

Utilities

- Gas shut off at T&C for one day with no notice
- Energy costs seem to be going up \$10/year
- Metering
 - There are concerns about the sub metering that is going on at Lazy J
 - There is no way to check that the metering is accurate
 - Meters were last inspected decades ago
- Essentially, costs associated with utilities and the increases to those costs are a concern for residents on par with rent increases. These costs increase in the winter and force residents to make difficult choices between heating, food, and medicine.
- A great amount of concern is derived from the increases to water and sewer taxes.
- Residents want to know if there are programs available to help them with these costs
 - Similar to CARE
- Often repeated:
 - “We seniors do not use that much water or electricity.”

Communication

- A repeated concern was the lack of communication with out of county owners.
- Residents have no idea what the intentions of park owners are.
- This leads to confusion, worry, and conspiracy theories about the direction that the parks are heading in.
- I made the case that this could be remedied by an MOU that spells out future mediation processes.

Rent Increases

- This is the obvious primary concern of the residents who came out to the park meetings.
- Residents are either retirees on fixed incomes, or working families who struggle to make ends meet.
- There is a level of animosity toward the new corporate owners of the Lazy J
 - There is a perceived disconnect between the residents and the new owners
 - Why did they change the signage in front of the park
 - Why did they put up new street signs that are barely legible
 - New stop signs that were expensive and unnecessary
 - Paved the road in a cheap manner
 - There is a perception of Follett’s business model as one of
 - Buy, upgrade, and sell or convert
- Over the years the advantage of owning a MH has disappeared

Debriefing from Park Visits

Amenities

- Valley West:
 - Park owner purchased park 30 years ago Only improvement = concrete strip in middle of road for drainage
 - Storage costs \$ but provides no security
 - Safety violations
 - Cracked driveways
 - No laundry facilities (Most people have laundry in MH)

Questions

- What were Councilman Winkler's comments on MOU's?
- How is an MOU enforced?
- Could Prop 13 taxes be passed on under Rent Control?

SRSO as backup to an MOU or Long-term Lease

By Linda Derksen and Uriela Mitchell
AMOSG PO Box 604 Arcata CA 95518
June 29, 2016

Long-term leases and memoranda of understanding (MOUs) have historically been unfair to mobile home park residents. Park owners are in a powerful position to fine-tune the wording of the lease to maximize profits. Residents feel pressured into signing the multi-page contracts and typically have little understanding about the consequences.

Ordinances keep space rents affordable. To avoid unfair MOUs and leases, mobilehome residents in Arcata and Humboldt County pushed back in the last three years and sought to adopt space rent stabilization ordinances (SRSOs). However cities and counties are often reluctant to adopt ordinances.

A few years ago the city of Modesto came up with an ingenious solution. Their mobile home residents can sign a long-term lease that has been approved by the city. The lease is even-handed to the residents and the park owners. The residents can be assured that space rents will rise at the rate of inflation and be affordable. The park owners can be assured that they will receive fair returns on their investments.

How did Modesto accomplish this seemingly impossible feat? After all, park owners don't want to sign anything that would limit their extraordinary yield of 20% yearly profits. What kind of incentive did Modesto give the park owners to sign city-approved long-term leases?

Simple. Modesto backed up the approved long-term lease with a space rent stabilization ordinance. If the park owners did not want to sign the approved lease, the park owners were subject to the tougher terms of the ordinance.

California attorney and Ph.D. urban planner Kenneth Baar states, "If a rent stabilization ordinance includes an MOU alternative, then the rent stabilization protections are in place in the event that some owners choose not to enter into the MOU or do not comply with the MOU."ⁱ

California attorney Bruce Stanton gives some details about how the Modesto ordinance, lease, and MOU work together:

“An option to the conventional RSO [rent stabilization ordinance] was chosen by the City of Modesto in 2006, which is essentially a hybrid between a model Long-Term Lease Agreement and RSO. Unwilling to commit itself to full rent control, the city instead passed an ordinance that would only apply to those parks which did not offer a City-approved lease that was negotiated by a team of park owner and homeowner representatives and supervised by the City Attorney. A Memorandum of Understanding (MOU) was enacted to reflect these terms, and an ongoing rent commission was established to field questions and investigate any ongoing enforcement issues.

“The reader is encouraged to go to the City of Modesto website to obtain copies of these provisions, which should be at least considered when dealing with a conservative jurisdiction which is hostile to the concept of rent regulation. Essentially three documents are required:

1. An Ordinance
2. An approved Long-Term Lease
3. A Memorandum of Understanding (MOU) which is signed by each Park Owner who agrees to be boundⁱⁱ ”

Thus Arcata can learn from the Modesto experience. Modesto has demonstrated a modern "alternative" that will work when space rents increase at rates much higher than inflation. Park owners need an incentive to keep lot fees affordable. **An ordinance or the threat of an ordinance is necessary for reluctant park owners** who walk away with huge profits while destroying a significant percentage of Arcata's affordable housing in the process.

ⁱ Kenneth Baar, “Mobilehome Parks and Mobilehome Space Tenancies in Marina”, December 31, 2008.

ⁱⁱ Bruce Stanton, 2012, The GSMOL Mobilehome Rent Stabilization Ordinance Handbook, Second Edition, p. 27. <http://mobilehomerentcontrol.blogspot.com/2016/02/the-hybrid-modesto-model.html>

Small California Cities with Mobilehome Rent Stabilization Ordinances

For Comparison Purposes with Arcata, California

Prepared by Arcata Mobilehome Ordinance Study Group
 P.O. Box 604 Arcata CA 95518
 September 19, 2016

Arcata California 2013 estimated population is 17,697.

Humboldt State University 2015 fall enrolled student population is 8,790.

For ten months of the year the combined Arcata population and HSU population is **26,487**.

California City Name	Total Population*	MH Parks**	Mobilehome Spaces in MH Parks**
Benicia	27,618	4	317
Calistoga	5,254	5	569
Capitola	10,093	8	623
Carpinteria	13,532	7	866
Cloverdale	8,738	4	165
Cotati	7,394	3	106
East Palo Alto	29,143	4	274
Goleta	30,525	4	500
Grover Beach	13,432	3	140
Los Gatos	30,391	2	137
Malibu	12,861	2	527
Marina	20,370	5	399
Morro Bay	10,461	15	641
Pismo Beach	7,861	2	412
Rancho Mirage	17,799	6	882
Santa Paula	30,091	9	838
Scotts Valley	11,755	5	527
Sebastopol	7,596	6	173
Ukiah	15,871	23	1043

*2013 Est. Census, United States Census Bureau.

** "CA Jurisdictions with Mobilehome Park Rent Stabilization" revised 2015, GSMOL (Golden State Mobilehome Owners League)

July 12, 2015

Mr. Stephen Quick, President
Town and Country Mobile Villa
4855 Boyd Road
Arcata, Ca. 95521
408-568-2231

Mr. Michael Winkler, Mayor
City of Arcata
736 F Street,
Arcata Ca.

Dear Sir,

It has come to our attention that the residents of the Lazy J Ranch, a Senior (55 years of age and older) mobile home park in Arcata with 220 spaces which is one of several mobile-home parks within the community, have asked the City Council to consider the feasibility of a rent stabilization ordinance to protect seniors living on fixed incomes. It seems the new corporate owners of that park have increased rents by \$57 over the last two years, which has generated the residents' search for assistance. As a result, the City Council is considering adopting a rent stabilization ordinance. While such a response seems attractive on paper, in reality it creates unintended negative consequences and causes more harm than good. We have been a good business in this community for over 50 years and such an ordinance hurts us. We do not support rent stabilization and urge the City to decline to adopt such an ordinance.

The Request to Place Item on City Council Agenda specifically reads,
"The City Council is being asked to direct its staff to investigate methods of providing rent relief and stability for mobile home park residents living on fixed incomes and then to make recommendations to the City Council on the best way to implement rent relief and stability in order to protect these residents from losing their homes."

As the President of the other large mobile home park in your city with 190 spaces, I would like to weigh in on the current situation and the broader topic at hand. As I mentioned earlier, the Town and Country Mobile Villa has been owned and operated by my family for more than 50 years. I have been President in charge of all operations for the past 5 years, replacing my father upon his retirement.

