Date of Hearing: July 8, 2025

ASSEMBLY COMMITTEE ON JUDICIARY
Ash Kalra, Chair
SB 749 (Allen) – As Amended May 6, 2025

SENATE VOTE: 27-10

SUBJECT: MOBILEHOME PARKS: CLOSURE, CESSATION, OR CHANGE OF USE

KEY ISSUE: SHOULD MOBILE HOME PARK OWNERS BE PROHIBITED FROM CLOSING OR CONVERTING A MOBILE HOME PARK WITHOUT FIRST PROVIDING PRESCRIBED NOTICES AND OFFERING THE PROPERTY FOR SALE TO A QUALIFIED ENTITY, AS DEFINED?

SYNOPSIS

According to most estimates, more than 700,000 people live in one of California's nearly 5,000 mobilehome parks. As such, mobilehome parks provide a critical source of unsubsidized affordable housing in the state. Moreover, because "mobile" homes are rarely mobile, park closures or conversion to other uses can mean the loss of substantial investments in homes, yards, and park communities. Making matters worse, massive wildfires in recent years have destroyed mobilehome parks from Paradise, in Northern California, to Pacific Palisades, in Southern California. Recent legislation, as described in the analysis, has mitigated the impact of closures by, among other things, requiring longer notice periods, requiring local agencies to make certain findings before approving a change of use, and requiring park owners to pay residents the market value of the mobile home if the resident cannot relocate to another park.

This bill seeks to offer additional protections for mobilehome owners by restricting a park owner's ability to close the park or convert the property to another use, whether the closure or conversion is due to a natural disaster or not. Specifically, the bill would require any park owner who intends to close or convert a park to provide prescribed notice to affected tenants and the affected local agency about the planned change. More controversially, by adopting a variation of the state's Preservation Notice Law (PNL), the bill would require the owner, before making the change, to offer the property to a "qualified entity" (e.g. an approved nonprofit or public entity) and to accept any bona fide offer to purchase the property at fair market value.

The bill is supported by several affordable housing advocates, who claim that it is necessary to preserve a critical source of affordable housing. It is opposed by the California Association of Realtors and the two major associations representing park owners and management, who claim that the bill, if implemented, would constitute an unconstitutional "taking." The bill recently passed out the Assembly Housing and Community Development Committee on a 7-4 vote.

SUMMARY: Requires the owner or management (management) of a mobile home park to provide notices to affected tenants, prospective tenants, and public entities, as specified, of any anticipated closure, cessation, or change of use of the park, as specified, and prohibits management from proceeding with the change without first providing certain entities an opportunity to purchase the park. Specifically, **this bill**:

1) Requires the management of a mobile home park, at least 12 months and again at least 6 months prior to the anticipated date of closure, cessation, or change of use of a mobilehome

park, to provide notices of the proposed change to each affected tenant, prospective tenant, and affected public entities, as specified.

2) Requires the Director of Housing and Community Development to approve forms to be used by management to comply with the provisions of 1), and requires management to use the approved forms once the director has approved the forms.

3) Provides for injunctive relief to any affected public entity or affected tenant, including a resident organization, as defined, who is aggrieved by a violation of this bill.

4) Prohibits management of a mobilehome park from pursuing closure, cessation, or change of use of the mobile home park unless management has provided resident organizations and certain nonprofit organizations and public agencies an opportunity to submit an offer to purchase, as specified.

5) Requires an entity to be certified by the Department of Housing and Community Development in order to qualify as a purchaser under this bill, and requires the Department to, among various other duties, establish a process for that certification and maintain and update a list of certified entities.

6) Requires a qualified entity that elects to purchase the mobile home park to make a bona fide offer within 270 days of the notice of the opportunity to submit an offer that, among other things, certifies under penalty of perjury that the entity has been certified by the Department of Housing and Community Development.

7) Provides that any affected tenant, resident organization, qualified entity, or affected public entity, as specified, may enforce these provisions either in law or in equity.

