

Date of Hearing: August 30, 2020

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 2782 (Mark Stone) – As Amended August 25, 2020

SUBJECT: Mobilehome parks: change of use: rent control.

SUMMARY: Requires mobilehome park owners to take steps to relocate or compensate mobilehome park residents when a park is closing or being converted for a different use and deletes a requirement of the Mobilehome Residency Law which exempts from local rent control ordinances rental agreements that are in excess of 12-months' duration if the agreement is entered into after February 12, 2020. Specifically, **this bill:**

- 1) Extends, from 15 to 60 days, the advance notice of a hearing before a local agency to seek approval of a change in park use that mobilehome parks must give to mobilehome park tenants as a precondition for terminating tenancies on the basis of that change in use.
- 2) Requires mobilehome parks that are closing to compensate the displaced residents for the in-place market value of their mobilehome if the residents cannot relocate to another mobilehome park.
- 3) Prohibits local authorities from approving the change in use unless they make a finding as to whether or not the change will result in a shortage of affordable housing within the local jurisdiction, based on specified considerations.
- 4) Makes state law preempting the application of local rent control ordinances to mobilehome leases that are over a year in length and meet other specified conditions inapplicable to leases entered into on or after February 13, 2020.
- 5) Repeals the exemption from local rent control ordinances for all mobilehome leases that are over a year in length, effective January 1, 2025.

EXISTING LAW:

- 1) Establishes that a mobilehome park may only terminate space tenancies within the park based on change of use if:
 - a) The management gives the homeowners at least 15 days' written notice that the management will be appearing before a local governmental board, commission, or body to request permits for a change of use of the mobilehome park; (Civ. Code § 798.56(g)(1));
 - b) After all required permits requesting a change of use have been approved by the local governmental board, commission, or body, the management has given the homeowners six months' or more written notice of termination of tenancy or, if the change of use requires no local governmental permits, then notice must be given at least 12 months before the management's determination that a change of use will occur; (Civ. Code § 798.56(g)(2)) and

- c) The termination notice discloses and describes the nature of the change in use in detail. (Civ. Code § 798.57.)
- 2) Establishes requirements for local agency approval of a mobilehome park or floating marina change in use, including:
 - a) The proponent must file a report on the impact of the conversion on displaced residents of the mobilehome park, as specified;
 - b) The proponent must provide copies of the report to residents as specified;
 - c) The proponent or a park resident has a right to request a hearing before the legislative body on the sufficiency of the report;
 - d) The legislative body may require the proponent to take steps to mitigate any adverse impact of the conversion, closure, or cessation of use on the ability of displaced mobilehome park residents to find adequate housing in a mobilehome park, but the steps required to be taken to mitigate must not exceed the reasonable costs of relocation; and
 - e) Local agencies may enact more stringent measures (Gov. Code §§ 65863.7 and 66427.4.)
- 3) Allows local jurisdictions to impose mobilehome rent control laws, provided that parks can still earn a fair return on their investment. (*Cacho v. Boudreau* (2007) 40 Cal.4th 341, 350.)
- 4) Exempts a mobilehome lease from any otherwise applicable local mobilehome rent control ordinance adopted, if the lease meets all of the following:
 - a) The rental agreement is in excess of 12 months' duration;
 - b) The rental agreement is entered into between the management and a homeowner for the personal and actual residence of the homeowner;
 - c) The homeowner was given at least 30 days from the date the rental agreement is first offered to accept or reject the rental agreement; and
 - d) The homeowner was given 72 hours after receiving a copy of the signed rental agreement in specified manners. (Civ. Code § 798.17.)

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

COMMENTS:

According to the Author: "Unfortunately, as housing prices increase, park owners are converting mobilehome parks into high-end developments at an accelerated and alarming rate and reducing the amount of low to moderate income housing. AB 2782 will empower local governments to protect their rapidly shrinking affordable housing stock."

Background on Mobilehomes: There are approximately 700,000 Californians living in about 400,000 mobilehomes dispersed over 4,100 mobilehome parks. Despite their name, mobilehomes are not truly mobile and it is often cost prohibitive (up to \$20,000) to relocate

them. Additionally, some older homes may not be able to be moved at all due to structural concerns or the fact that parks often will not accept older mobilehomes.