We pride ourselves in offering a nice place to live at affordable rates. Indeed, over the past 5 years, we have increased our rents by a total of 9.1% or 1.8% per year. Our rents range from \$332 to \$367 per space depending on size. These rents are very reasonable and in no way reflect any pattern of unfair increases over the 50 years we have owned and operated the property.

We have been a responsible park operator and have a track record of taking care of our residents with fairness and compassion. We have on occasion provided rent relief to residents who came to us and discussed their financial difficulties. We do not broadcast this as we do not wish to create an expectation of financial assistance. We are a solid community citizen. We hire local companies to do our work and spend over \$140,000 per year with local vendors, suppliers, and contractors. We are also a local employer with four staff. In my tenure as president we have actively worked with your Public Safety Department to improve the security and safety of our residents. We survey residents who move out of our park and have received overwhelmingly high marks as a nice community to live in.

While our park does have a strong representation of seniors, it is a family park. Indeed, we provide a relatively low cost housing option for families and give many a chance to have a home with a yard for their children. Also, we do not receive any government assistance to be a low cost provider of housing. Our park manager – who is a senior – lives in our park and has not heard this fear of rate increase issue brought up in conversation by our tenants, senior or otherwise. According to the FDIC, 1 out of every 200 homes in the U.S. will be foreclosed upon. According to Realtytrac, the May foreclosure rate for Humboldt County was 1 in every 1,103 properties. In my five years of managing the Town & Country Mobile Villa, I have not heard of a single instance where a senior, or any other resident, lost their home here due to foreclosure.

We consciously take the position of being at the mid-point or lower end of the local market rates for spaces in order to keep spaces filled. Our park currently has a 16% vacancy rate. This is partly due to some older spaces that are too small for modern units. It is also driving us to engage in a capital upgrade program whereby we bring those spaces up to modern requirements over time. A rent stabilization ordinance could make this financially infeasible and jeopardize our efforts to upgrade the park just as a large part the neighborhood we are in is being developed for new housing.

While we consider ourselves a full-feature, relatively low cost housing solution for all who come to us, we are not a special affordable housing asset of the City or County. As the City contemplates Rent Controls driven by a few residents from another park, are they also considering similar actions against other rental or home ownership options such as: apartments, condos, townhouses, or houses? Mobile-home living remains one of, if not the, most affordable housing options in the County. A review of the 2015 rental market analysis for the 2nd quarter for Humboldt County shows that vacancies are down from a peak of 10% in 2009 to the current 5.7%. It goes on to discuss anticipated apartment rental rate increases in the greater Humboldt area due to the limited supply. The study also highlights that the median rental rate for a 3br, 2 ba unit is currently \$1,286 and is expected to rise in the near future.

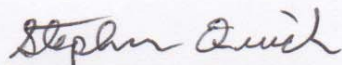
Here is a comparative example with a new mobile home at our park:

A new, very nice, 3br, 2ba, 1,000 sq ft manufactured house with all the modern amenities would cost close to \$50,000 installed. A 30 year mortgage for that principal at 4% would run \$238 per month. Place that unit into our biggest space for MH's – a space that we recently created by combining two older smaller spaces as part of our modernization efforts which might be jeopardized by the proposed ordinance– at roughly \$400 per month and the total cost to the resident would be \$638 per month. This is roughly half the market cost for a similar apartment. How many 3 br 2ba housing units with yards and parking are available at that cost in the local area? Add to this equation the fact that most current residents have been in their homes for many years and thus likely have far lower mortgage payments and the cost of housing becomes even less. This demonstrates that in spite of the emotional appeal, in reality there is no need for a rent stabilization ordinance.

Imposing some form of rent control to protect seniors would create expensive to maintain administrative burdens for the City and the park operators, including staffing costs, outside counsel costs, possible litigation expenses and other unintended consequences of a well-meaning ordinance such as a disincentive for upgrades and maintenance within the park. Has research been done regarding the magnitude of the problem of seniors losing their homes to foreclosure in mobile home parks in the area? Is the foreclosure rate for seniors in these parks higher than in the community at large? Has a survey of the available government assistance to senior homeowners been developed?

I also work for a City government and understand the attention that must be given when a group of citizens come to the meeting with a concern and demand that it be addressed. I ask that as you consider this issue you take into account the needs and concerns of the park owners as well as those of the residents. We have operated the park for more than 50 years and our current rental rates show that we have not implemented burdensome increases on our residents over time. We ask that you avoid implementing any ordinances that limit our ability to move with the market and cause us both unnecessary cost and effort into the future.

Respectfully,



Stephen Quick, President
Town & Country Mobile Villa

Linda Derksen
Lazy J Ranch Mobile Home Park, Arcata California 95521

Revised 6/9/16
Presentation to Arcata City Council March 2, 2016

Hello. My name is Linda Derksen. My husband and I live in the Arcata Lazy J mobile home park.

I sincerely hope that you will soon adopt a space rent stabilization ordinance for mobile home parks in Arcata.

You've heard some stories this evening. I'd like to talk about some numbers.

20%. That's the cash-on-cash returns advertised in the popular website Mobile Home University for the burgeoning property investment field of mobile home parks.

2013. That's the year that Follett USA, a national finance company with multiple owners and multiple investors, bought the Arcata Lazy J mobile home park where I live.

39%. The total rent increase for the last three years (2012-2015) for **incoming** residents to the Lazy J. (1, 2) In just 4 more years at this rate the space rent for incoming new residents to the Lazy J will be around \$700/month.

16.7%. The total rent increase for the last three years (2012-2015) for **continuing** residents at the Lazy J. (3) What's happened in the last four years is that Follett USA has created a two-tier system of rents, one tier with **13% annual increases for incoming** residents and one tier with **5.5% annual increases for continuing** residents. At some point in the near future Follett USA will surely increase the rents of the continuing residents up to meet the faster rising rents of incoming residents. Then all of us will have rents around \$700 a month. (4)

76. That's the number of affordable housing units built since 2012 in Arcata at Bay Crossing (5), Plaza Point (6), and Sandpiper Park (7) at the combined cost of \$11.3 million dollars.

575. The number of mobile home spaces rented in Arcata mobile home parks. (8) What's happening with rent increases at the Lazy J is already happening to other mobile home parks in California and might soon happen elsewhere in Arcata.

1200. The estimated number of mobile home residents in Arcata in 2015. (9)

91. The number of jurisdictions in California in 2015 with space rent stabilization ordinances (SRSO). (10)

2004. The year that Santa Rosa adopted an SRSO. (10)

2007. The year that Modesto adopted an SRSO. (10)

2011. The year that Ukiah and Marina adopted SRSOs. (10)

I'll leave you with one last number. It's an unknown number. It's the number of months left before the City of Arcata adopts a space rent stabilization ordinance for its mobile home residents.

Thank you for this forum and thank you for listening.

References:

(1) Martin Peter McGurrin's Chart of Lazy J rent from 1995 to 2015. The McGurrin chart was submitted to the Arcata City Council in December 2015. Note that rent for incoming Lazy J residents jumped from \$342 in 2012 to \$475 in 2015, a three-year increase of 39% ($475-342=133$; $133/342=38.9\%$) when total inflation for those three years was only 7.7%. In contrast, under the Johnson Ranch ownership of the Lazy J Mobile Home Park, the rents for continuing and incoming residents rose from \$209 in 1995 to \$342 in 2012, an increase of 63.6% over 17 yrs ($342-209=133$; $133/209=63.6\%$).

(2) http://www.bls.gov/regions/west/news-release/ConsumerPriceIndex_SanFrancisco.htm

(3) 2102 space rent \$342; 2015 space rent \$399. Three year increase of 16.7% ($399-342=57$; $57/342=16.7\%$) Total inflation for those three years was only 7.7%.

(4) <http://tenantstogether.org/article.php?id=2783>

In Lakeport California Fairgrounds Village Mobile Home Park, space rents increased from \$400 to \$700 a month over the six year period from 2007 to 2013.