8) Provides that previous homeowners shall receive specified notices required under certain provisions of the Planning and Zoning Law, as revised by the bill as described above, the Mobilehome Residency Law, and the Mobilehome Parks Act, as applicable, in the same manner as a current homeowner of the mobilehome park.

9) Provides that previous homeowners are not obligated to pay rent during the time at which they are unable to live in the mobile home park following a wildfire or other natural disaster.

EXISTING LAW:

1) Requires a park manager, in the case of a change of use of the park or any portion of the park, to provide the park residents at least 60 days' written notice that the management will request change of use permits from a local agency. (Civil Code Section 798.56 (g).)

2) Requires a park manager, after all required change of use permits have been approved, to give park residents at least six months written notice of termination of tenancy. If the change of use does not require a local government permit, notice shall be given 12 months or more prior to a park manager's determination that a change of use will occur. (Civil Code Section 798.56 (g).)

3) Requires that, prior to the conversion or closure of a park, the individual or entity proposing the change submit a report to the local agency that includes a replacement and relocation

plan to mitigate the impact on displaced residents. If a displaced resident is unable to relocate to another park, they must be paid the market value of the mobilehome, as specified. (Government Code Section 65863.7.)

4) Requires a legislative body, prior to approving any change of use of a park, to make a finding as to whether the park closure or conversion to new use will result in or contribute to a shortage of housing opportunities for low- and moderate-income households within the local jurisdiction. (Government Code Section 65863.7.)

5) Requires a mobilehome park owner to provide written notice of their intention to sell the mobile home park not less than 30 days or more than one year before entering into a written listing agreement with a licensed real estate broker for the sale of the park, or prior to offering to sell the park to any party. Requires the written notice to be provided by first-class mail or by personal delivery to the president, secretary, and treasurer of any resident organization formed by homeowners in the mobilehome park as a nonprofit corporation, stock cooperative corporation, or other entity for purposes of converting the mobilehome park to condominium or stock cooperative ownership interests and for purchasing the mobilehome park from the management. (Civil Code Section 798.80 (a).)

6) Provides that if a park is destroyed due to a natural disaster, and the manager elects to rebuild the park, they shall offer residents who previously lived in the park the right to return, as follows: the offer shall be on substantially the same terms as the prior rental agreement, except for adjustments to reflect costs of rebuilding the park, as specified; the offer shall be made at least 240 days (8 months) before the park reopens, as specified and residents shall have 60 days to accept the offer; and the offer shall not be transferable. Requires the park manager to provide any park resident, upon request, a statement of the costs and expenses incurred in rebuilding the park and how these costs relate to any adjustments in the rental agreement terms. (Civil Code Section 798.62.)

7) Establishes the Preservation Notice Law (PNL), which requires an owner of an assisted housing development to provide notice of the proposed termination of a subsidy contract, the expiration of rental restrictions, or prepayment to each affected tenant, as well as affected public entities, at least 12 months and at least six months prior to the anticipated date of the termination, expiration, or prepayment, as specified. (Government Code Section 65863.10.)

8) Prohibits an owner of an assisted housing development from terminating a subsidy contract unless the owner or its agent shall first have provided each "qualified entities," as defined, an opportunity to submit an offer to purchase the development, as specified. (Government Code Section 65863.11.)

FISCAL EFFECT: As currently in print this bill is keyed fiscal.

COMMENTS: According to the author:

California has a housing affordability crisis. Mobilehomes are the largest source of unsubsidized affordable housing in the country and provide important homeownership opportunities for many Californians. Mobilehome owners tend to be older and poorer than the average renter. HCD acknowledges that preserving this housing option is critical to meeting the state's housing needs. Mobilehome parks are at increasing risk of

closure, exacerbated by impacts of wildfires. To address the risk of conversion of at-risk units to market-rate, the state began to adopt affordable housing preservation laws starting in 1987. SB 749 adapts preservation notice law to apply to mobilehome parks, creating a pathway for residents and qualified nonprofits to offer competitive bids to preserve mobilehome parks and prevent their closure or conversion.

