



Mobile Home Rent Stabilization Ordinance & In-Lieu Agreement

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The Ask

That the City Council:

1. Confirm direction provided on desired mobile home rent stabilization ordinance components during September 26, 2024 Fall Council Workshop.
2. Provide direction on whether to include an in-lieu agreement option in the mobile home rent stabilization ordinance and the desired components of an agreement.
3. Provide staff direction on next steps to finalize rent stabilization ordinance and/or in-lieu agreement and return to City Council for final approval.

Background

Background

- **2017:** Mobile home residents' initial petition for rent stabilization is mitigated by a private agreement between Corona La Linda park ownership and residents.
- **June 2022:** In response to a new request by Mobile home residents for a rent stabilization ordinance, Council directed staff to develop an ordinance and program.
- **November 2022:** City Council directs staff to analyze mobile home parks to determine if a "legitimate government interest" exists for rent stabilization.
- **October 2023:** Phase 1 Study completed. City Council presented with findings from the "legitimate government interest" analysis and directed staff to proceed with establishing a local rent stabilization ordinance and implementation program.

Background

- **August 2024:** Phase II study completed in preparation for Fall policy workshop.
- **September 2024:** At the Fall policy workshop, City Council directs staff to move forward with a mobile home rent stabilization ordinance and explore an in-lieu agreement with park owners.
- **November 2024:** City Council created an ad hoc committee to further analyze the in-lieu agreement concept and gather information from the community.
- **March and April 2025:** The ad hoc committee held two park owner workshops and two homeowner workshops to collect feedback on the in-lieu agreement concept and components.

Rent Stabilization Ordinance Considerations

RSO Program Components: Summary of Council Direction

Rent Limits	Limit annual inflationary rent increases to 75% of the change in CPI, capped at 5%.
Vacancy Control	Include vacancy control with an allowance to increase rents up to 3 to 10% upon turnover.
Petitions	Include all options: capital, tenant, and CPI (fair return is already legally mandated).
Petition Fees	Charge applicants separately for the cost of processing petitions and allow 50% to be passed through to residents.
Oversight & Petition Authority	Establish program staff as the oversight and petitions authority with the support of consultants and appeals of decisions going to a hearing officer.
Appeals	Allow appeals to be processed pursuant to CMC 1.09.
Registration	Require the submission of an initial tenant roll and utilize a CPI petition process and resident noticing to promote program compliance. Require updated tenant information upon turnover of spaces.
Registration Fees	Establish an annual rental registry fee to cover administrative costs to enforce program compliance.
Administrative Penalties	Defer to the existing administrative citation process outlined in the municipal code. Require damages to be paid at three times the difference to residents in instances of rent overcharges.
Program Type	Proactive program

In-Lieu Agreement Considerations

In-Lieu Agreement Program Considerations

In-Lieu Agreement Framework	
Initial Idea	Include option in rent stabilization ordinance for park owners to execute an in-lieu agreement rather than be subject to the ordinance
Homeowner Feedback	<ul style="list-style-type: none">• 87% of comments were in opposition to an in-lieu agreement• 13% of comments were in support of an in-lieu agreement• Concerns expressed:<ul style="list-style-type: none">○ Lack of City oversight○ Confusion about the origin of the in-lieu agreement concept
Park Owner Feedback	<ul style="list-style-type: none">• Some are concerned that 5-year term is too short<ul style="list-style-type: none">○ Some prefer 7-10 years for stability• Would agreement apply to new owners in the event of a sale?
Decision Points	<ol style="list-style-type: none">1. Whether to include an in-lieu agreement option in the RSO2. Whether agreement would run with the land in the event of a sale3. Term length (5 years? 7 years? 10 years?)