(5)

<https://lostcoastoutpost.com/2015/sep/23/arcata-has-new-apartment-complex-serving-homeless/>

Sept 23, 2015. Ryan Burns. Arcata Bay Crossing, 31 affordable housing units, a \$5.7 development.

(6) <http://www.rd.usda.gov/files/rdCACaseStudy.pdf>

USDA. 2012. Plaza Point. 29 affordable housing units. \$3.3 million development.

(7) <http://www.times-standard.com/article/ZZ/20120829/NEWS/120829273>

8/29/2012. Grant Scott-Goforth. Times-Standard. Sandpiper Park, Arcata. 16 affordable housing units. \$2.3 million development.

(8)

<https://hcdexternal.hcd.ca.gov/ParksListing/faces/parkslist/mp.jsp;jsessionid=BPh8WJyG4DJcq3Dhw1nd1psNm987J14n6G9zC1Zc1Lf3j!1006606154>

California State Government website. Feb 29, 2016. Arcata Mobilehome and RV Parks Listing. Choose "Arcata" in the pulldown menu for City; then click on Search. The total of 575 mobile home spaces does not include spaces in RV Parks or spaces in ROP (Resident Owned Parks) mobile home parks.

(9) $575 \text{ mobile homes} \times 2.086 \text{ residents/home} = 1200 \text{ residents}$

(10) <http://www.slomap.org/CA%20Jurisdictions%20Rent-Stabilization.pdf>

The number of California jurisdictions that have space rent stabilization for mobile home parks as of 2015. $97(\text{total}) - 6(\text{repealed}) = 91$.

Jan and Linda Derksen
Lazy J Ranch Mobile Home Park, Arcata California 95521

Originally sent on April 4, 2016; revised June 9, 2016

Arcata City Council and Staff
736 F Street
Arcata, CA 95521

Re: FollettUSA's Long Term Lease offered to Lazy J Ranch Mobile Home Park residents allows for high space rents, allows for unpredictable space rents, and makes lease signers exempt from a future Space Rent Stabilization Ordinance

Dear City Council Members and Staff,

We'd like to tell you why we don't want to sign a long term lease with FollettUSA, the owners of the Lazy J mobile home park where we live.

FollettUSA's long term lease raises 7 red warning flags.

Red Flag #1. 3% minimum increase in space rent per year.¹ This long-term lease clause requires that space rent increases be higher than inflation² for the foreseeable future.

Consider the fact that inflation has not come up to 3% in the last decade. Also consider that most economists don't expect it to rise to that level in the next five years and perhaps much longer. Inflation for the last five years has averaged 2.6% (CPI-U San Francisco).

Keeping space rents in line with inflation should provide enough money to cover basic expenses (30% of gross income) and capital expenditures (\$125/space) and a reasonable profit.³ The previous park owners, Johnson Ranch, kept space rents in line with inflation and prospered for 40 plus years before selling the Lazy J to FollettUSA in 2013.

¹ Paragraph 5.2.: "...However, in no event shall the Base RENT adjustment under this paragraph 5.2 be less than three percent (3%) or more than six percent (6%)."

² Inflation is calculated from the Consumer Price Index (CPI-U) San Francisco.

http://www.bls.gov/regions/west/news-release/ConsumerPriceIndex_SanFrancisco.htm

³ <http://www.parkstreetpartners.net/mobilehomeparkinvestments/wise>

Red Flag #2. “Formula Adjustments to Base Rent.”⁴ These adjustments would increase Lazy J space rent above and beyond the 3% we just talked about. Thus the lease provides for dramatic increases in space rents to pay for upscale capital expenses that will gentrify the Lazy J (see below Red Flag #4).

“Formula Adjustments” refers to property taxes⁵, capital replacements⁶, and capital improvements.⁷ A California attorney who analyzed FollettUSA’s long term lease said about this clause, “It’s the other “Adjustments” contained in paragraph 5.3 which are the problem. This paragraph and its subparagraphs allow “**pass throughs**” which shall add on to the monthly rent load significantly. These include a property tax increase which could be triggered if there is a ‘change of ownership’ under Prop 13, as in a sale of the park. In addition there is a pass through which includes the cost of all capital items +6% interest, and **no approval vote power by residents** is included for new capital improvements which many times is present in leases.”⁸ [bold emphasis added]

The attorney also pointed out that the lease is worded so that any “**formula adjustments**” to the base rent will “**become a part of base rent and be added to the base that is increased each year**” instead of being treated as true pass-throughs with a “date upon which the charge will drop off once full reimbursement is obtained.”⁹ [bold emphasis added]

Red Flag #3. Five-year amortization period for long-term (15-30 year) capital expenditures.¹⁰ This provision is bad for Lazy J residents because long-term capital expenditures should be paid off over 15-30 years, not just five years.

⁴ Paragraph 5.3.: “Formula Adjustments to Base Rent. Commencing with the first Anniversary Date of this AGREEMENT and upon written notice of at least ninety (90) days, the Base RENT then in effect shall be subject to formula adjustments.”

⁵ Paragraph 5.3.2.1.: “If ... there is an increase in Property Taxes in excess of two percent (2%), the Base RENT then in effect shall be increased...”

⁶ Paragraph 5.3.2.2.1.: “The term “Capital Replacement” refers to replacement of any existing thing or item in the PARK with a useful life of one (1) year or more. Examples of Capital Replacements: A roof to replace the old roof on the existing clubhouse; ... any and all street repairs/renovations/slurry/re-asphalting, including replacement of overlay.”

⁷ Paragraph 5.3.2.2.2. “The term “Capital Improvement” refers to anything or item which is new and not before existing in the PARK and has a useful life of one (1) year or more. Examples of Capital Improvement: Construction of a new swimming pool where none existed before; adding new landscaping where none existed before; installing air conditioning in the clubhouse where none existed before. However, in the event PARK builds a new clubhouse or community center, such capital expense shall not be subject to the rent increase provisions of this paragraph 5.3.”

⁸ Letter Re: Lazy J Ranch Mobile Home Park Long Term Lease Agreement, 12/8/2015.

⁹ Ibid.

¹⁰ Paragraph 5.3.2.2.: “If there have been Capital Improvements and/or Capital Replacements (as defined below) made by the OWNER during the relevant time period, the amount of the increase to the Base RENT shall equal the total cost of Capital Improvements and/or Capital Replacements made by the OWNER...**amortized over a five (5) year period**, divided by twelve (12) and divided

As you know, amortization usually applies to the lifetime of an item, say 15 years for something like re-asphalting a street or 20 years for replacing a roof. A 5-year amortization period means that the residents of the Lazy J from 2014 to 2019 will pay 99% of the capital expenses incurred during this time period even though the lifespan of the improvements and replacements will be for 20 years in the future.

The 5-year amortization applies to capital expenses of more than \$50,000. You need to consider that the Arcata Lazy J is a big mobile home park with 220 spaces for rent. Add together all the smaller capital improvements in one year, and the \$50,000 threshold will be easily met, meaning that the current Lazy J residents are going to be paying almost the entire bill for all the long-term capital expenditures at the park incurred during this short time period.

Red Flag #4. Indications of gentrification. Gentrification means higher space rents and wealthier residents who can pay them. For example, FollettUSA has plans for a new clubhouse/community building. Maintenance fees will be passed on to the signers of the lease. Construction costs will presumably be covered by pre-existing base space rents.

Red Flag #5. Elimination of poorest residents at the Lazy J. A 39% space rent increase¹¹ over the last three years on incoming residents has **prevented people on fixed minimum social security income from entering the Lazy J as new residents** for the last two years. This kind of exclusion never happened during the previous 40 plus years when Johnson Ranch owned the park. FollettUSA is also engineering the gradual **attrition of the poorest current residents** by imposing above-inflation rent increases every year. The social security income of these poorest residents, which rises according to inflation, will not keep up with the space rent increases, and they will soon be forced to leave the park for economic reasons. And where will these extremely low income elderly Arcata residents go? Affordable housing in Arcata is already at a premium, and what is currently available must be preserved.

