



SUMMARY REPORT

Agenda Date: 10/24/2023

To: Sonoma County Board of Supervisors and Board of Commissioners of the Community Development Commission

Department or Agency Name(s): Sonoma County Community Development Commission

Staff Name and Phone Number: Michelle Whitman, (707) 565-7504

Vote Requirement: Majority

Supervisory District(s): Countywide

Title:

Mobilehome Park Space Rent Stabilization: Ordinance Amending Chapter 2, Article XIX of the Sonoma County Code; and Determination of Exemption from the California Environmental Quality Act (CEQA).

Recommended Action:

Board of Supervisors and Board of Commissioners: Consider Amendments to Chapter 2, Article XIX of the Sonoma County Code to Strengthen Mobilehome Park Resident Protections; Determination of CEQA Exemption.

Executive Summary:

Sonoma County's Housing Element adopted on August 22, 2023 includes Program 3: Protections for Mobile Home Parks. Section 3a states that the County will continue to implement the mobile home rent stabilization ordinance and update as necessary to ensure ongoing affordability of this unique form of housing. One week prior to adoption of the Housing Element, at the August 15, 2023 meeting of the Sonoma County Board of Supervisors, residents of mobile home parks (MHP) within the County's jurisdiction spoke during public comment to bring attention to rent increases for spaces in MHPs outpacing the fixed income on which many MHP residents rely. Several residents urged that the County's current mobile home rent stabilization policies should be strengthened as soon as possible to protect captive tenants from financial distress and displacement. The County's current Mobile Home Rent Stabilization Ordinance (MHRSO) caps allowable space rent increases at 6% of the previous year's rent or 100% of the Consumer Price Index (CPI), whichever is lower.

Several of the municipalities within the County, including Santa Rosa, Rohnert Park, Windsor, Petaluma, and Sebastopol have recently updated MHP ordinances to alleviate economic hardship for a substantial number of MHP residents, many of whom are elderly and/or disabled, living on low and/or fixed incomes. The current rent increase caps, including other municipalities, are presented in Table 1.

On August 22, 2023 the Board of Supervisors approved a temporary moratorium (Attachment 1) on mobile home (MH) space rent increases to preserve housing status for vulnerable populations, giving Community Development Commission (CDC) staff time to research the issue, hold listening sessions with MHP owners and residents, and propose ordinance amendments. A discussion of the CDC's review follows. CDC staff recommends: 1) a cap on allowable MHP space rent increases at 4% above the previous year's rent, or 70% of the CPI, whichever is lower; and 2) upon an in-place sale of a mobilehome on site to a resident-to-be or current resident,, the park owner may increase the rent by an amount that does not exceed 10% of the then

current base rent.

Staff's recommended ordinance (Attachment 5) is presented for introduction and first reading at today's Board meeting, subject to your Board's modification or approval. Staff intends to return at the November 7 Board meeting for second reading and adoption. After adoption, the ordinance shall be published once in the Press Democrat within 15 days of adoption. Assuming the ordinance is adopted on November 7, the ordinance would be effective 30 days later on December 7, 2023. Note that the County's temporary moratorium on mobilehome space rent increases (Urgency Ordinance 6443, Attachment 1) will no longer be in effect upon the effective date of this ordinance, most likely on December 7, 2023.

Discussion:

BACKGROUND

Sonoma County's Housing Element adopted on August 22, 2023 includes Program 3: Protections for Mobile Home Parks. Section 3a states that the County will continue to implement the mobile home rent stabilization ordinance and update as necessary to ensure ongoing affordability of this unique form of housing.

At the August 15, 2023 meeting of the Sonoma County Board of Supervisors, residents of MHPs within the County's jurisdiction addressed the Board to bring attention to their concerns about rent increases outpacing the fixed income on which many MHP residents rely. During public comment several speakers suggested that the County's current MH rent stabilization policies should be revisited to reinforce housing security for vulnerable County residents. One speaker recommended that the yearly cap on rent increases be modified from the current 100% of the Consumer Price Index (CPI) or 6%, whichever is less, to 70% of the CPI or 4%, whichever is less, to be more consistent with recently updated ordinances in neighboring cities/towns.

