

Date of Hearing: April 27, 2016

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 2351 (Roger Hernández) – As Amended April 18, 2016

SUBJECT: Mobilehome parks: rent control

SUMMARY: Deletes the provision of Mobilehome Residency Law which exempts from local rent control ordinances rental agreements that are in excess of 12-months' duration.

Specifically, **this bill:**

- 1) Makes the following findings and declarations:
 - a) California is experiencing a housing crisis throughout the state;
 - b) The preservation of affordable housing options and the need to create more housing opportunities requires increased funding and policy changes;
 - c) Mobilehome parks are community-based, affordable housing options important to many residents in our state;
 - d) Local governments need tools to ensure mobilehome parks remain available as affordable housing options;
 - e) Current policy barriers inhibit local control on mobilehome parks; and
 - f) It is necessary to provide local governments with tools to preserve affordable mobilehome parks in their communities.
- 2) Deletes the provision of the Mobilehome Residency Law which exempts from local rent control ordinances rental agreements that are in excess of 12-months' duration.

EXISTING LAW:

- 1) Exempts from any rent control ordinance adopted by a local governmental rental agreements which meet all of the following criteria:
 - a) The rental agreement is in excess of 12 months' duration.
 - b) The rental agreement is entered into between the management and a homeowner for the personal and actual residence of the homeowner.
 - c) The homeowner has at least 30 days from the date the rental agreement is first offered to the homeowner to accept or reject the rental agreement.
 - d) The homeowner may void the rental agreement by notifying management in writing within 72 hours of returning the signed rental agreement to management, in the case where management provides the homeowner a copy of the signed rental agreement at the time the homeowner returns the signed rental agreement.

- e) The homeowner may void the rental agreement within 72 hours of receiving an executed copy of the rental agreement, in the case where management does not provide the homeowner with a copy of the signed rental agreement at the time the homeowner returns the signed rental agreement.
- 2) Requires that the terms of a rental agreement meeting the above criteria prevail over conflicting provisions of an ordinance, rule, regulation, or initiative measure limiting or restricting rents in mobilehome parks, only during the term of the rental agreement or one or more uninterrupted, continuous extensions thereof.
- 3) Requires, if the rental agreement is not extended and no new rental agreement in excess of 12 months' duration is entered into, that the last rental rate charged for the space under the previous rental agreement be the base rent for purposes of applicable provisions of law concerning rent regulation, if any.
- 4) Requires, if the homeowner rejects the offered rental agreement or rescinds a signed rental agreement, that the homeowner is entitled to instead accept a rental agreement for a term of 12 months or less from the date the offered rental agreement was to have begun.
 - a) In the event the homeowner elects to have a rental agreement for a term of 12 months or less, including a month-to-month rental agreement, the rental agreement shall contain the same rental charges, terms, and conditions as the rental agreement offered pursuant to subdivision (b), during the first 12 months, except for options, if any, contained in the offered rental agreement to extend or renew the rental agreement.
 - b) Nothing in subdivision (c) shall be construed to prohibit the management from offering gifts of value, other than rental rate reductions, to homeowners who execute a rental agreement pursuant to this section.
- 5) Prohibits the assessment of any fees or other exaction imposed pursuant to any ordinance, rule, regulation or other initiative measure for a mobilehome park space that is exempt from local price controls as specified above.
- 6) Prohibits, for a park space exempt from price controls, the imposition of any other fee or other exaction for the purpose of defraying the cost of administration thereof.
- 7) Requires the management, at the time the rental agreement is first offered to the homeowner, to provide written notice of the homeowner's right to:
 - a) Have at least 30 days to inspect the rental agreement; and
 - b) Void the rental agreement by notifying management in writing within 72 hours of receipt of an executed copy of the rental agreement.
- 8) Provides that the failure of the management to provide the written notice shall make the rental agreement voidable at the homeowner's option upon the homeowner's discovery of the failure.
- 9) Requires that no rental agreement that is exempt from price controls that is first entered into on or after January 1, 1993, shall have a provision which authorizes automatic extension or

renewal of, or automatically extends or renews, the rental agreement for a period beyond the initial stated term at the sole option of either the management or the homeowner.

FISCAL EFFECT: None.

COMMENTS:

There are approximately 4,822 mobilehome parks and manufactured housing communities in California, with an estimated 700,000 residents living in these parks. In the majority of parks, mobilehome residents own their homes but rent the spaces on which their homes are installed. "Mobilehome" is something of a misnomer in that once installed in a park, it is very rare for a mobilehome to be moved. This is due to both the difficulty and cost involved, and also because the supply of mobilehome spaces is very limited, vacancies are rare, and most park owners do not allow the installation of older mobilehomes in their parks.

Over 100 jurisdictions in California have some form of local rent control ordinance limiting the amount of rent or establishing a maximum amount of rent that the management of a mobilehome park may charge a tenant. However, under existing law, long-term rental agreements, those with a term longer than twelve months, are exempt from local rent control. AB 2351 would delete the exemption from local rent control for rental agreements longer than 12 months.

Purpose of the bill: According to the author, "Various studies have documented the lack of safe and affordable housing opportunities in California. Studies have shown that the state faces a challenge in creating new affordable housing opportunities and preserving affordable housing options for low income populations. Given the significant need for affordable housing and the lack of fiscal resources, it is important to make policy changes to allow local governments the opportunity to preserve affordable housing options, such as mobile home parks."

Arguments in opposition: Opponents to the measure have asserted that rent control reduces the incentive to build and own rental property; leads to a deterioration of existing housing; results in substantial administrative costs; and represents an unfair tax on property providers.

Staff comments: In some cases mobilehome parks residents form an organization to purchase their park in order to avoid it being sold to a new owner with unpredictable effects on the residents' rents. According to the ROP, residents often enter into multi-year leases and agree to pay above market rents in order to obtain purchase financing. Making these multi-year leases subject to rent control may therefore inadvertently prevent resident organizations from securing the mortgage necessary to purchase their park. In light of these concerns, the committee may wish to consider the following amendment:

- 1) Exempt resident organizations formed by more than 50% of homeowners in a mobilehome park from local price controls on long term leases.
- 2) Page 2 line 11: delete "hosing" and replace with "housing"

REGISTERED SUPPORT / OPPOSITION:

Support

None on File

Opposition

Apartment Association, California Southern Cities
Apartment Association of Orange County
California Association of Realtors
California Manufactured Housing Institute
California Mobilehome Park Alliance
East Bay Rental Housing Association
Gilchrist & Rutter Law offices
North Valley Property owners Association
Resident Owned Parks, INC.
The Loftin Firm, P.C.
Western Manufactured Housing Communities
Mobilehome Owners/Managers (100)

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