Red Flag #6. Anyone who signs the Long Term Lease is immediately exempt from any Space Rent Stabilization Ordinance (SRSO) provisions.¹² If the City of Arcata

by the number of homesites in the PARK. ... OWNER shall be entitled to receive interest on the unamortized balances of such Capital Improvement and/or Capital Replacement, calculated by utilizing a six percent **(6%) interest** factor. ... Capital expenses will only be subject to this paragraph 5.3 if the **total capital expenses** (improvements and/or replacements) are in excess of Fifty Thousand Dollars (**\$50,000**) in the relevant twelve (12) month time frame.” [bold emphasis added to original text]

¹¹ The space rents for **new** residents at the Lazy J increased from \$342 to \$475 in just three years, an increase of 39%. \$342/month space rent in 2012. \$475/month space rent in 2015. \$475 minus \$342 = \$133. \$133/\$342=38.9%

¹² California’s Mobilehome Residency Law 798.17(a)(1)

adopts a mobile home SRSO, FollettUSA will continue to receive high space rents from residents who signed the lease, residents who had hoped for lower rents and more predictable rents. Getting signatures on the lease is important to FollettUSA because every signature reduces the number of residents who would enjoy the provisions of any SRSO that the City of Arcata might adopt.

Red Flag #7. Trends in California to gentrify some mobile home parks. Look at two of the most popular websites extolling the high returns for mobile home park owners: the Park Street Partners website (see footnote #3) and the Mobile Home University¹³ website. Browsing these websites and seeing the recent changes at the Lazy J, we are left to surmise that FollettUSA envisions big profits for its owners/investors.

Three red flags in the Long Term Lease permit huge space rent increases. Four more red flags indicate that FollettUSA is on course to drastically increase profits.

Signing this lease would not result in lower or predictable space rents. Signing this lease would prevent us from enjoying the provisions of a future SRSO. Now you know why we and many of our neighbors refuse to sign it.

Thank you for reading our letter and for considering our comments.

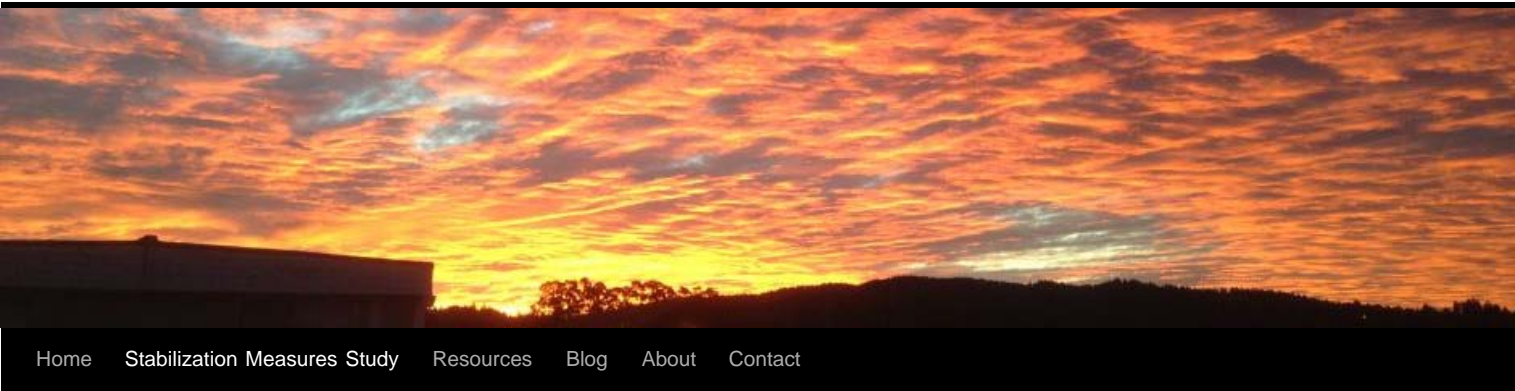
Sincerely,

Jan and Linda Derksen
Lazy J Ranch Mobile Home Park
Arcata, California

¹³ <http://www.mobilehomeuniversity.com/articles/why-invest-in-mobile-home-parks.php>

Arcata Mobilehome Ordinance Study Group

The Mobilehome Ordinance to Stabilize Space Rents in Arcata, California



[Home](#) [Stabilization Measures Study](#) [Resources](#) [Blog](#) [About](#) [Contact](#)

Stabilization Measures Study

Mobilehome Space Rent Stabilization Measures Study

Prepared by Arcata Mobilehome Ordinance Study Group

September 2016

I. Introduction

In the spring of 2015 we joined with a small group of friends to study methods for **space rent stabilization (SRS)**.^[1] We had become alarmed at the quickly increasing rents for the spaces where our mobilehomes were located in mobilehome parks. As homeowners we knew that it would be impossible to move our homes to other mobilehome parks. Thus we began looking for solutions to keep space rents affordable.

We studied how other mobilehome parks had met the same challenge. We looked at how other California cities and counties had stepped in at critical moments to keep their mobilehome parks affordable for middle income and low income residents. We considered many approaches including ordinances, long-term leases, MOUs (memorandum of understanding), and creative combinations of these approaches.

The conclusion we reached: **an ordinance seems to be the best instrument for mobilehome space rent stabilization.**

II. Study Highlights

Our analysis depended heavily on the writings and research of three prominent California experts in mobilehome space rent:

- Attorney and Urban Planner Kenneth Baar, Ph.D.
- Attorney Bruce Stanton

UPCOMING EVENTS

10/5/16 Arcata City Council Meeting

~~~~~  
The Mobilehome Affordability Study is on the Agenda and the Council will be hearing comments from the public. Stand up for preserving affordable housing in Arcata and let your voice be heard!

11/8/16 Humboldt County General Election ~~~~~  
Vote YES on Measure V for Victory! Make your vote count! A YES vote will help to maintain affordable housing in the unincorporated areas of Humboldt County by adopting the passage of a Mobilehome Space Rent Stabilization Ordinance.

- Economist Michael St. John, Ph.D.

Baar's and Stanton's recommendations generally support the view of low-income residents whereas St. John's recommendations generally support the view of park owners/landlords.

A brief overview highlights the basic problems[\[2\]](#) that space-rent stabilization seeks to address:

- Historically mobilehome parks have provided affordable housing for low-income households in California and the USA
- Mobilehome park owners sometimes raise space rents to high levels that low-income residents can't afford
- When space rents are too high for low-income residents to pay, cities and counties usually seek to stabilize the space rents to keep mobilehomes affordable to low-income residents
- There are currently about 90 ordinances/MOUs in California[\[3\]](#) that localities have established to stabilize space rents and keep mobilehomes affordable

The following is a highlighted summary of our analysis of the various documents (Baar, Stanton, St. John, and the relevant mobilehome park contracts):

1. Most contracts in California mobilehome parks are month-to-month leases
  2. Long-term leases (more than 12 months) are usually advantageous to the park owner, not to the low-income residents
  3. There are few MOUs (Memorandum of Understanding) in California relative to the number of ordinances.
  4. One important reason that cities and counties are sometimes interested in an MOU instead of an ordinance is fear of expensive administration and litigation to the jurisdiction; however modern ordinances such as those in Marina have not had these problems.
  5. MOUs are usually not as resident-friendly as ordinances.
  6. There is a close dynamic between MOUs and ordinances in California
- Mobilehome residents sometimes reluctantly agree to MOUs that are resident-unfriendly when the city/county is unwilling to adopt an ordinance.
  - Park owners/landlords sometimes reluctantly agree to resident-friendly MOUs when there is an ordinance in place or when the city/county is about to adopt an ordinance.
  - Some California cities such as Marina, Modesto, and Thousand Oaks, have tried an MOU/Agreement and later replaced it with an Ordinance.
  - Other cities, such as Ontario, California, have tried an ordinance and later replaced it with an MOU.

### III. Five Key Issues

For the purposes of this study, we look at five key issues that we have determined are most critical to mobilehome affordability. The five key issues are:

- Contract Terms (Ordinance, MOU, Long-term Lease)
- CPI (Consumer Price Index; inflation)

- Pass-throughs
- Rent Increases Allowable Upon Vacancy (Vacancy De-Control)
- Rent subsidy for low income residents

**1. Contract Terms (Ordinance, MOU, Long-term Lease)**

**Background.**

In most cases a California mobilehome park resident owns his/her mobilehome and rents the space, usually a cement pad, where the mobilehome is located. The California Mobilehome Residency Laws (MRL) allows the park owner/landlord to increase the space rent to any level. The only condition is that the landlord has to give 90 days notice to the resident, thus in effect limiting the landlord to 4 rent increases a year.

However, when the space rent increases too quickly or too much, there are four current methods for stabilizing the increases to an affordable level:

- ordinances enacted by public jurisdictions such as cities and counties
- MOUs (Memorandum of Understanding),
- long-term leases, and
- combinations of leases, MOUs and/or ordinances

**Ordinance (Space Rent Stabilization Ordinance, SRSO)**

Kenneth Baar describes how ordinances are used in California to stabilize space rent increases:

“Principal Characteristics of Local Rent Stabilization Ordinances in California: About 90 jurisdictions in California (including cities and counties) have adopted mobilehome park space rent stabilization ordinances. Most of the ordinances were adopted in the 1980’s and 1990’s. With a few exceptions these ordinances are only applicable to mobilehome parks and do not cover apartment rents.

Most of these ordinances limit annual rent increases to either a portion or the full amount of the annual increase in the CPI (consumer price index). Most do not permit any additional rent increases when mobilehomes are sold in place (new tenancies) (“vacancy decontrol”) or allow only limited rent increases when a mobilehome is sold in place.

When limited increases are permitted upon in-place sales of mobilehomes, typically the allowed increases are in the range of 5% to 10% and a limit is placed on their frequency (e.g., not more than one increase in one, three, or five years).” [\[4\]](#)

New ordinances are still being adopted in California. Since 2000 the following California cities have adopted space rent ordinances: Goleta (2002), Santa Rosa (2004), Modesto (2007), Ukiah (2011), and Marina (2011). Since 2000, the following cities have revised their ordinances: Morro Bay (2007) and Thousand Oaks (2011). City of Sonoma is in the process of revising its ordinance in 2016.



## **MOU (Memorandum of Understanding)**

Economist Michael St. John describes the role of MOUs in stabilizing mobilehome space rent increases:

“A memorandum of understanding (MOU) is an agreement negotiated between park owners and residents, often with the assistance and oversight of the local municipality that sets boundaries on space rent increases. Under a typical MOU it would be impossible for a park owner to impose large, sudden space rent increases. A typical MOU, on the other hand, would provide for annual space rent increases to compensate for inflation and for the pass-through of exceptional expense increases. Memoranda of understanding are usually accompanied by a model lease that is signed by park owners and residents participating in the MOU program.” [\[5\]](#)

California attorney Kenneth Baar discussed the role of MOUs in his 2008 report:

“In a few [California] jurisdictions, park owners and residents have entered into an MOU [Memorandum of Understanding] approved by the locality (city or county), and the locality has refrained from adopting rent regulations as a result.

In a few other cases, park owners have had the alternative of entering into an MOU or being subject to the rent control ordinance.

The MOUs are rental agreements which generally provide for more liberal rent increase terms than an ordinance but still contain ceilings on rent increases. (e.g., the MOUs provide for greater annual rent increases or permit limited rent increases upon vacancies which are not usually permitted under rent controls.)

This [MOU] alternative has been attractive to park owners when it is clear that a rent stabilization ordinance will be adopted if they do not enter an MOU or alternatively they will be subject to the ordinance which has been adopted, if they do not enter into the MOU.

The advantage of the MOU for a locality is that it cannot be challenged [in court] because it is “voluntarily” entered into. Also, if the MOU is well drafted, the administrative participation of the City [of Marina California] can be minimized. (e.g., if the MOU does not provide for capital improvement pass-throughs which have to be reviewed by the City.)

If a rent stabilization ordinance includes an MOU alternative, then the rent stabilization protections are in place in the event that some owners choose not to enter into the MOU or do not comply with the MOU.” [\[6\]](#)

## **Long-Term Lease.**

When the California legislature passed the MRL, the legislature hoped that residents and landlords could create and agree upon long-term leases that would stabilize space rent increases to an affordable level for the residents and provide a fair return to the

landlords. In addition, the hope was that voluntary long-term leases would eliminate the need for adversarial rent control by public jurisdictions such as cities and counties.

Long-term leases must abide by provisions of the MRL. The key sections are 798.17 and 798.18. A long-term lease must be more than 1 year in length. Different sections of the MRL govern month-to-month leases and any short-term leases that are less than 12 months duration.

Despite what the legislature intended, the result is that today most long-term leases greatly favor the landlords, whose attorneys write the leases. Residents often feel compelled to sign long-term leases without fully understanding them. Because the long-term leases are written in dense legal language, a resident would have to pay for legal help to understand the pros and cons of signing the lease. This kind of expense is often out of reach for middle-income and low income residents.

Residents who sign long-term leases are exempt from any benefits of rent control ordinances in their jurisdiction.

After many years of representing mobilehome residents, California attorney Bruce Stanton is fond of saying that “I never met a long-term lease I liked.” [\[7\]](#)

**Long-Term Lease and MOU Combination**

Michael St. John stated his preferred approach to space rent stabilization as follows:

“In most jurisdictions, there is no need for programs of any kind. The market works perfectly well in most communities. When there is a perceived need for rent stabilization measures, a model lease and memorandum of understanding works far better than rent control. Unlike rent control, a model lease/MOU program doesn’t set up an expensive bureaucracy, encourage extensive litigation, or cause unrealistic and unsustainable inflation in the values of mobilehomes.” [\[8\]](#)

**Long-Term Lease, MOU and Ordinance Combination**

Attorney Bruce Stanton’s describes the interaction between ordinance, lease, and MOU in Modesto, California:

“An option to the conventional RSO [rent stabilization ordinance] was chosen by the City of Modesto in 2006, which is essentially a hybrid between a model Long-Term Lease Agreement and RSO. Unwilling to commit itself to full rent control, the city instead passed an ordinance that would only apply to those parks which did not offer a City-approved lease that was negotiated by a team of park owner and homeowner representatives and supervised by the City Attorney. A Memorandum of Understanding (MOU) was enacted to reflect these terms, and an ongoing rent commission established to field questions and investigate any ongoing enforcement issues.

“The reader is encouraged to go to the City of Modesto website to obtain copies of these provisions, which should be at least considered when dealing with a conservative jurisdiction which is hostile to the concept of rent regulation. Essentially three documents are required:

1. An Ordinance
2. An approved Long-Term Lease
3. A Memorandum of Understanding (MOU) which is signed by each Park Owner who agrees to be bound”[\[9\]](#)

## **2. CPI (Consumer Price Index; Inflation)**

In California the majority of rent stabilization measures (ordinances, long-term leases, and MOUs) provide for one annual rent increase.

“...these increases are usually tied to the percentage increase in the consumer Price Index (CPI) for the same period. The CPI is the United States Government Index that tracks inflation and the prices charged consumers for various items such as housing, food, or transportation. Most major metropolitan areas, including the San Francisco/Oakland and Los Angeles Metropolitan and San Diego Areas, have their CPI index which reflects the price changes in that particular geographic region.

“Most ordinances permit base rents to be increased by an amount equal to a portion of the percentage increase in the CPI ranging from 50% to 100%, with the average being 75%.”[\[10\]](#)

Ordinances, long-term leases and MOUs in northern California are usually tied to the percentage increase in the Consumer Price Index for All Urban Consumers for the San Francisco Bay Area, California, as published by the United States Department of Labor, Bureau of Labor Statistics.

Usually a ceiling and a floor is given in conjunction with the CPI in an ordinance, lease, or MOU. For example, if the ordinance, lease, or MOU provides for an annual space rent increase equal to 100% CPI with a 3% floor and a 6% ceiling, the increase has to stay within the 3%–6% range even though the CPI might be outside the 3%–6% range.

## **3. Pass-Throughs**

“A typical MOU...would provide for annual space rent increases to compensate for inflation and for the pass-through of exceptional expense increases.”[\[11\]](#)

Any true pass-through item must be billed as a separate line item and must include the date upon which the pass-through charge will drop off the bill once full reimbursement is obtained.