Existing law on mobile home park sales, conversions, or destruction. Existing law requires a mobile home park owner or management (management) that intends to change the use of the park, or any portion thereof, to provide affected residents with at least 60 days' notice that they will request change of use permits from the relevant local agency. After all change of use permits have been approved, management must then give affected park residents at least six months' notice of termination of the tenancy. If the change in use will not require any permits from the local authorities, then management must give residents notice of the proposed change at least 12 months prior to change occurring. If management plans to sell the park, they must provide notice of intent to sell not less than thirty days nor more than one year before entering into a written listing agreement with real estate broker for sale of the park, or before selling the park to any party. Management must also provide notice to any resident organization that has an interest in converting the park to a cooperatively-owned park. Finally, if the park is destroyed by a natural disaster, and management elects to rebuild the park, then management must offer residents who previously lived in the park the right to return on substantially the same terms, taking into account the costs of rebuilding the park.

In order to enhance protections for residents and better preserve mobilehome parks, AB 2782 (Stone) Chap. 35, Stats. 2020, required management who intended to close or convert a park to pay market value for the mobilehome to any park resident who was unable to relocate to another park. This provision reflected the reality that "mobile" home is something of a misnomer, because moving a manufactured home is difficult and expensive, and in some cases nearly impossible. AB 2782 provided other important protections as well, most notably it required the local agency, prior to approving a proposed change in use, to make a finding on whether the new use would result in a reduction of affordable housing in the local market.

This bill attempts to strengthen existing law and better preserve mobilehome parks by adopting an approach that is similar to California's Preservation Notice Law (PNL) for the preservation of subsidized affordable housing. PNL imposes requirements on the developers and owners of "assisted" (or subsidized) housing developments. These developments typically receive subsidies from a local government in exchange for agreeing to keep rents affordable for some period of time, typically between 30 and 55 years. At the end of that period, the owner may elect to continue receiving subsidies and keep the rents at the affordable rates, or it may decide to let the subsidy contract expire and begin charging market rates. However, PNL requires owners who elect to convert to market rates to first give certain "qualified entities" – as designated by the Department of Housing and Community Development – an opportunity to purchase the property at fair market value. The qualified entities – which may include nonprofit housing groups or public entities – may purchase the property and agree to maintain the affordable rent. Until last year, existing law permitted the owner to reject the offers from qualified entities and then convert the property to market rates after five years. However, last year's AB 2926 (Kalra) Chap. 281, Stats. 2024, required the seller of a subsidized housing development to accept a bona fide offer from a qualified entity or maintain the development as affordable housing.

Using the PNL model to prevent closures or conversions of mobile home parks. According to the author, in order to prevent the loss of mobile home parks, and the crucial affordable housing that the parks provide, this bill "adapts the preservation notice law to apply to mobilehome parks, creating a pathway for residents and qualified nonprofits to offer competitive bids to preserve mobilehome parks and prevent their closure or conversion." Although the author and supporters cite the recent wildfires that have exacerbated the loss of the parks, the bill would apply to *any* proposed closure or change of use, regardless of the reason. Specifically, the bill would require any park owner who intends to close or convert a park to provide prescribed notice to affected tenants and the relevant local agency about the expected change, similar to what is required in existing law. More controversially, by adopting a variation of the state's Preservation Notice Law (PNL), the bill would require the owner, before closing or converting a park, to notify tenants, the relevant local agency, and each "qualified entity" designated by the Department of Housing and Community Development (HCD). A "qualified entity" means an entity that HCD has certified as a qualified purchaser. In order to qualify the entity must have demonstrated relevant prior experience in California indicating its capacity for operating housing facilities. In addition, the entity must be one of the following: (1) the resident organization of the mobilehome park; (2) a local nonprofit organization or public agency; (3) a regional or national nonprofit organization or regional or national public agency. In short, a qualified entity is ideally a nonprofit or public entity committed to maintaining the mobilehome park as a source of affordable housing.

