

Agenda Item 5.1

Correspondence Received Exhibit



14802 Beach Blvd. La Mirada CA 90638 TEL: (714) 826-4071 FAX: (714) 826-2401

June 10, 2025

Hon. Jim Steiner, Mayor
 Councilmember Jacque Casillas
 Councilmember Tony Daddario
 Councilmember Tom Richins
 Councilmember Wes Speake
 City of Corona, City Hall
 400 S. Vicentia Avenue
 Corona, California 92882

Re: June 18, 2025 Agenda Item: Mobilehome Rent Stabilization Ordinance and Program Study

Dear Mayor Steiner and Councilmembers:

The undersigned is corporate counsel for the Golden State Manufactured – Home Owners League, Inc. (GSMOL), a state-wide organization of manufactured homeowners and residents formed in 1962. GSMOL is active in both State and local legislatures and the courts, and routinely advocates on issues having a significant impact upon the rights or property interests of its members, many of whom are seniors, immigrants, or families on low or fixed incomes. Since 1986 I have specialized in representing mobilehome residents, including in connection with the negotiation, drafting and implementation of Mobilehome Rent Stabilization Ordinances (RSO) throughout California.

Background

One of GSMOL’s most significant areas of involvement over the decades has been in connection with rents and local rent stabilization. Because mobilehome rent regulation is a purely local issue, and there is no form of State rent regulation, it is left to local governments to protect the interests of mobile and manufactured home residents within their jurisdictions. Currently over 100 California cities and counties have enacted some form of mobilehome rent stabilization. These ordinances note the large investment mobilehome owners have in their homes; often their most valuable asset. With attached accessory structures and landscaping improvements, their homes comprise a significant “sunk cost” investment, and contrary to some opinion are not “depreciating assets”. Once attached to land, they have the same equity characteristics of real property. A mobilehome located on a landscaped space within a park with common area improvements, streets and utility hookups has a valuable “site value” equity component which has been consistently recognized by the courts, and the resale market. The “captive” nature of the mobilehome market is particularly significant. When rents are raised, mobilehome owners cannot simply move to a better rental situation. They live in what are more accurately described as “immobilehomes” in “immobilehome” parks, and are captive to predatory rent practices that have the effect of destroying the equity in their homes. For every \$100.00 in increased rent in most metropolitan areas, homeowner equity decreases by \$10,000.00. Without local regulation, there is no protection from rising rents, and the only option for many homeowners who cannot afford rent increases is to surrender the home back to the lender, or abandon it to the park owner. Many residents have a large mortgage which limits their options. As the Ninth Circuit Federal Court famously pronounced in the case of *Guggenheim v. City of Goleta*: ***“The park owner has the mobilehome resident over a barrel”***.

Hon. Jim Steiner, Mayor
City Councilmembers
City of Corona
June 10, 2025
Page 2

Because there is no properly operating market system, but instead a captive market akin to a monopoly, over 100 local governments have acted over the years to protect their mobilehome residents from excessive rent increases. We urge Corona to similarly protect both its residents, and the valuable affordable housing that mobilehome parks provide within the City.

On behalf of our local GSMOL members residing in Corona, GSMOL submits there is sound legal authority for enactment of mobilehome rent stabilization, which is both constitutional and viable. Whenever mobilehome rent regulation is proposed, there is typical opposition from park owners threatening litigation, as well as possible opposition from others who may not understand the limited form of rent stabilization being proposed. This was likely the case in each of the jurisdictions which ultimately enacted RSO protection. It is of course prudent for any jurisdiction to analyze the existing law to determine if these threats or risks have merit. But in the end, over 100 local jurisdictions determined that protection of their citizens merited action, and that they should not deny protection based upon mere threats alone. We are confident that when you review the relevant legal authority and consider how other local jurisdictions have acted, you shall be convinced that proceeding with an ordinance is legally permissible, as justified by the facts. We urge the Council to provide direction to proceed with consideration of an RSO, and GSMOL shall make its resources available to assist with and participate in this process, however possible.

The Need for Local Regulation

Many months ago, this Council began consideration of mobilehome rent regulation options. The Mobilehome Park Rent Stabilization Ordinance Study (“the Study”) prepared by RSG correctly notes the history of California mobilehome RSO in the “Background” section. GSMOL is informed that there are 14 parks containing hundreds of spaces within the City limits, representing a sizeable number of vulnerable citizens. These homeowners face mounting rents which challenge the affordability of their homes. During the last 5 years, rent increases have averaged 5.1% per year, well above the current cost of living (CPI) or COLA indexes. The preservation of affordable housing in Corona merits adoption of a regulation which ensures rent stability, while providing park owners with an indexed inflation adjusted investment (see below) that provides for a fair return.