In-Lieu Agreement Program Considerations

Annual CPI Rent Adjustment	
Initial Idea	Allow park owners to increase space rents every 12 months by a percentage equal to 100% of the change in CPI, capped at 4%
Homeowner Feedback	<ul style="list-style-type: none"> • 73% support a 2% rent cap (17% specified 75% CPI limit) • 20% support a 3% rent cap (3% specified 75% CPI limit) • 3% support a 4% rent cap • 3% support a 2.7% rent cap • 1 homeowner expressed opposition to a rent increase floor
Park Owner Feedback	<ul style="list-style-type: none"> • Limits should be higher than RSO to incentivize participation • Set limit at 100% of CPI with 3% floor and 8% cap • Allow floor and rent banking to make up for years with low inflation
Decision Points	<ol style="list-style-type: none"> 1. What should the CPI limit be set at? (e.g., 75% of CPI, 100% of CPI) 2. What should the rent increase cap be? (e.g., 2%, 3%, 4%, 8%) 3. What should the rent increase floor be? (e.g., no floor, 3%) 4. Should rent banking be allowable?

In-Lieu Agreement Program Considerations

Vacancy Decontrol	
Initial Idea	Do not regulate rent increases when a space is vacated and re-rented
Homeowner Feedback	<ul style="list-style-type: none"> • 6 homeowners expressed concerns about resale value of coaches • 6 homeowners expressed support of vacancy control • 1 homeowner expressed support of no increase upon turnover
Park Owner Feedback	<ul style="list-style-type: none"> • Many park owners expressed that vacancy decontrol would create a significant incentive to choose the in-lieu agreement option • 1 park owner representative expressed that vacancy decontrol encourages healthy sales activity, which they believe benefits both park owners and homeowners • Nearly all park owners expressed that vacancy decontrol would not address increases in operating expenses since turnover rate is 0% to 5% per year
Decision Points	<ol style="list-style-type: none"> 1. Regulate rent increases upon turnover (no increase or establish a rent increase limit upon turnover)? or 2. Do not regulate rent increases upon turnover?

In-Lieu Agreement Program Considerations

Fair Return Rent Increases

Initial Idea	Eliminate the process for park owners to request fair return rent adjustments
Homeowner Feedback	<ul style="list-style-type: none">• 3 homeowners expressed concerns that eliminating the process for fair returns would also eliminate their ability to petition for rent decreases in the event of a reduction in services or amenities• 1 homeowner expressed a preference for an in-lieu agreement over park owners' ability to request a fair return increase every year
Park Owner Feedback	<ul style="list-style-type: none">• 4% annual CPI rent increase does not account for rapidly rising costs (e.g., property insurance) and would pose a financial strain<ul style="list-style-type: none">○ Establish circumstances when park owners can pass-through certain costs (e.g., if operating expenses exceed a certain percentage)• Include clause to allow rent increases beyond cap during emergencies or natural disasters
Decision Points	Whether to eliminate the fair return petition process, or to allow the fair return petition process in specified circumstances?

In-Lieu Agreement Program Considerations

Automatic Pass-Through Rent Increases

Initial Idea	Consider allowing certain capital improvements/replacements, property taxes, & government fees and assessments to be passed through to homeowners
Homeowner Feedback	<ul style="list-style-type: none"> • 17 homeowners support a homeowner vote on capital improvements prior to starting work • Concerns expressed: <ul style="list-style-type: none"> ○ Need rent increase limit for pass-throughs ○ Need definitions of eligible government fees/assessments ○ Claimed expenditures should be subject to homeowner review ○ Why don't park owners budget for capital improvements?
Park Owner Feedback	<ul style="list-style-type: none"> • Recommendation to allow automatic pass-throughs for capital replacements and insurance cost increases without resident vote <ul style="list-style-type: none"> ○ Requiring resident approval for capital replacement pass-throughs would prevent needed maintenance ○ Have a meet and confer instead of a vote (presentation on planned improvements & why) ○ Many parks are aging and require substantial reinvestment • Open to homeowner approval for new capital improvements <ul style="list-style-type: none"> ○ Suggestion to aim for 33% consensus since not all homeowners will participate in vote • Concerns about devaluation of park if property tax increases upon sale are not allowed as a pass-through
Decision Points	<ol style="list-style-type: none"> a. Which costs can be passed through to homeowners? b. What should be the approval process (if any) for pass-throughs? c. Whether homeowner votes are required and threshold required

In-Lieu Agreement Program Considerations

Other Considerations

Homeowner Feedback

- Need to know the amount of fees to be passed through to homeowners under the RSO vs. in-lieu agreement
- Seniors and retirees on fixed incomes need to be considered

Park Owner Feedback

- Need for funds to assist tenants with rent and home improvements
- Could the in-lieu agreement be indefinite instead of having RSO?

