

Date of Hearing: April 30, 2014

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Ed Chau, Chair

AB 2587 (Hernandez) – As Introduced: February 21, 2014

SUBJECT: Mobilehome Parks: Rent Control.

SUMMARY: Authorizes the legislative body of a local government to conduct a regional mobilehome park rent survey and limit the base rent amount for mobilehome space rent agreements meeting certain conditions. Specifically, this bill:

- 1) Authorizes local governments to conduct a regional mobilehome park rent survey, after publishing a notice of preparation of the survey in a newspaper of general circulation, and mailing the notice by first-class mail to the management of each rental mobilehome park in its jurisdiction.
- 2) Defines “regional mobilehome park rent survey” or “survey” as a written survey of mobilehome park rent levels within a geographically relevant market area that compares and describes the rent levels in mobilehome parks within the 12 months preceding the publication of the notice of preparation.
- 3) Provides that a local government may publish a notice of public hearing for considering the survey and hold the public hearing at least 90 days following the notice of hearing.
- 4) Requires that a copy of the rent survey shall be available for public inspection within 15 days of publication of the notice of public hearing.
- 5) Authorizes a local government to consider, approve, or approve with changes the information contained in the survey at the public hearing, including the boundaries of the geographically relevant market area.
- 6) Requires a local government, within 30 days following the approval of the survey, to mail a notice of its approval of the survey and the base rent amount to the management of each rental mobilehome park within its jurisdiction.
- 7) Authorizes a local government to, within 12 months after the approval of the survey, limit the base rent for the following types of mobilehome space rent agreements:
 - a) The rental of a mobilehome park space, whether occupied by a manufactured home or not, if the rental agreement is not extended and no new rental agreement in excess of 12 months’ duration is entered into.
 - b) The rental of a mobilehome space if the space is vacant for a period of 30 days.
- 8) Provides that an interested person may seek judicial review of the approved survey and the limited base rent amount.

EXISTING LAW:

- 1) Regulates, pursuant to the Mobilehome Residency Law (MRL), the rights, responsibilities, obligations, and relationships between mobilehome park management and park residents (Civil Code Section 789, et seq.).
- 2) Specifies that a rental agreement in a mobilehome park in excess of 12 months' duration and meeting certain conditions that is entered into between the management and a homeowner for the personal residence of the homeowner is exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity that establishes a maximum amount that a landlord may charge a tenant for rent (Civil Code Section 798.17).
- 3) Provides that if a long-term lease expires and is not extended, and no new rental agreement in excess of 12 month is entered into, then the following occurs:
 - a) The space is no longer exempt from a rent control ordinance, if any; and
 - b) The last rental rate charged for the space under the previous lease shall be the base rent for purposes of any applicable rent control law.

(Civil Code Section 798.17)

- 4) Exempts any mobilehome that is not the principal residence of the homeowner and that has not been rented to another party from rent control. (Civil Code Section 798.21)

FISCAL EFFECT: None.

COMMENTS:

Background:

In the majority of mobilehome parks, 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. *Birkenfeld v. Berkeley* (1976) 17 Cal. 3d 129, provides that cities and counties have within their policy and regulation powers the authority to enact rent control laws so long as a fair return is assured to property owners. Under existing law, local governmental entities are free to enact rent control laws regarding mobilehome parks. These local laws are not subject to the state's Costa-Hawkins Act restricting permissible rent control ordinances, but in certain circumstances the Mobilehome Residency Law (MRL) exempts certain mobilehome park spaces from local rent control. Under existing law, rental agreements which are twelve months or longer are exempt from local rent control.

Purpose of the Bill:

According to the author, as mobilehome rent continues to increase, renters may believe it is in their best interest to enter into long-term leases for over 12 months. These leases often have built in rental increases, which may end up costing more than fair market value. AB 2587 would allow a local government to conduct a regional base rent survey. After 90 days, the local government may consider, approve, or approve with changes the information contained in the survey. The base rent amount will apply to rental space that has been vacant for 30 days or more, to rental space with lease agreements shorter than 12 months, and to rental space where a rental agreement is not extended. The author contends that renters will not feel obligated to enter into long term leases for over 12 months if the local government establishes a base rent limitation.

The author cites a specific example in the city of El Monte involving a mobilehome park that has a history of exorbitant rent increases while failing to maintain the grounds. The author notes that the average annual household income for El Monte residents living in non-mobilehomes is about \$53,063. By comparison, El Monte's mobilehome residents make about \$33,958 annually, which is 64% of the average household income of residents in non-mobilehomes. In the author's view, this bill will ensure fair market values for mobilehome rental spaces.

Arguments in Support:

Supporters contend that AB 2587 will ensure fair market values for mobilehome rental spaces by allowing a local government to survey the relevant market area in order to determine a fair base rental rate. Mobilehome parks are an important source of affordable housing for many low-income households and senior citizens. In supporters' view, as mobilehome space rent continues to increase, renters may believe it is in their best interest to enter into extended leases that are exempt from rent control. Supporters contend that this bill will empower local governments with rent stabilization to establish objectively adequate base rent levels in accordance with current demographic and economic data.

Arguments in Opposition:

Opponents argue that the bill will likely be declared unconstitutional, as the base rent determination does not take into consideration specific park attributes of the community or ensure a fair rate of return. Opponents contend that, in addressing one bad actor in El Monte, this bill will adversely impact park owners throughout the state. In opponents' view, there are already laws in place that may be used to enforce the law against park owners who violate statutes or regulations, and this bill is an overly broad remedy for an individualized situation.

History:

As noted above, this bill addresses a situation involving a mobilehome park in the city of El Monte. In July 2012, after hearing complaints of excessive rents from residents of this park, the El Monte City Council passed a resolution calling a special election in November 2012. At this election, voters passed Measure F, which overturned a 1990 City ordinance that prohibited the City from examining mobilehome rents or implementing rent stabilization. On September 3, 2013, the City of El Monte adopted Ordinance No. 2829, the Mobilehome Rent Stabilization Ordinance.

There are two pending court cases involving the above-referenced mobilehome park:

1) *Cortez v. Brookside Investments, Ltd.*, Los Angeles Superior Court case no. KC057251

This is a case by past and present residents against Brookside Mobile Country Club in El Monte. There are several causes of action, including nuisance for poor park maintenance, breach of contract, negligence, intentional infliction of emotional distress, breach of statutes/interference with property rights for interfering with mobilehome sales, unlawful retaliation, and illegal eviction. The complaint includes allegations that the Plaintiff raised rents to unreasonable levels for residents who were on month-to-month rental agreements, and only agreed to reduce these rents if these residents agreed to sign long-term leases which would be exempt from any future rent control. This case was filed in November 2009 and is currently pending.

2) *Brookside Investments, Ltd. v. City of El Monte* Los Angeles Superior Court case no. BC503836

This is a case brought by Brookside Mobile Country Club against the City of El Monte to challenge the passage of Measure F in 2012, which overturned a 1990 City ordinance that prohibited rent control. The passage of Measure F resulted in the subsequent passage of Ordinance No. 2829 in 2013, which established mobilehome rent control in the City of El Monte. This case was filed in March 2013 and is currently pending. There is an upcoming hearing on the Defendant's Motion for Summary Judgment on June 6, 2014.

REGISTERED SUPPORT / OPPOSITION:

Support

City of El Monte (sponsor)
California Alliance for Retired Americans

Opposition

Western Manufactured Housing Communities Association
California Association of Realtors
California Mobilehome Parkowners Alliance

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