In considering how to protect its mobilehome residents, the Council should be guided by what other local jurisdictions have already enacted, and how they have addressed the various component issues within their RSOs. GSMOL recommends the following be considered when drafting your RSO provisions:

Essential Ordinance (RSO) Components

Mobilehome RSOs standardly address the following subject areas:

Intent and Purposes Introduction- Appearing at the beginning of the RSO, these paragraphs set the stage for the regulation, describing the nature of the housing market, the need to protect and maintain affordable housing, the nature of recent rent increases, the immobility and vulnerability of the residents and the captive nature of the market. It is common that affordable housing goals or standards stated in existing City policies or elements be referred to or described here. A rent study is always a useful first step to establish the unregulated rental history which prompts adoption of the regulation.

Annual Allowable Rent Adjustments- An annual increase amount should be allowed without need of a hearing. 75% of the increase in the Consumer Price Index (CPI) is the most commonly used adjustment percentage, and is found in 26 of the 59 local jurisdictions which use a percentage multiplier to set annual rent increases. 12 other jurisdictions index below that amount, varying from 50-65% of CPI. Some jurisdictions contain a minimum (i.e. “floor”) and maximum (i.e. “ceiling”) for annual adjustments. A majority of the jurisdictions using a “ceiling” cap rents at 5%, with some at 7%. A standard “floor” is 3%. Thus, the most common indexing uses no more than 75% of CPI, with the most common “floor”, if used, being 3% and the most common ceiling no more than 7%.

Transfer on Sale Adjustments- Commonly referred to as “vacancy decontrol”, this is a critical part of any RSO. As mentioned above, “paired analysis” shows that for every \$100.00 that rent increases at time of resale in most metropolitan areas, homeowner equity decreases by \$10,000.00. It is thus important to limit resale rent adjustments if homeowner equity is to be protected. While some RSO do not allow for any resale adjustments (i.e. full “vacancy control”), GSMOL advocates for allowing partial “vacancy decontrol” at time of resale. A reasonable percentage adopted by some recently enacted RSO is 5%. Variable or phased in approaches have also been considered; i.e. 7% for the first resale, 5% for a subsequent resale within 3 years, etc.

Fair Return Procedure/Formula- To be constitutional the RSO must provide a procedure whereby a park owner can petition the City to prove that a larger rent increase above and beyond the allowable annual adjustment is required to maintain a “fair return”. An administrative hearing is held. Most RSO use an objective math formula to determine fair return known as the Maintenance of Net Operating Income (MNOI) formula. Courts have recognized this as a fair and reasonable approach to fair return. The formula compares the park owner’s net operating income (NOI) in a chosen “base year” before the RSO was adopted, to the NOI in the most recently completed “current year” of the park owner’s application, and then adjusts for some percentage of inflation between the two years. In this way the park owner obtains reasonable growth in its income. Appellate case decisions have upheld MNOI inflation indexing as low as 40% of the CPI increase. Cases have also upheld the MNOI formula as a reasonably constructed and constitutionally permitted standard for calculating fair return. The park owner should provide full documentation of both income and expenses, including a rent roll and ledger.

Capital Expenditure ‘Pass Through’ Procedure- A minority of RSO include a streamlined application and hearing process to consider an increase only for the limited purpose of reimbursing a park owner for the cost of proven capital replacement expenditures for existing infrastructure (any new capital improvements should always require a majority approval vote of the homeowners). This procedure requires that the replacement or repair of an existing thing must be completed, and that any relevant documentation be provided to both the residents and the City to verify the work. A hearing is held to consider only whether to grant the capital expenditure pass through, which if granted is billed separate from base rent for a limited time until fully compensated. But most RSO jurisdictions deem capital expenditures to be part of an MNOI fair return analysis as an includable expense item, and require a full hearing where the park owner must open its books and prove all of its income and expenses.

Fair Return Hearing Procedure- This must be spelled out in detail.

Hearing Officers or Rent Commission- RSO either use a process where a single hearing officer is retained to hear a fair return application, or a rent “Commission” or “Board” of volunteers is chosen for that task.

Administrative Fees- To defer the cost of creating and administering the RSO, its provisions should provide that an annual fee be paid by each park owner to the City, with a portion thereof being passed on to residents of each covered mobilehome space. It is common that park owners and residents share in this cost. However I am aware of no RSO which additionally requires homeowners to pay any portion of a rent application fee; to do so would place an unfair burden on homeowners and risk that they would be unable to meet a financial threshold required to convene a hearing. The park owner should always be solely liable to pay any required application fee.

Hon. Jim Steiner, Mayor
City Councilmembers
City of Corona
June 10, 2025
Page 4

There are other important provisions which should be included, such as enforcement language, which can be found by reviewing existing RSO. GSMOL would recommend using the ordinance enacted by the **City of Marina** within the past decade as a template for what you might draft. It is a fair and reasonable regulation which has never been challenged by park owners. **Humboldt County** also passed an RSO in recent years which closely resembles the Marina model. As the Study notes, this need not be considered an undertaking of “first impression”. The City does not need not “re-invent the wheel” when so many dozens of RSO already exist. There is plenty of existing precedent upon which you can, and should, rely.

