



Memorandum

**TO: RULES AND OPEN
GOVERNMENT COMMITTEE**

FROM: Leslye Krutko

SUBJECT: OPPOSE AB 761 (CALDERON)

DATE: May 20, 2009

Approved

Christine J. Shipply

Date

5/20/09

Council District: Citywide

SNI: N/A

RECOMMENDATION

The Housing Department recommends that:

1. The Mayor and City Council oppose AB 761 (Calderon); and
2. The Committee provide a one-week turn around for Mayor and City Council review.

OUTCOME

If the Rules and Open Government Committee and the Mayor and City Council accept staff's recommendation, the City's lobbyist may collaborate with other organizations to oppose and/or amend AB 761.

BACKGROUND

AB 761 is of particular interest to San José's mobilehome owners and tenants as the bill allows mobilehome park owners to increase rents upon new tenancy, which is not allowed under the City of San Jose's mobilehome ordinance. An analysis of AB 761 is attached for the Rules and Open Government Committee consideration.

ANALYSIS

A fact sheet and analysis of AB 761 is attached.

May 20, 2009

Subject: Oppose AB 761 (Calderon)—Related to Mobilehome Rents

Page 2

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This legislative item does not meet any of the above criteria.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the Intergovernmental Relations Director in the City Manager's Office.

POLICY ALIGNMENT

The attached fact sheet and analysis is consistent with the Council-adopted 2009 Legislative Guiding Principles, and the Council-adopted guidelines.

CEQA

Not a project.


LESLYE KRUTKO
Director of Housing

For more information call Melissa Whatley, Policy Manager, at (408) 975-4418
Attachments (1)

AB 761 (Calderon) - Mobilehomes and Rent Control

What's the issue the bill is trying to resolve?

AB 761 (Calderon) allows the management of a mobilehome park in a jurisdiction with a mobilehome rent control ordinance to set the initial rental rate upon a new tenancy at up to twice the last-charged rent. This bill provides that, upon the sale, assignment, transfer, or termination of an interest in a mobilehome or a mobilehome tenancy in a mobilehome park, the management may offer a new rental agreement containing an initial rent in excess of the maximum rent established by an ordinance, rule, regulation or initiative measure adopted by a city, county or city and county. The bill specifies a mobilehome park owner may establish the initial rental rate for a new mobilehome tenancy as follows:

- Beginning January 1, 2010, the initial rental rate may be increased by up to 20% of the last-charged rent;
- Beginning January 1, 2011, the initial rental rate may be increased by up to 40% of the last-charged rent;
- Beginning January 1, 2012, the initial rental rate may be increased by up to 60 % of the last-charged rent;
- Beginning January 1, 2013, the initial rental rate may be increased by up to 80% of the last-charged rent; and
- Beginning January 1, 2014, the initial rental rate may be increased by up to 100% of the last-charged rent.

The bill contains exemptions from such increases where the changes in ownership or tenancy are due to the death of a mobilehome owner or tenant where the deceased homeowner's or tenant's spouse takes ownership and occupancy; an existing lease that specifies the amount of rent applicable to the assignee upon a transfer of the interest in the mobilehome; or if a park contains common facilities or improvements that are in disrepair, resulting in an unreasonable risk to life, health, or safety, and which remains untreated for six months or longer preceding the vacancy. AB 761 also authorizes higher rent increases if allowed by the local rent ordinance and specifies that after the initial rental rate is set, rent will be subject to the local rent control ordinance, if one exists.

How would the passage of this bill affect San José?

San José has 58 mobilehome parks (10,649 lots) of which 9 parks (1,353 lots) are identified as senior parks where at least one person is age 55 or older. For many San Jose residents, mobilehomes are their only affordable housing option. Current Mobilehome monthly space rents in San Jose range from \$500 to \$1,000. This bill would allow those rents to increase to \$1,000 to \$2,000 over the next five years for any new resident.

AB 761 would have two main impacts. First, it would impact the resale value of Mobilehomes, resulting in a loss of equity for existing Mobilehome owners. Mobilehome owners pay for the unit itself—as well as pay a space rent. If the space rent increases, the overall affordability of the unit is impacted, and thus the price the owner can receive for the unit itself is reduced. In other

words, if a potential buyer could afford to pay \$1,200 a month in total housing costs, if the rent is \$500 a month, they could finance \$700 to pay for the unit itself. But if the rent is \$1,000 a month, they would only have \$200 to use toward the financing of the Mobilehome unit, reducing the amount of money that a seller could achieve. So, even though, under this bill, current residents would not receive space rent increases, the bill impacts the value of their real estate asset—their Mobilehome unit.

Secondly, if rents for new residents are increased, Mobilehome living becomes a less affordable option. Local agencies, including the City of San José, have adopted regulations to control rents during and between transfers of ownership between coach owners to preserve the affordability of this option.

San Jose's mobilehome rent ordinance, adopted in 1986, allows for annual rent increases without an administrative hearing when the increase does not exceed the maximum annual percentage increase which is between 3% and 7% based on 75% of the previous year's consumer price index. There are certain exemptions consistent with the current Mobilehome Residency Law. The ordinance also allows park owners to increase rents in excess of the maximum annual percentage increase by requesting an administrative hearing. Park owners must provide income and expenses that are adjusted for inflation and comparable to the current incomes and expenses.

What is staff's Proposed Position?

Staff recommends that the City oppose AB 761. The consequences for mobilehome owners will be the loss of much of their equity in what is most likely their greatest single asset. Additionally, it will limit future affordable housing opportunities.

Who are the bill's supporters and opponents?

AB 761 is sponsored by the Western Manufactured Housing Communities Association and is supported by the California Association of Realtors and the California Mobilehome Parkowners Alliance. There are over one-hundred opponents of AB 761, including: AARP California, Bay Federal Credit Union, California Alliance for Retired Americans, Californians for Resident Ownership, California Rural Legal Assistance Foundation, Coalition of Mobilehome Owners-California, Golden State Manufactured-Home Owners League, the League of California Cities, and California Hawaiian Mobile Home Park Homeowners Association, which is located in San Jose.

What is the current status of the measure?

AB 761 passed the Assembly Housing and Community Committee on May 13, 2009.