A mobilehome owner whose home is located in a mobilehome park does not own the land the unit sits on and instead pays rent and fees for use of the lot and any community spaces. Unlike traditional single-family homes, mobilehomes are considered chattel property and not real property. As such, purchasing a mobilehome is often much less expensive than traditional site-built housing and mobilehomes represent an important source of affordable housing in the state, especially for seniors and low-income households who are increasingly priced out of traditional rental housing.

Mobilehomes are the largest source of unsubsidized affordable housing in the nation and both state and local governments have recognized the unique situation of mobilehomes by passing special laws governing the relationship between mobilehome owners and parks management. In particular, California mandates that a mobilehome park owner must complete a number of steps before a park can be closed, converted, or go through any “change of use”. These closure requirements include filing a conversion impact report (CIR) with the local government, providing copies of the CIR to all residents of the park, and obtaining any necessary permits from the city or county. Additionally, after a park receives the necessary permits to close, owners must give residents a minimum of 6 months’ notice before their tenancy is terminated.

Proposed Modifications of the Procedures for Local Approval of Mobilehome Park Closures:

Existing law provides for a process under which mobilehome park owners must apply for approval from local authorities to shut down or otherwise change the property’s use. (Gov. Code § 65863.7.) That approval process is meant to force consideration of the impact of the closure on the displaced residents and on affordable housing in the community as a whole. In spite of the existence of this approval process, a 2019 study undertaken by one of the sponsors of this bill showed that at least 565 mobile home and recreational vehicle parks have been converted to another use or closed in California between March 22, 1998, and March 22, 2019. The report concludes that the overwhelming majority of these lost units represented affordable housing and, in most instances, that affordable housing was replaced with higher end homes.

From these trends, the author and sponsors conclude that the existing process for approval of mobilehome park conversion needs to be fortified. This bill does that in three ways. First, existing law simply says that the legislative body or advisory agency reviewing the change in use may require the proponent to mitigate any adverse impact on the displaced resident’s ability to find adequate alternative housing in a mobilehome park, but the cost of any required mitigation cannot exceed the reasonable costs of relocation. Under this bill, if a displaced mobilehome owner cannot be relocated to another mobilehome, then the person or entity proposing the park closure must compensate the mobilehome owner in full for the current, in-place value of the mobilehome, as determined by appraisal. Second, this bill requires a local jurisdiction reviewing a proposed change in use to make a finding, before approval of the change in use, that the proposed change in use will or will not result in a reduction in affordable housing within that jurisdiction. This requires decision-making transparency from the local jurisdiction without limiting its authority to approve the proposed change in use. Finally, this bill extends the advance notice about a public hearing regarding the park closure that mobilehome parks must give their residents as a precondition for terminating the resident’s tenancy.

State Preemption of Local Mobilehome Rent Control: Even more than other residential tenants, mobilehome owners cannot simply pick up and move in response to rent increases. Despite their

names, many mobilehomes cannot, in fact, be moved, and for those mobilehomes that can be moved, the cost is generally quite high. Recognizing the particular leverage that this dynamic gives to mobilehome parks over their residents, approximately a hundred local jurisdictions within California have enacted some form of mobilehome rent control. In response, the Legislature has passed legislation partially preempting local governments' authority in this area. Of particular relevance to this bill, Civil Code Section 798.17 exempts leases of over one year from any otherwise applicable local rent control ordinances.

As originally enacted, Civil Code Section 798.17 simply exempted a mobilehome lease from local rent control if the lease was greater than a year in length and so long as prominent language in the lease informed the mobilehome tenant about the exemption. (SB 1352, L. Greene, Chapter 1084, Statutes of 1985.) Almost immediately, however, the Legislature added more preconditions to the contractual circumstances that would support the exemption. These "cooling off" provisions appear to recognize the danger that mobilehome residents might be pressured or incentivized to enter quickly into long-term, rent control exempt leases without immediately realizing what they were giving up.