Is the PNL an appropriate model for preserving mobile home parks? One of the questions raised by the opposition to this bill concerns whether or not the PNL model is an appropriate one for preserving mobilehome parks. Indeed, there are at least three important distinctions. First, the PNL does not apply when an owner seeks to close or change the use of the property; rather, it applies when the subsidy contract expires and the property would otherwise return to market rates. Second, the policy goal of the PNL is to preserve as many affordable units as possible. However, it is not true that in all cases that preserving a mobilehome park as a park will maximize the number of affordable units. Apartment buildings on the same property might result in a greater number of affordable units. Third – and this appears to be the greatest difference for the opponents – the developer of the affordable housing takes the subsidy with the understanding of the constraints that go along with it, including the requirement that the property be offered to a qualified entity before the owner may return to market rates. However, the park owners received no such subsidy and made no such agreement. Indeed, the opposition claims that if this bill becomes law it will be subject to a constitutional challenge as a "regulatory taking," a claim that is considered in the next section.

From physical takings to "regulatory takings" in modern case law. As originally understood, the "takings clause," in both the state and federal constitutions, referred to the literal "taking" or seizure of property by a government exercising its inherent power of eminent domain. Under both state and federal constitutions, a government may take property so long as it is for a "public use" and the government provides the owner with "just compensation." However, over the course of the 20th century, the concept evolved to include so-called "regulatory takings" – that is, not just the literal seizure of property, but any regulation that "substantially diminishes" the value of the property. While the Fifth Amendment's Takings Clause protects against appropriations without just compensation, the Fourteenth Amendment, according to several decades of precedent, prohibits a broader scope of regulatory takings. Regulatory takings occur when a regulation limits the use of private property to such an extent that its value is

significantly diminished, even though the property has not been formally expropriated. (*Armstrong v U.S.* (1960) 364 U.S. 40.)

Modern takings jurisprudence arguably begins with *Penn Central Transportation Co. v. City of New York* (1978) 438 U.S. 104. The case centered upon New York City's Landmarks Preservation Law of 1965, which empowered the city to designate certain structures and neighborhoods as "landmarks" or "landmark sites." Penn Central, which owned the Grand Central Terminal, built in 1913, was denied permission to construct a multistory office building above this iconic landmark. The question before the Court was whether the restriction against Penn Central constituted a "taking" in violation of the Fifth and Fourteenth Amendments. Although the Court acknowledged that any takings analysis involves "essentially ad hoc, factual inquiries," it set forth general guidelines and relevant considerations:

> The economic impact of the regulation on the claimant and, particularly, the extent to which the regulation has interfered with distinct investment-backed expectations are . . . relevant considerations. So too, is the character of the governmental action. A 'taking' may more readily be found when the interference with property can be characterized as a physical invasion by government than when interference arises from some public program adjusting the benefits and burdens of economic life to promote the common good. (*Id.* At 124.)

Applying these considerations to the New York City regulation that prohibited Penn Central from constructing the multistory building atop the Grand Central Terminal, the U.S. Supreme Court upheld the regulation, notwithstanding the fact that the regulation prevented Penn Central from maximizing the value of its property. The Court reasoned that the restrictions imposed did not prevent Penn Central from *ever* constructing above the terminal in the future. New York's objection was to the nature of the proposed construction, not opposition to any change that might "enhance" the value of the Terminal. The Court concluded that preventing construction of a multistory addition above the station was a reasonable restriction substantially related to the general welfare of the city. In short, it is not enough to say that a regulation diminishes the value of the property, prevents the owner from enjoying the maximum use of the property, or simply prevents the owner from using the property in the owner's preferred fashion. Such regulations are upheld when they arise from "some public program adjusting the benefits and burdens of economic life to promote the common good." (*Id.*)

As applied to SB 749, this approach would require a court to consider whether requiring the park owner to continue to operate the park as a park, or sell it to a qualified entity at market value, interfered with the park owner's "distinct investment-backed expectations." Because such analyses, as the Court conceded, are "essentially ad hoc, factual inquiries," it is difficult to say for certain how a court would decide. We cannot know if requiring a park owner to continue operating the property as a mobilehome park, or selling it to a qualified entity for market value, interferes with the owner's investment-back expectations until there is a factual inquiry into what those expectations were and the market value offered. Limiting the pool of buyers to a finite number of qualified entities will no doubt result in lower offers than if the property were offered to the open market. However, even if the regulation can be deemed a "taking" that diminishes the property's value, that does not end the inquiry. The court would still need to consider whether the regulation reasonably adjusts "the benefits and burdens of economic life to promote the common good." Certainly the state has an interest in preserving affordable housing where it serves the common good.