Administrative Considerations

Administrative Overview

Rent Stabilization Program	In-Lieu Agreement
<p>Program enforcement and outreach efforts are extensive and in-depth, prioritizing engagement with hands-on support to residents and park owners and various other efforts.</p>	<p>An in-lieu agreement would create a contractual obligation between the City and each park owner who executes the agreement. City staff would still need to educate homeowners in parks subject to the agreement to ensure their understanding of the components.</p>
<p>Staff anticipates and addresses issues before they escalate, often through mandatory registration and compliance monitoring.</p>	<p>City Council will need to determine the level of City's oversight of each park owner's compliance with the agreement. The City's level of oversight drives program costs.</p>
<p>Rent adjustment petitions are allowable. In some jurisdictions, the number of fair return petitions decrease significantly after the initial years of the program. Also, in some jurisdictions, one or two park owners regularly submit fair return petitions while the remaining park owners rarely submit fair return petitions.</p>	<p>The fair return, CPI, and resident petition processes could be eliminated. Pass-throughs would require administrative approval.</p>

Preliminary Analysis of Program Costs

- The City has engaged a separate consultant (not RSG) to conduct a comprehensive fee study following the drafting of the Ordinance and/or In-Lieu Agreement.
- Once the comprehensive fee study is complete:
 - The fee study will be brought to City Council for adoption.
 - The public will have an opportunity to provide comments on fees.
 - City Council will adopt the final fee schedule and determine if and to what extent fees will be split between the park owners and homeowners.
- All information presented on the next slide are high-level estimates based on information known at this time and current estimates of anticipated time needed to administer and enforce the Ordinance and/or In-Lieu Agreement. The information is **likely to change**.

Program Costs – High-level Preliminary Estimates

	Rent Stabilization Program	In-Lieu Agreement
Annual Registration	Approximately \$100 per space per year	Approximately \$70 per space per year
Consumer Price Index Inflationary Petition	Approximately \$1,500 per petition	N/A
Capital Improvement Petition/ Pass-through Review	Approximately \$17,000 per petition	Approximately \$8,500 per review
Fair Return Petition	Approximately \$36,000 per petition	N/A
Homeowner Petition	Approximately \$9,000 per petition	

Notes:

- **The estimates presented above are preliminary and intended for illustrative purposes only.**
- Above estimates assume that City would primarily rely on consultants to administer the program and process rent adjustment petitions.
- Overhead costs are not included in the above estimates.

Questions?

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**Excerpt of Slides
Presented at 9.26.24
Fall Council Workshop**

Program Considerations

Inflationary Rent Limits

- Description** Establish the maximum percentage by which mobilehome park owners are permitted to increase space rents, usually in a 12-month period
- Research-Based Options**
- a) Limit rent increases to a specific percentage of CPI, up to 100%;
 - b) Establish a maximum rent increase limit; or
 - c) Use a combination of a rent increase limit with a maximum rent increase cap.
- Council Direction** Limit annual inflationary rent increases to 75% of the change in CPI, capped at 5%.

[See page 6 of the Study]

Program Considerations

Vacancy Control

Description	Regulate rent increases when a space is vacated and re-rented
Research-Based Options	<ul style="list-style-type: none">a) Include vacancy control with no allowance for increasing rents upon turnover;b) Include vacancy control with an allowance to increase rents up to a specified percentage or dollar amount outlined in the ordinance; orc) Do not include vacancy control, thereby allowing owners to raise rents to market levels upon turnover.
Council Direction	Include vacancy control with an allowance to increase rents up to 3 to 10% upon turnover (percentage still to be determined by City Council).