CPI in this context is the Consumer Price Index for all urban consumers San Francisco-Oakland Area, published by the U.S. Department of Labor, Bureau of Labor Statistics. Percent change means the annual percent change in the CPI, calculated to the nearest tenth, published for the month of July, issued in the month of August. For reference, 70% of today's CPI of 3.4% would limit rent increases to 2.38 % for the current year.

The County's Mobilehome Park Stabilization Program has been in place since 1992 and has not been updated since February 1998. In response to a persistent local and statewide housing crisis, the Board of Supervisors directed CDC staff to draft an urgency ordinance temporarily freezing rent increases on MH spaces located in approximately 67 MHPs in the unincorporated area of the County. The temporary moratorium, approved on August 22, 2023, prohibits any further rent increases to preserve housing status for vulnerable populations, affording CDC staff time to investigate whether the Mobile Home Rent Stabilization Ordinance (MHRSO) should be amended. The moratorium is effective through February 29, 2024, or the effective date of an ordinance amending Chapter 2, Article XIX of the Sonoma County Code, whichever is earlier.

CDC researched MH resident demographics, trends in MHP investment and public policy, monitored the process and progress to update MHP ordinances in nearby jurisdictions, and engaged with stakeholders and advocates for both residents and park owners.

CDC's analysis was framed with the potential options presented below:

1. Maintain the current Mobilehome Rent Stabilization Ordinance without amending.
2. Amend the Mobilehome Rent Stabilization Ordinance to cap rent increases at [4% or 70%] of the CPI.

3. Amend the Mobilehome Rent Stabilization Ordinance to allow a [10%] rent increase on in-place transfers.

Table 1

Public Entity	Rent Increase Cap	Vacancy Control	In-Place Transfer
Petaluma	4% or 70% of CPI, whichever is less	No cap if lawful vacancy	No increase allowed
Santa Rosa	4% or 70% of CPI, whichever is less	No cap if lawful vacancy	10% increase allowed
Windsor	4% or 75% of CPI, whichever is less	No cap if lawful vacancy	15% increase allowed
Sebastopol	3% or 75% of CPI, whichever is less	No cap if lawful vacancy	No increase allowed
Rohnert Park	4% or one-half of one percent less than the percentage increase in the CPI, whichever is less	Lawful vacancy not contemplated-no new base rent allowed. New construction exempted.	No increase allowed
Sonoma County	6% or 100% of CPI, whichever is less	No cap if lawful vacancy	No increase allowed
Cotati	6% or 100% CPI, whichever is less	No cap if lawful vacancy	No increase allowed
Cloverdale	Board Approves	None	No increase allowed
Sonoma	80% of CPI	No cap if lawful vacancy	5% increase allowed, with conditions

LISTENING SESSIONS

On September 25, 2023, CDC staff facilitated separate listening sessions for MHP residents (14 participants) and MHP owners (23 participants). Sonoma Valley Collaborative, Legal Aid, and the Golden State Manufactured Owners League helped disseminate invitations in both English and Spanish to MHP residents, and onsite Spanish language translation was available at the residents' listening session. MHP owners were notified by mail of their listening session. Despite notices being mailed a week in advance to MHP owners, these stakeholders reported that mailed notices did not provide adequate advance notice to attend the listening session in person. CDC staff was informed by MHP owners that most of them live outside Sonoma County, and would therefore need more advance notice to make travel plans to attend in person. CDC analyzed addresses on record for MHP owners/representatives and found that 73% of addresses were outside of the County. In response, CDC provided Zoom access to encourage more robust MHP owner participation. Industry representatives for Western Manufactured Housing Communities Association helped notify MHP owners as well.

Summaries of comments shared at each of the listening sessions are included as attachments to this report.