The park owners who oppose this bill assert that these basic procedural protections are sufficient to ensure that parks cannot take advantage of park residents. According to this viewpoint, if park residents choose to enter into long-term, rent control-exempt leases, it is only because they perceive some benefit in such a lease that outweighs the value of rent control. The author and proponents of this bill, conversely, believe that the protections in existing law do little to overcome the fundamental asymmetry at the heart of this bargaining relationship.

Arguments in Support: Supporters argue that this bill is necessary to correct the power imbalance between park owners and home owners. According to the Golden State Manufactured Home Owners' League, "Over the last 20 years over 15,000 affordable mobilehome park spaces have been lost due to mobilehome park closures. Applications for mobilehome park closures have also increased over the last few years partly due to real estate values. AB 2782 would set a minimum standard at the local government level for the conversion of a mobilehome park, without preventing local governments from enacting more stringent measures."

Arguments in Opposition: Opponents argue that this bill would exacerbate, rather than improve, conditions for tenants, and would hurt jurisdictions. According to the Western Manufactured Housing Communities Association, the bill "is based on the false premise that a long-term lease not subject to local rent control is never in the interest of a tenant. In fact, long term leases entered into under the law eliminated by [AB 2782] can save tenants money because a homeowner can make use of the statute eliminated by [AB 2782] to negotiate for lower rent increases than they would be guaranteed by a local rent control ordinance." According to the California Mobilehome Parkowners Alliance, "If a local government believes their jurisdiction would be better served by a different or more abundant type of housing in the same location, a parking structure that would increase access to public transit, environmental restoration, or any other purpose, their hands will be tied under AB 2782."

REGISTERED SUPPORT / OPPOSITION:

Support

Golden State Manufactured-home Owners League, INC. (GSMOL) (Sponsor)

Abundant Housing LA
Bay Federal Credit Union
Belmont Shores Mobile Home Estates
Board of Directors of the Rancho Yolo Community Association
California Alliance for Retired Americans
California Rural Legal Assistance Foundation
Carriage Acres Residents Association
Center on Race, Poverty & the Environment
Central California Asthma Collaborative
City of Carpinteria
Country Mobile Home Park Homeowners Association
County of Santa Cruz
Diamond K Homeowners
Disability Rights California
El Nido Mobilehome Estates
Faith in the Valley
Fircrest Homeowners Association
Fircrest Mobile Home Park Homeowners Association
Green Lantern Residents Association
GSMOL Sandpiper Chapter 776
Heritage Oak Glen Homeowners Association
Jakara Movement
Lakeshore Gardens
Leadership Council for Justice and Accountability
Leisure Lake Mobilehome Park HOA
Los Angeles County Board of Supervisors
Marina Mobilehome Coalition
Meadows Manor Mobile Home Park Homeowners Association
Nine Mobilehome Parks
Orange County Mobile Home Residents Coalition
Peninsula for Everyone
People for Housing Orange County
PolicyLink
Portola Heights Homeowners Association
Power California
Public Interest Law Project
Public Law Center
Rancho Buena Vista Homeowners Association
Rancho San Miguel Homeowners Association
Rodeo Estates Residents Association
Roman Catholic Diocese of Fresno
Sandpiper HOA, Carpinteria
Santa Cruz County Board of Supervisors
Santa Rosa Mobilehome Owners Association.
Senior Citizens Legal Services
Sequoia Gardens Manufactured Home Owners Association
Shoreline Estates Residents Association
Sonoma County Manufactured-home Owners Association
Sonoma County Mobilehome Owners Association

Sonoma County Mobilehome Owners Association
Sonoma Oaks Mobile Home Park
Sonoma Valley Housing Group
Summerset MH Residents Association
Sunnyvale Mobile Home Park Alliance
UDW/AFSCME Local 3930
Urban Environmentalists
Western Center on Law & Poverty
Women's International League for Peace and Freedom -- Fresno
Yacht Harbor Manor Mobile Home Park Homeowners Association
YIMBY Action

Opposition

Cabrillo Management Corporation
California Association of Realtors
California Mobilehome Parkowners Alliance
Western Manufactured Housing Communities Association

Analysis Prepared by: Sandra Nakagawa / H. & C.D. / (916) 319-2085