Program Considerations

Petition Types

Description	Establish process for park owners and/or park residents to request rent adjustments in addition to the legally required fair return petition
Research-Based Options	<p>Fair Return Petition by park owners must be allowed under the law to receive a fair return on their investment.</p> <ul style="list-style-type: none">a) Capital Improvement Petitions. For park owners to temporarily charge residents a pass-through for CIP expenses.b) CPI Petitions (by park owners). To permanently increase rents within the inflationary limits specified in the ordinance.c) Resident Petitions. For residents who believe a rent freeze or decrease is warranted due to a reduction in services or to correct a rent increase above what is allowable in the ordinance.
Council Direction	Include all petition options.

Program Considerations

Petition Fees

Description

Impose fees on park owners and/or residents who file rent adjustment petitions to cover administrative costs of processing petitions

Research-Based Options

- a) Include the cost of processing petitions in the rental registry fee and do not charge separately for petitions;
- b) Charge applicants separately for the cost of processing petitions based on staff and/or consultant hours spent; or
- c) Do not charge a fee for petitions.

Council Direction

Charge applicants separately for the cost of processing petitions and allow 50% of owner petition costs to be passed through to the residents.

Program Considerations

Oversight and Petition Authority

Description

Designate the body or individual responsible for reviewing and deciding on petitions

Research-Based Options

- a) Oversight and petitions are the responsibility of a hearing officer;
- b) Oversight and petitions are the responsibility of a board or commission; or
- c) Oversight and petitions are the responsibility of program staff.

Council Direction

Establish program staff as the oversight and petition authority with the support of consultants.

Program Considerations

Appeals

Description

Provide an opportunity for either a park owner or resident to challenge a decision on a petition

Research-Based Options

- a) Appeals allowed and processed internally;
- b) Appeals allowed and processed by arbitrator/hearing officer; or
- c) Petition authority decision is final, and no appeals are allowed outside of court.

Council Direction

Allow appeals to be processed internally pursuant to CMC 1.09, per Appeal Procedures defined in Section 1.09.060.

- A person objecting to the administrative decision has ten (10) days to file an Appeal.
- The City Clerk shall forward for assignment to the elected hearing officer to set a date.
- The Hearing Officer must submit to the City Clerk the decision within 5 days of the hearing.
- The Hearing Officer's decision shall be final; no action by the City Council is required.

Program Considerations

Registration

Description

Ensure that all mobile home parks comply with local housing regulations.

Research-Based Options

- a) Establish an annual rental registry;
- b) Establish an initial rental registry and require updates every few years or
- c) Do not establish a rental registry.

Council Direction

Require the submission of an initial tenant roll and utilize a CPI petition process and resident noticing to promote program compliance. Require updated tenant information upon turnover of spaces.

Program Considerations

Registration Fees

Description

Impose fees to cover the administrative costs associated with managing the program, maintaining the rental registry (if applicable), and conducting outreach to property owners and residents about their rights and responsibilities

Research-Based Options

- a) Collect a registration fee and do not allow the fee to be passed through to residents;
- b) Collect a registration fee and allow all or a portion of the fee to be passed through to residents; or
- c) Do not collect a registration fee.

Council Direction

Establish an annual registration fee to cover administrative costs to enforce program compliance. Allow 50% of fees to be passed through to residents.

Program Considerations

Administrative Penalties

Description

Provide for penalties to deter violations and encourage both park owners and residents to adhere to the rules established by the jurisdiction

Research-Based Options

- a. Implement a fixed fee for violations of the ordinance;
- b. Implement a penalty structure that escalates with each incidence of violation; or
- c. Do not incorporate explicit penalties in the ordinance and instead defer to the existing administrative citation process set forth in the municipal code.

Council Direction

Do not incorporate explicit penalties in the ordinance and instead defer to the existing administrative citation process set forth in the municipal code. Require damages to be paid at three times (3x) the difference to residents in instances of rent overcharges.