Pass-throughs typically apply to large expenses such as capital expenses. According to attorney Bruce Stanton, if a charge is described as an adjustment instead of a pass-through, it is likely that this capital expense will become part of base rent that is increased every year even after the capital expense is paid off.[\[12\]](#)

#### 4. Rent Increases Allowable Upon Vacancy (Vacancy De-Control)

When a mobilehome is sold, the mobilehome and its space are called “vacant.” The question then arises, will the space rent for the new resident-homeowner remain at the same stabilized rate as that paid by the previous resident-homeowner? If the answer is yes, then this situation is called “vacancy control” because an ordinance (or a lease or MOU) controls the level of the space rent that the next resident-homeowner will inherit as a base level rent. In other words, with vacancy control, the park owner cannot increase the space rent at the time of a change in mobilehome ownership or occupancy.

California law allows jurisdictions (cities and counties) to enact ordinances that will stabilize space rents with vacancy controls.

However, many ordinances/leases/MOUs do not provide vacancy control, and when a mobilehome is sold, the park owner-landlord can increase the space rent for the new buyer to any amount, usually to market level. This is known as “vacancy de-control.” If the park owner is diligent, he/she will increase the space rent one mobilehome at a time every time that a vacancy arises. In this way, the park owner can bring most of the park spaces up to market level in a gradual way. Of course with vacancy de-control, long-time residents will have much lower space rents than the newcomers.

There are other situations besides sale of a mobilehome that can result in a vacancy, such as abandonment of a mobilehome or termination of a resident-homeowner’s right to stay in the park.

We decided to use more intuitive language in our charts. Instead of “vacancy control,” we use the following phrase: “Are rent increases allowed upon vacancy?”

#### 5. Rent Subsidy for Low Income Residents

There are several kinds of rent subsidies available to low-income mobilehome residents. Unfortunately government-funded subsidies are extremely rare and are dependent on government programs that come and go.

Sometimes the park owner-landlord will offer a space rent **credit** to diminish the blow of a large sudden rent increase. The credit can be changed or terminated at any time by the park owner-landlord. The credit might be offered to long-time residents or it might be offered to low-income residents who submit tax returns and other private financial information to get the credit.

Sometimes the park owner-landlord will offer a space rent **deferment** to low-income resident-homeowners. The actual rent is not reduced; instead the park owner-landlord keeps track of the deferred portion of the rent. When the mobilehome is sold, the park owner-landlord recoups all of the deferment accumulated over the years from that homeowner-resident. The deferment process requires that the homeowner-resident submit tax returns and private financial information and sign an agreement for the park owner’s lien on the mobilehome.

Another type of subsidy occurs when a park owner-landlord will offer a space rent deferment to low income resident-homeowners provided that the city or county match

the amount of the deferment with a subsidy from the taxpayers.

Taxpayers are often reluctant to fund a subsidy to low-income mobilehome residents because the eventual recipient of the taxpayer-funded subsidy is the park owner-landlord. Hence this type of situation is sometimes derided as “welfare for the rich.”

IV. Charts with Examples of Stabilization Measures

We evaluated 11 specific **space rent stabilization cases**[\[13\]](#) in effect at various locations throughout California. We focused on mobilehome parks in Humboldt County and in other locations similar to Humboldt County where low-income and middle-income homeowners reside in their mobilehomes as their primary residences.

We arranged the eleven examples in order beginning with the arrangements that are most friendly to low-income and middle-income residents and progressing to those that are least friendly to those residents. We made these evaluations after studying the data and the relevant reports.

**Most Friendly** Arrangements for the Low-Income Resident:

- 1. Lazy J Ranch (Arcata) **Month to month Lease** 1970s to 2013
- 2. Humboldt Mobilehome Rent Control **Ordinance** (Initiative Measure V)
- 3. Marina California **Ordinance**
- 4. Napa California **MOU**
- 5. Modesto California Hybrid **Ordinance/MOU/Lease**

**Slightly Friendly** Arrangements for the Low-Income Resident (both of these measures allow unlimited space rent increases upon vacancy)

- 6. Thousand Oaks California **Ordinance**
- 7. Ocean West Senior Village (McKinleyville) **Long-term Lease**

**Least Friendly** Arrangements for the Low-Income Resident:

- 8. Rancho Cucamonga **MOU**
- 9. Ontario **MOU** (Accord)
- 10. Lazy J Ranch (Arcata) **Month to Month Lease** 2013 to present
- 11. Lazy J Ranch (Arcata) **Long-term Lease** 2015 to present



Below are charts that show the 11 space rent stabilization examples that we included in this report. They are listed in order from most resident-friendly to least resident-friendly.

|                                                                 |                                                                                                                                                               |
|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. Lazy J Ranch (Arcata) 1970s—2013 Month to month lease</b> |                                                                                                                                                               |
| Contract Terms                                                  | Month to month lease                                                                                                                                          |
| CPI (inflation)                                                 | 100% CPI. (rent increases according to inflation/CPI)                                                                                                         |
| Pass-throughs                                                   | None; capital improvements etc. were paid for by space rents that increased with inflation/CPI                                                                |
| Are Rent Increases Allowable Upon Vacancy?                      | Yes. However Johnson Ranch, the park owner, did not increase space rents upon vacancy.                                                                        |
| Rent Subsidy for Low Income Residents                           | None.                                                                                                                                                         |
| Other                                                           |                                                                                                                                                               |
| Comments                                                        | The above terms describe the Johnson Ranch ownership that lasted for more than 30 years at the Lazy J Ranch mobilehome park in Arcata from the 1970s to 2013. |

|                                                                                                       |                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2. Humboldt County Mobilehome Rent Control Ordinance Initiative Measure V</b> <a href="#">[14]</a> |                                                                                                                                                                                                                                       |
| Contract Terms                                                                                        | SRSO (Space Rent Stabilization Ordinance)                                                                                                                                                                                             |
| CPI (inflation)                                                                                       | 100% CPI. (rent increases according to inflation/CPI)                                                                                                                                                                                 |
| Pass-throughs                                                                                         | Yes with <b>majority vote approval from mobilehome residents</b>                                                                                                                                                                      |
| Are Rent Increases Allowable Upon Vacancy?                                                            | Yes with conditions. 5% increase in space rent allowed on vacancy (for example, sale of mobilehome).                                                                                                                                  |
| Rent Subsidy for Low Income Residents                                                                 | None.                                                                                                                                                                                                                                 |
| Other                                                                                                 | Fair return adjustment procedure provided for park owners. Residents can request a rent reduction if park services are reduced. Residents can be charged up to \$5/month administrative fee to pay for costs of rent control program. |

|          |                                              |
|----------|----------------------------------------------|
| Comments | Measure V will be on the Nov. 8 2016 ballot. |
|----------|----------------------------------------------|

|                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>3. City of Marina California SRSO</b> <a href="#">[15]</a> |                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Contract Terms                                                | SRSO (Space Rent Stabilization Ordinance)                                                                                                                                                                                                                                                                                                                                                                                                       |
| CPI (inflation)                                               | 100% CPI. (rent increases according to inflation/CPI)<br><br>No decrease in rent if CPI decreases.                                                                                                                                                                                                                                                                                                                                              |
| Pass-throughs                                                 | “It shall be presumed that this standard (100% of the percentage increase in the CPI) provides a fair return to the park owner.” <a href="#">[16]</a> Exceptional circumstances can result in rent adjustments. New <b>capital improvements are subject to approval by majority of residents.</b> Any capital improvement pass-through must be identified separately on the statement along with the date of expiration of the capital expense. |
| Are Rent Increases Allowable Upon Vacancy?                    | Yes with conditions. 5% increase in space rent allowed on vacancy (for example, sale of mobilehome).                                                                                                                                                                                                                                                                                                                                            |
| Rent Subsidy for Low Income Residents                         | None.                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Other                                                         | Administrative service fee is to be paid to the city from every occupied mobile home space except exempt spaces. The fee is set by City Council resolution. Fee in 2011 was \$3.50/month/mobilehome. Fee pays for administration of the ordinance. Net Operating Income is standard for calculations. Park owners pay petition fees for fair return applications.                                                                               |
| Comments                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

|                                                     |                                                                                                                                                             |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>4. Napa, California MOU</b> <a href="#">[17]</a> |                                                                                                                                                             |