Opinions cited by opposition do not appear to support the claim that this bill is unconstitutional. The opposition may be correct that a court *might* find that the requirements in this bill interferes with the park owners "constitutional right to go out of business, cease operations, close the park and change the use of his or her property." However, the cases cited by the opposition do not support the claim that this bill would result in an unconstitutional taking. For example, the opposition cites *Keh v. Walters* (1997) 55 Cal.App.4th 1522, for the proposition that "a park owner is entitled to convert property used as a mobilehome park to another use, or even to hold it as vacant land." The opponents also cite *Yee v. City of Escondido* (1992) 503 U.S. 519, for the proposition that the state's Mobilehome Residency Law (MRL) "provides that a park owner who wishes to change the use of his land may evict [their] tenants."

However, while both quotations do indeed appear in these cases – when the Court in dicta sets out general principles – it is important to note that neither case found an unlawful taking and both cases ruled *against* the park owners. *Keh v Walters* involved not a takings claim, but a question of statutory interpretation. In that case, a park owner tried to evict tenants one at a time – by converting just one lot at a time to a different use – in an effort to close the entire park without obtaining the required city approval or paying relocation benefits. The park owner argued that each time he evicted a single unit it constituted a "change of use" of that space, permitting an eviction under Civil Code Section 798.56 (g). However, because the owner was not "changing the use" of the entire park (just one space at a time), he was not bound by Government Code Section 65863.7, which requires "the person or entity proposing the change in the use shall file a report on the impact of the conversion, closure, or cessation of use of the mobilehome park." An appellate court rejected the park owner's distinction as a bit too clever. The Court held that the owner's attempt to evict was unlawful under Section 798.56, and held further that the owner violated Section 65863.7 by failing to file the required report given his intent to close the park, albeit one lot at a time. Notwithstanding the dicta, the case hardly provides a precedent suggesting that SB 749 would be found unconstitutional.

It is also difficult to see how *Yee v. City of Escondido* supports the claim that SB 749 would result in an unlawful taking. This case involved a city rent control ordinance that set rent at the 1986 level and prohibited rent increases without the approval of the city council. The superior court rejected the park owner's argument that this amounted to a "physical taking" of the property, with the owner citing *Hall v. Santa Barbara* (1987) 833 F.2d 1270 and *Loretto v. Teleprompter Manhattan CATC* (1982) 458 U.S. 491. The superior court, the appellate court, and the U.S. Supreme all rejected this argument and the applicability of those cases. All three courts upheld the constitutionality of the ordinance against the park owner's challenge. To be sure, Justice Sandra Day O'Connor's majority opinion noted that the question of a "regulatory taking," as opposed to a "physical taking," was not before the Court, and that wiser counsel might have framed it as a regulatory taking. Be that as it may, the *Yee* decision seems questionable authority for the proposition that SB 749 is an unconstitutional taking.

In conclusion, whether it is wise policy to apply the principles of the Preservation Notice Law to mobilehome parks is worthy of discussion, given that preserving a mobilehome park in its present use will not in all cases support the underlying policy goal of maximizing the number of affordable units in the state or in any particular jurisdiction. For example, suppose an owner with a park that has only 50 lots wants to build several apartment buildings creating 100 units. While the park closure would work a hardship on the residents of the park, an apartment building that doubles the number of affordable units might better serve the public interest. Apart from this policy question, the opponents raise a constitutional question as to whether giving the park

owners the option of selling to a qualified entity or continuing to operate the property as a mobilehome park amounts to an unconstitutional "regulatory" taking. However, as noted above, the regulatory takings case law suggests the need for "ad hoc, factual inquiries" and the balancing of the owner's unquestioned rights of property against the state's equally unquestioned right to regulate property in the public interest.