MOBILEHOME PARK FACTS AND RESIDENT STATISTICS

Manufactured and mobile homes are the most widely utilized form of naturally occurring affordable housing, providing affordable housing without subsidies, and allowing residents to own homes who otherwise could not. Nationally, about half of MH units (54%) are in nonmetropolitan areas, and 46% are found in metropolitan parts of the country. Sonoma County has approximately 37% of 10,890 spaces located in the unincorporated county, compared to 63% in incorporated cities and towns, according to data obtained from the State of California, Department of Finance, E-5 Population and Housing Estimates.

MHPs house a large low- and modest-income population. The Consumer Financial Protection Bureau reports that median income for MH households is only half that of households in conventional homes. Additionally, older persons, households with low educational attainment, and households with relatively low net worth are all disproportionately represented among MHP households. Elderly households are especially prevalent in MHPs, where a majority are headed by a retiree. These households are also more financially insecure; the median net worth of MHP households is about one quarter of the net worth of households in conventional homes. When MHP owners choose to increase rent above a certain threshold, MHP residents report facing great difficulty meeting basic needs (see attached MHP residents' comments).

Nearly all MHP residents own and occupy their MH and have made a substantial monetary investment to live in an MHP. However, once installed on a site, most so-called MHs are never moved as relocation costs can exceed \$20,000. After the Tubbs Fire destroyed most but not all of the MHs at Journey's End, County and City of Santa Rosa officials also learned that most local MHPs reject older units like the Journey's End homes that were spared. This reality makes MH owners a captive class of tenant, usually with no option but to stay where they are even when space rents outpace a fixed-income household's ability to absorb cost of living increases.

MOBILEHOME PARK OWNERS

The County depends on and values conscientious MHP owners who align their business practices with policy goals to preserve and sustain the dignity and affordability of naturally occurring affordable housing for vulnerable populations. CDC staff recognizes that MHP owners are diverse, recognizing a MHP owner landscape that includes legacy owners who built parks decades ago on a shoestring budget with minimal regulation; second-generation owners and heirs who have inherited aging parks that in some cases were built as a temporary housing solution; and speculative, savvy real estate investors from inside and outside of Sonoma County, including those with a portfolio of MHPs; among other various MHP ownership situations. MHP owners universally report escalating insurance costs far outpacing the CPI (+67% in one shared example), aging/failing infrastructure requiring extremely costly repairs or replacement, and increased debt service costs, among other overhead line items.

Owners who spoke at the September 25 listening session shared that restricting the ability to increase MHP revenue directly threatens the stability and sustainability of MHPs as expenses escalate faster than revenue.

A sobering reality is that MHPs are marketed as attractive acquisitions for investors seeking outsize returns on a relatively safe investment. MHPs are considered a good investment due to low tenant turnover, demand for affordable housing, superior returns, and lack of competition. Long time MHP owners report being courted regularly and sometimes relentlessly by speculators looking to buy parks, including in Sonoma County.

RELATIONSHIP BETWEEN RENT CAPS AND MOBILEHOME VALUE

MHP owners communicated to CDC staff as a group and individually that as MH space rents are capped, the real estate value of the MH itself goes up. MHP owners claim this situation artificially inflates the selling price of a MH beyond its appraised value because the new owner is in fact paying for the value provided by the capped space rent. MHP owners state that the selling price of MHs to new owners would be lower if rents were not capped beyond what is currently allowed. MHP owners suggest they should retain the ability to reset the base rent following an in-place transfer to mitigate this phenomenon. Beyond anecdotal evidence, CDC staff could not verify whether this relationship between MHP space rents and MH selling prices is prevalent within Sonoma County.

VACANCY CONTROL AND IN-PLACE TRANSFER

Under the County's current MHRSO, a MHP owner is permitted to charge a new base rent for a MH space whenever a lawful space vacancy occurs. A lawful space vacancy is: 1) a vacancy occurring because of the termination of the tenancy of the affected MH resident in accordance with State MH residency law, or 2) a vacancy of the MH space arising from the voluntary removal of a MH by the affected resident.