Finally, it is important to note that alternatives utilized in a few jurisdictions, such as a Memorandum of Understanding (MOU) or a rent “Accord”, are typically less effective and more complicated to draft and enforce. For example, an MOU, which is essentially a contract between the City and the park owners, requires that all park owners within the City voluntarily agree to its terms. Otherwise it is not effective to solve the housing affordability problem. City oversight is required to ensure a properly drafted and fair MOU is ultimately adopted; my own experience in two jurisdictions which adopted an MOU was a negotiation that lasted many months. If the MOU terms are breached, the City is obligated to enforce the contract on behalf of the homeowners, who are the “real parties in interest”. Rather than a law, it is perceived as a contract by park owners, which may or may not be enforced, and thus more easily breached. Questions such as whether the MOU also binds non-signatory subsequent park owners, or whether homeowners have standing to seek enforcement of its terms, may require judicial intervention. Enacting a binding regulation as part of a City’s Municipal Code has proven to be the overwhelming, and most effective, way to regulate mobilehome rents and preserve affordable housing in mobilehome parks.

No matter what you might otherwise be told, mobilehome rent stabilization is constitutionally permissible. There is a substantial body of both State and Federal case law to support this conclusion. The key to creating an enforceable law, and to avoiding litigation, is to draft a reasonable regulation based upon a rational basis, and to include percentages and amounts which achieve the twin goals of providing park owners with a fair return, while protecting residents from exorbitant and unfair rent increases.

Thank you for your kind attention and consideration of the above. We look forward to the City adopting this protection for its vulnerable citizens. GSMOL requests that this letter be made a part of the Agenda packet for June 18th. Please do not hesitate to contact me should you have any comments, questions or requests.

Very Truly Yours,

Bruce E. Stanton,
Corporate Counsel

cc: Board of Directors, GSMOL
Corona Mobilehome Residents

Hon. Jim Steiner, Mayor
City Councilmembers
City of Corona
June 10, 2025
Page 4

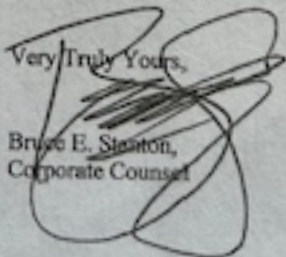
There are other important provisions which should be included, such as enforcement language, which can be found by reviewing existing RSO. GSMOL would recommend using the ordinance enacted by the City of Marina within the past decade as a template for what you might draft. It is a fair and reasonable regulation which has never been challenged by park owners. Humboldt County also passed an RSO in recent years which closely resembles the Marina model. As the Study notes, this need not be considered an undertaking of "first impression". The City does not need not "re-invent the wheel" when so many dozens of RSO already exist. There is plenty of existing precedent upon which you can, and should, rely.

Finally, it is important to note that alternatives utilized in a few jurisdictions, such as a Memorandum of Understanding (MOU) or a rent "Accord", are typically less effective and more complicated to draft and enforce. For example, an MOU, which is essentially a contract between the City and the park owners, requires that all park owners within the City voluntarily agree to its terms. Otherwise it is not effective to solve the housing affordability problem. City oversight is required to ensure a properly drafted and fair MOU is ultimately adopted; my own experience in two jurisdictions which adopted an MOU was a negotiation that lasted many months. If the MOU terms are breached, the City is obligated to enforce the contract on behalf of the homeowners, who are the "real parties in interest". Rather than a law, it is perceived as a contract by park owners, which may or may not be enforced, and thus more easily breached. Questions such as whether the MOU also binds non-signatory subsequent park owners, or whether homeowners have standing to seek enforcement of its terms, may require judicial intervention. Enacting a binding regulation as part of a City's Municipal Code has proven to be the overwhelming, and most effective, way to regulate mobilehome rents and preserve affordable housing in mobilehome parks.

No matter what you might otherwise be told, mobilehome rent stabilization is constitutionally permissible. There is a substantial body of both State and Federal case law to support this conclusion. The key to creating an enforceable law, and to avoiding litigation, is to draft a reasonable regulation based upon a rational basis, and to include percentages and amounts which achieve the twin goals of providing park owners with a fair return, while protecting residents from exorbitant and unfair rent increases.

Thank you for your kind attention and consideration of the above. We look forward to the City adopting this protection for its vulnerable citizens. GSMOL requests that this letter be made a part of the Agenda packet for June 18th. Please do not hesitate to contact me should you have any comments, questions or requests.

Very Truly Yours,


Bruce E. Steaton,
Corporate Counsel

cc: Board of Directors, GSMOL
Corona Mobilehome Residents