***ARGUMENTS IN SUPPORT**:* The California Rural Legal Assistance Foundation and the Public Interest Law Project write in support:

> California's manufactured housing communities are an important source of affordable homeownership for lower-income households. As you know, the closure of a manufactured housing community can have devastating impacts on its residents. Despite being commonly referred to as "mobilehomes", manufactured housing is not mobile. Once placed in a community, it is difficult, impossible, or cost-prohibitive for the homeowner to move the home to another location, so when a manufactured housing community closes the homeowners typically face the loss of their investment in their home. Worse, as you have experienced in your community after the Palisades fire, and we witnessed in other disasters like the Camp fire, the closure of a park following a natural disaster compounds the devastating loss that affected homeowners experience and drastically changes the local community.
>
> While state law and some local ordinances provide an opportunity for homeowners to receive some compensation for the value of their home when a community closes, avoiding closure of the community and fostering community or resident ownership is a better solution. SB 749 will help to do that by using the model the state has adopted for the preservation of affordable multifamily housing. Your bill gives certain entities the opportunity to make a market-based offer to purchase and preserve the manufactured housing community, ensuring community stability and that homeowners' investments in their homes are protected. Even where ultimately a sale to a preservation purchaser does not materialize, SB 749 gives homeowners advanced notice of the impending closure, allowing them more time to find replacement housing.

The Western Center on Law and Poverty writes in support:

> This year, the Palisades, and Eaton Fires in Los Angeles, have devastated mobilehome parks that many senior and low-income residents reside in. However, these fires have open the door for unscrupulous actors to purchase these homes and displace the residents.
>
> SB 749 gives communities a critical tool to preserve these homes by allowing residents, local governments, and community-based organizations to preserve these vital homes by purchasing the park at its fair market value. This would ensure that the homes remain available and affordable for the residents for years to come while adequately compensating the owner for the value of the park.
>
> Our communities desperately need to preserve what limited affordable housing we have, including after natural disasters. We cannot continue to shift around our seniors, working families, and low-income Californians, assuming that all housing is fungible or even available. SB 749 is a critical step toward protecting that most essential human

need of shelter for those who are least likely to be able to find alternative housing on short notice.

ARGUMENTS IN OPPOSITION*:* The California Mobilehome Parkowners Alliance (CMPA) opposes this bill because, they believe, it constitutes "a significant erosion of property rights, is unconstitutional, and will not help residents of mobilehome parks that are victims of wildfire recover." CMPA explains further:

> If signed into law SB 749 allows the state to select who is and is not eligible to purchase a mobilehome park. Under the bill, HCD must compile a list of "qualified entities" and mandates that a park owner offer to sell its park to one of these entities. SB 749 prohibits parkowners from walking away from an offer from one of these entities and in fact forces them to sell to a buyer selected by HCD at a price decided by an unknown appraiser.
>
> CMPA believes this policy significantly undermines a parkowners ability to get the fair market value for their property when disposing of it resulting in an unconstitutional taking (*Keh v. Walters* (1997); *Yee v. City of Escondido* (1992)). To defend themselves and ensure that their property is not devalued, mobilehome parkowners around the state will likely challenge the constitutionality of this law as soon as it is in effect. This litigation could easily take six years or more to play out necessitating significant costs to the courts and to the Attorney General. More importantly, when the courts inevitably determine that this is unconstitutional, residents of mobilehome parks that are victims of wildfire will find themselves in the same predicament they are in today.

REGISTERED SUPPORT / OPPOSITION:

Support

California Coalition for Rural Housing
California Community Land Trust Network
California Housing Partnership
California Rural Legal Assistance Foundation
City of Cotati
Golden State Manufactured-home Owners League
Leadership Counsel for Justice and Accountability
Legal Aid of Sonoma County
Palisades Bowl Community Partnership
Public Interest Law Project
Tahitian Terrace HOA
Western Center on Law & Poverty

Opposition

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

Analysis Prepared by: Tom Clark / JUD. / (916) 319-2334