CDC staff is recommending that upon an in-place transfer (sale) of a MH onsite to a resident-to-be or current resident, the park owner may increase the rent by an amount that does not exceed [10%] of the then current base rent. The County's MHRSO currently allows for no increase in the case of an in-place transfer.

MHP owners have stated that the ability to reset the base rent following a lawful vacancy or in-place transfer is a critical revenue source to fund costly repairs, upgrades, and infrastructure replacement. MHP residents who attended the September 25 listening session did not share views on vacancy control or in-place transfers.

Related to the preceding discussion of MHP rent increase caps and MH value, limited rent increases on in-place transfers may reduce sales prices for MHs as it slightly increases the new base space rent for new park residents. Again, CDC staff could not verify whether this relationship between MHP space rent limits and MH selling prices is prevalent within Sonoma County.

PROPOSED ORDINANCE REVISIONS, STAFF RECOMMENDATION

The following recommended ordinance revisions support the County's Housing Element, Program 3: Protections for Mobile Home Parks. Section 3a states that the County will continue to implement the mobile home rent stabilization ordinance and update as necessary to ensure ongoing affordability of this unique form of housing.

1. Annual space rent payable for any MH space not to exceed seventy percent [70%] of the percent change in the Consumer Price Index; or [Four (4) percent], whichever may be less.
2. Upon an in-place transfer (sale) of a MH on site to a tenant resident-to-be or current tenant resident, the MHP owner may increase the rent by an amount that does not exceed [10%] of the then current base rent.
3. Make ordinance language gender neutral and replace all instances of "tenant" with "resident".
4. All written notices to residents to be provided in both English and Spanish.

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would be effective 30 days later on December 7, 2023. Note that the County's temporary moratorium on MH space rent increases (Urgency Ordinance 6443, Attachment 1) will no longer be in effect upon the effective date of this ordinance, most likely on December 7, 2023.

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

08/22/2023: Board adopts Urgency Ordinance Creating a Temporary Moratorium on Rent Increases on Mobilehome Spaces in the Unincorporated Area of the County

08/15/2023: Board directs CDC to return on 8/22/2023 with Urgency Ordinance to Create a Temporary Moratorium on Rent Increases on Mobilehome Spaces in the Unincorporated Area of the County.

02/03/98: Board adopts a Resolution amending Section 19-54 and adding Sections 19-56 of the Sonoma County Code in reference to the Mobilehome Park Stabilization Program.

02/03/98: Board adopts a Resolution amending Section 19-54 and adding Sections 19-56 of the Sonoma County Code in reference to the Mobilehome Park Stabilization Program.

01/23/96: Board adopts Ordinance No. 4919 amending the Mobilehome Park Space Rent Stabilization Program.

07/14/92: Board adopts Ordinances Nos. 4655 and 4657 to continue the Mobilehome Park Space Rent Stabilization Program.

06/16/92: Board adopts findings on 1992 Mobilehome Park report.

06/23/87: Board Adopts Mobilehome Park Space Stabilization Program.

FISCAL SUMMARY

Narrative Explanation of Fiscal Impacts:

N/A

Narrative Explanation of Staffing Impacts (If Required):

N/A

Environmental Review (if required):

This ordinance is exempt from the California Environmental Quality Act pursuant to State CEQA Guideline § 15061(b)(3) because it can be seen with certainty that there is no possibility that this ordinance may have a significant effect on the environment. The basis for this determination is that this ordinance amends annual rent increase limits within mobilehome parks, which will not result in any significant adverse direct or indirect physical changes to the environment.

Attachments:

1. Urgency Ordinance 6443, temporary moratorium on mobilehome space rent increases.
2. Summary of mobilehome park owners' comments from listening session.
3. Summary of mobilehome park residents' comments from listening session.

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4. Ordinance Amending Chapter 2, Article XIX of the Sonoma County Code, redlined.
5. Ordinance Amending Chapter 2, Article XIX of the Sonoma County Code, clean. ☐
6. Presentation

Related Items “On File” with the Clerk of the Board:

N/A