| Contract Terms                                      | 1995 MOU between City of Napa and Owners of mobilehome parks within Napa and Residents in the parks. Not all Napa mobilehome parks are included in the MOU. |
| CPI (inflation)                                     | 100% CPI plus 1% and with 3% floor and 7% cap                                                                                                               |
| Pass-throughs                                       | Yes but totally new capital improvements require                                                                                                            |

|                                            |                                                                                                                                                                                                                                                                                |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                            | <b>approval by majority of park residents;</b><br>amortization over life of the capital expenditure<br>with termination date stated on resident's rent<br>statement. Extraordinary cost increases could<br>result in additional rent adjustments without<br>resident approval. |
| Are Rent Increases Allowable Upon Vacancy? | No.                                                                                                                                                                                                                                                                            |
| Rent Subsidy for Low Income Residents      | Yes. Rent subsidy program is administered by the City of Napa.                                                                                                                                                                                                                 |
| Other                                      | Park owners pay their fair share of the budget related to mobilehome park mediation services. Residents in hardship circumstances can sublet their homes for a short time through a carefully controlled process.                                                              |
| Comments                                   | The Napa MOU was mentioned by a Councilmember in an Arcata City Council meeting in December 2015. The 2009 City of Napa Housing Element does not refer to the MOU.                                                                                                             |

|                                                             |                                                                                                                                                                                                     |
|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>5. Modesto Hybrid Ordinance/MOU</b> <a href="#">[18]</a> |                                                                                                                                                                                                     |
| Contract Terms                                              | Hybrid of Ordinance and MOU and Long-term Lease. Eight of nine parks offer the Long-term Lease and agree to the MOU. One park owner refused to sign the lease and is thus subject to the ordinance. |
| CPI (inflation)                                             | With long-term lease: 100% CPI with 7% cap per year<br><br>With ordinance: 100% CPI with 6% cap per year                                                                                            |
| Pass-throughs                                               | unknown                                                                                                                                                                                             |
| Are Rent Increases Allowable Upon Vacancy?                  | Yes with conditions. With signed long-term lease, space rent can increase up to 15% on vacancy. With ordinance space rent can increase up to 10% on vacancy.                                        |
| Rent Subsidy for Low Income Residents                       | Yes. Rent subsidy program funded by mobilehome parks and matching contributions from the city's Redevelopment Agency.                                                                               |
| Other                                                       | Choice of 5-, 7-, or 10-year leases                                                                                                                                                                 |
|                                                             |                                                                                                                                                                                                     |

|          |                                                                                                                                                                                                                           |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Comments | Park owners who offer the city-approved long term leases to mobilehome residents are not subject to the ordinance. One park owner, Equity LifeStyle, considered \$775/month to be the market rate for space rent in 2007. |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. Thousand Oaks Ordinance 2011 Revision <a href="#">[19]</a> <a href="#">[20]</a> <a href="#">[21]</a> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Contract Terms                                                                                          | SRSO (Space Rent Stabilization Ordinance)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| CPI (inflation)                                                                                         | 75% of CPI with 7% cap through 2016. Beginning in 2017, a 100% CPI with no ceiling or floor on annual rent increases. Special supplemental monthly rent increase of \$100 over six years. For example, an increase of \$16.67/month/space is allowed beginning in 2011.                                                                                                                                                                                                                                                                                                                                                                    |
| Pass-throughs                                                                                           | Park owners may apply to the City Manager for a rent adjustment to cover capital improvements and rehabilitations. A city-approved resolution (2011) defines terms for capital improvements and rehabilitation projects. Park owners are required to hold a meeting with mobilehome owners at least once a year to discuss plans for capital expenditures in the park. <b>Majority vote by mobilehome residents is required to increase rent for new improvements.</b> Rent adjustments for capital improvements are temporary, and they expire when the improvements are paid off; the adjustments do not become part of the “base” rent. |
| Are Rent Increases Allowable Upon Vacancy?                                                              | Yes. (Unlimited increase is possible.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Rent Subsidy for Low Income Residents                                                                   | Yes, a rent <b>deferral</b> program in which the qualified “very low income” mobilehome owner repays to the park owner the deferred rent upon sale of the mobilehome (implemented by an interest-free lien on the mobilehome).                                                                                                                                                                                                                                                                                                                                                                                                             |
| Other                                                                                                   | Park owners agree not to convert their parks for ten years from 2011. Park owners agree not to bring suit against the City re changes made to the ordinance for ten years and not to apply for “just and reasonable return” rent increases for ten years.                                                                                                                                                                                                                                                                                                                                                                                  |
| Comments                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

| <b>7.Ocean West Village (McKinleyville) Long Term Lease 2016</b> |                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Contract Terms                                                   | Long Term Lease Agreement (longer than 12 months)                                                                                                                                                                                                                                                                                                                                |
| CPI (inflation)                                                  | 100% CPI. (rent increases according to inflation/CPI)<br><br>2.5% floor, 5.5% cap. No decrease in rent if CPI decreases.                                                                                                                                                                                                                                                         |
| Pass-throughs                                                    | An increase of \$14.50/month for property taxes allowed in 2016. An increase of up to \$16/month for property taxes allowed in 2017. Afterwards property taxes in excess of 2% shall increase the rent.                                                                                                                                                                          |
| Rent Increases Allowable Upon Vacancy                            | Yes. (Unlimited increase is possible.)                                                                                                                                                                                                                                                                                                                                           |
| Rent Subsidy for Low Income Residents                            | None.                                                                                                                                                                                                                                                                                                                                                                            |
| Other                                                            | The first 12 months of the lease have the same rental charges as those offered in the shorter term (less than 1 year) rental agreements. Free rent for the 59 <sup>th</sup> month of the lease. Landscaping on the homesite shall be watered and maintained by homeowner at homeowner's expense. The long-term lease allows an increase to market rates at the end of the lease. |
| Comments                                                         | Ocean West space rent of \$440 to \$600/month (not including utilities or landscaping services) is more than the current market rate of \$250-\$400/month at most other Humboldt County mobilehome parks.                                                                                                                                                                        |

| <b>8. Rancho Cucamonga, California, MOU<a href="#">[22]</a></b> |                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Contract Terms                                                  | MOU between City and park owners                                                                                                                                                                                                                  |
| CPI (inflation)                                                 | 100% CPI, floor 3% and cap 9%                                                                                                                                                                                                                     |
| Pass-throughs                                                   | Yes for taxes and utilities and 50% of the costs of a capital project, amortized for life of project as defined by IRS. Resident Committee can take rent increase to arbitration. Cost of arbitration shared equally by Park Owner and Residents. |
