheim City Council denied the proposed interim ordinance. A copy of the City of Anaheim draft interim ordinance (not adopted) is provided for reference as Attachment 8 to this report.

Summary

The City Attorney's office and City Staff will be available during the Council consideration to answer questions related to any of the proposed actions and potential course of action. At this time, Staff nor the City Attorney has received majority direction from the City Council to fully develop ordinances tailored to the City of Fullerton nor to gain full costs estimates. Once given direction, such information will be developed and vetted for future consideration by the City Council.

Attachments:

- Attachment 1 – PowerPoint Presentation
- Attachment 2 – Rancho La Paz Property Owner Letter
- Attachment 3 – Property Owner Safety Net Program
- Attachment 4 – City of San Juan Capistrano MHP Rent Control Ordinance
- Attachment 5 – City of El Monte MHP Rent Control Ordinance
- Attachment 6 – City of San Juan Capistrano MHP Conversion Ordinance
- Attachment 7 – City of Westminster MHP Conversion Ordinance
- Attachment 8 – City of Anaheim Draft (Not Adopted) Temporary Restriction on Mobile Home Space Rental Increases Interim Ordinance