| Are Rent Increases Allowable Upon Vacancy?                      | Yes. (Unlimited increase is possible.)                                                                                                                                                                                                            |



|                                       |                                                                                                                                        |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Rent Subsidy for Low Income Residents | None.                                                                                                                                  |
| Other                                 | Not all mobile home park owners in Rancho Cucamonga are party to the MOU.                                                              |
| Comments                              | The owners of the Lazy J Ranch recommended the Rancho Cucamonga MOU to Lazy J residents during discussions about rent control in 2015. |

|                                                  |                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>9. Ontario, California, Accord (MOU) 2007</b> |                                                                                                                                                                                                                                                                                          |
| Contract Terms                                   | Accord (MOU) between City of Ontario and mobilehome park owners                                                                                                                                                                                                                          |
| CPI (inflation)                                  | 120% CPI, 4% floor, 10% cap                                                                                                                                                                                                                                                              |
| Pass-throughs                                    | Yes. Property tax, utility and capital improvement costs can be passed through to residents but are subject to review by the City of Ontario                                                                                                                                             |
| Are Rent Increases Allowable Upon Vacancy?       | Yes. (Unlimited increase is possible.)                                                                                                                                                                                                                                                   |
| Rent Subsidy for Low Income Residents            | None.                                                                                                                                                                                                                                                                                    |
| Other                                            | City of Ontario enacted rent control in 1990 and repealed it in 1999 when the City approved an MOU/Agreement (the Jack Galvin Accord) with the owners of the mobile home parks within the city. It was amended in 2007 and reapproved in 2014. <a href="#">[23]</a> <a href="#">[24]</a> |
| Comments                                         | Space rents in mobilehome parks in Ontario in June 2016 are \$900+/month. <a href="#">[25]</a>                                                                                                                                                                                           |

|                                                                    |                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>10. Lazy J Ranch (Arcata) 2013—present Month to month lease</b> |                                                                                                                                                                                                                                                                                       |
| Contract Terms                                                     | Month to month lease                                                                                                                                                                                                                                                                  |
| CPI (inflation)                                                    | Space rents have had an annual increase of 13% for <b>incoming</b> residents for the past three years. Space rents have had an annual increase of 5.5% for <b>continuing</b> residents for the past three years. Note: the 5-year annual inflation rate is 2.6% (CPI-U San Francisco) |

|                                       |                                                                          |
|---------------------------------------|--------------------------------------------------------------------------|
| Pass-throughs                         | None; capital improvements etc. are paid for by space rents              |
| Rent Increases Allowable Upon Vacancy | Yes. (Unlimited increase is possible.)                                   |
| Rent Subsidy for Low Income Residents | None.                                                                    |
| Other                                 |                                                                          |
| Comments                              | The above describes FollettUSA’s ownership of the Lazy J from 2013-2016. |

|                                                                |                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>11. Lazy J Ranch (Arcata) Long Term Lease 2015 and 2016</b> |                                                                                                                                                                                                                                                                                             |
| Contract Terms                                                 | Long Term Lease Agreement (longer than 12 months)                                                                                                                                                                                                                                           |
| CPI (inflation)                                                | 100% CPI with 3% floor, 7% cap                                                                                                                                                                                                                                                              |
| Pass-throughs                                                  | Yes. property taxes and capital improvements (over \$50,000 annually, 5 year amortization; 6% interest rate for unamortized capital expenditures; no ending date for rent increases for capitalization costs in pass-throughs)                                                              |
| Rent Increases Allowable Upon Vacancy                          | Yes. (Unlimited increase is possible.)                                                                                                                                                                                                                                                      |
| Rent Subsidy for Low Income Residents                          | None.                                                                                                                                                                                                                                                                                       |
| Other                                                          | Residents have no vote on what capital expenditures can be incurred. Once the rent has increased to cover a capital expenditure, the increase remains in place after the capital expenditure has been paid off. <a href="#">[26]</a> Free rent for the 59 <sup>th</sup> month of the lease. |
| Comments                                                       |                                                                                                                                                                                                                                                                                             |

**Conclusion:** About 90 California cities and counties have ordinances that regulate mobilehome space rents to keep mobilehome housing affordable to low-income residents. In the last three years space rents in Arcata have risen to levels that are unaffordable to low income residents. The City of Arcata is currently investigating measures that might protect the affordable housing in mobilehome parks. **As a result of our study, we are convinced that an ordinance is the best alternative.**

- Study Report prepared by Linda Derksen and Uriela Mitchell. Revised Sept 9, 2016.

---

[1] We prefer to use the term “Space Rent Stabilization” instead of “rent control”, which can refer to apartments.

[2] The introduction to the Humboldt Mobilehome Space Rent Control Ordinance Initiative Measure V gives a full account of the reasons for space rent stabilization in Humboldt County in 2016. [http://www.humboldtmobilehome.org/measure\\_v\\_text](http://www.humboldtmobilehome.org/measure_v_text)

[3] GSMOL, [California Jurisdictions with Mobile Home Park Rent Stabilization Ordinances 2015](#).

[4] Kenneth Baar, “Mobilehome Park Housing in El Monte [California]: Issues and Policy Options, Feb. 17, 2015. <http://www.ci.el-monte.ca.us/LinkClick.aspx?fileticket=ORqP347cWmo%3D&tabid=100>

[5] Michael St. John, “[Balanced Space Rent Guidelines](#)“, Feb. 26, 2013, p. 4.

[6] Kenneth Baar and Dorina Pojani, “[Mobilehome Parks and Mobilehome Space Tenancies in Marina](#)“, December 31, 2008.

[7] Bruce Stanton, letter December 8 2015, p. 2.

[8] [St. John](#), op. cit., p. 24.

[9] Bruce Stanton, The GSMOL Mobilehome Rent Stabilization Ordinance Handbook, Second Edition, 2012, p. 27. <http://mobilehomerentcontrol.blogspot.com/2016/02/the-hybrid-modesto-model.html>

[10] Ibid., p. 16.

[11] [St. John](#), op. cit., p. 4.

[12] Bruce Stanton, letter December 8 2015, p. 3.

[13] Nine measures are currently in effect, one has expired, and one is proposed.

[14] Text of Initiative can be found at:  
[http://www.humboldtmobilehome.org/measure\\_v\\_text](http://www.humboldtmobilehome.org/measure_v_text)

[15] City of Marina California, Mobilehome Rent Stabilization Ordinance.  
<http://www.codepublishing.com/CA/Marina/html/Marina05/Marina0572.html>

[16] Ibid.

[17] City of Napa, “[Memorandum of Understanding between City of Napa Mobilehome](#)

Owner’s Association and City of Napa Mobilehome Park Owner’s Association,” 3 draft.  
Revised 1.30.95.

[18] City of Modesto, “Ordinance No. 3451-C.S., An Ordinance Adding Chapter 19 entitled ‘Mobilehome Rent Stabilization Program’ to Title 4 of the Modesto Municipal Code.” <http://www.modestogov.com/documentcenter/view/1052>

[19] City of Thousand Oaks, Staff Memo July 12, 2011 “[Municipal Code Amendment MCA 2011-70254 Comprehensive Amendment to Mobile Home Rent Stabilization Ordinance](#)”

[20] [City of Thousand Oaks Mobile Home Rent Stabilization Ordinance](#) Chapter 25 of Municipal Code. Jan. 23, 1996, Amended Sept. 9, 2011.

[21] City of Thousand Oaks, Capital Improvement Resolution 2011-046.  
<http://ci.thousand-oaks.ca.us/home/showdocument?id=1632>

[22] City of Rancho Cucamonga, “[The Mobilehome Park Accord](#),” Dec. 16, 2015.

[23] Michael St. John, “[Balanced Space Rent Guidelines](#),” 2013, p 23.

[24] City of Ontario, “Approval of a Five-year Extension to the 2007 Jack Galvin Mobile Home Park Accord Agreement,” Meeting Minutes, December 2, 2014.  
[http://www.ontarioca.gov/sites/default/files/meeting-minutes/city-council/20141202\\_minutes.pdf](http://www.ontarioca.gov/sites/default/files/meeting-minutes/city-council/20141202_minutes.pdf)  
<http://www.ontarioplan.org/jack-galvin-accord/>

[25] In June 2016 Zillow.com showed space rents exceeding \$900 for mobilehomes in Ontario CA.

[26] L. Derksen and J. Derksen, Letter to Arcata City Council and Staff, “[FollettUSA’s Long Term Lease offered to Lazy J Ranch Mobile Home Park Residents](#),” April 4, 2016.

☐ Print

☐ Email

☐ Facebook

Loading...

arcata.mh.ordinance@ gmail.com  
707.845.7185

P.O. Box 604  
Arcata, CA 95518

- [Home](#)
- [Stabilization Measures Study](#)
- Resources
  - [Organizations](#)
  - [Studies and Reports](#)
  - Articles and Letters
    - [News Articles](#)
    - [Letters to the Editor](#)
    - [Letters to the Arcata City Council](#)
  - [Ordinance](#)
  - [MOU – Memorandum of Understanding](#)
  - [Long Term Lease](#)
  - [Subsidization](#)