City of Mountain View

COUNCIL REPORT

DATE: January 28, 2025

CATEGORY: New Business

DEPT.: Housing

TITLE: **Potential Modifications to Allowed Rent Increases in Mobile Home Rent Stabilization Ordinance—Housing Element Program 3.2**

RECOMMENDATION

Direct staff to prepare an amendment to the Mobile Home Rent Stabilization Ordinance to modify allowed annual rent increases from the current combination of an adjustment limited to 100% of the Consumer Price Index for all urban consumers (CPI-U) for the San Francisco-Oakland-Hayward region, with a 2% floor and 5% ceiling, to an adjustment limited to 75% of the CPI-U with a 1% floor and 5% ceiling.

BACKGROUND

MHRSO Background, Purpose, and Key Provisions Mirroring the CSFRA

In 2016, Mountain View voters passed Measure V, also known as the Community Stabilization and Fair Rent Act (CSFRA), which provides rent stabilization measures primarily for apartment buildings and other residential structures meeting certain specified characteristics. The CSFRA does not specifically identify mobile homes as a residential structure subject to the requirements.

The Rental Housing Committee (RHC) is the body charged with implementing the CSFRA. In 2018, the RHC adopted Resolution No. 11, finding that the CSFRA did not apply to mobile homes. A lawsuit was filed, and the RHC decision was upheld first by a trial court and then again on appeal as a valid exercise of the RHC's discretion to interpret the CSFRA.

Council included the evaluation of a potential Mobile Home Rent Stabilization Ordinance (MHRSO) in the Fiscal Years 2019-20 and 2020-21 City Council Work Plans. On March 16, 2021, Council voted to keep the preparation of an MHRSO as a priority project to be implemented in 2021. Council directed staff to prepare a draft ordinance for Council's consideration that would provide tenant protections mirroring those under the CSFRA with modifications as necessary to account for the state's Mobilehome Residency Law and issues specific to mobile home parks.

On September 28, 2021, the City adopted the MHRSO. The MHRSO went into effect October 28, 2021 (full text here) and includes the following key provisions:

- Purpose: "The City Council finds and declares that it is necessary to protect mobile home residents from unreasonable rent increases, while at the same time protecting the rights of park owners and mobile home landlords to receive a fair return on their property and rental income sufficient to cover increases in the costs of repairs, maintenance, insurance, employee services, additional amenities and other costs of operation." (City Code Section 46.1.g)

- Applies to residents who: (1) own a mobile home but rent a space in a mobile home park ("space rent"); or (2) rent a mobile home from an owner.

- Annual rent increases (also known as the annual general adjustment or "AGA") are limited to 100% of the Consumer Price Index (CPI), with a floor of 2% and a ceiling of 5%.

  — Specific index stipulated in MHRSO is the Consumer Price Index for all urban consumers (CPI-U) for the San Francisco-Oakland-Hayward region.

  — "Floor" means that the allowable rent increase in any given year can never be lower than a certain threshold (2% in this case), even if the CPI-U is lower than 2%. This provides protection for landlords in the event that the CPI-U is particularly low.

  — "Ceiling" means that the allowable rent increase in any given year is capped (5% in this case), even if the CPI-U is higher than 5%. This provides protection for tenants in the event that inflation is particularly high.

- Allows for capital improvement pass-through costs.

- Includes a landlord petition process for rent adjustments beyond the generally applicable limits using a "maintenance of net operating income" (MNOI) standard.

- Authorizes the RHC to adopt regulations and oversee implementation of the program.

The MHRSO covers six mobile home parks with a total of 1,130 spaces located within the incorporated area of the City of Mountain View. Mobile homes comprise approximately 3% of the housing units in Mountain View.

Housing Element

The City's state-certified 2023-31 Housing Element includes Program 3.2 related to displacement prevention and mitigation efforts. Program 3.2 includes a comprehensive list of policies, programs, and actions, including reviewing the MHRSO with two specific provisions as follows:

- "Study amendments to the MHRSO such that allowed rent increases are consistent with or less than comparable jurisdictions with rent control for mobile home parks."
- "Study updates to the MHRSO regarding allowed rent increases and adopt (if directed by Council) by March 31, 2025."

Additionally, the Housing Element includes Goal 3.5 to: "Strive to preserve affordable housing opportunities such as CSFRA units, mobile homes, and deed-restricted units."

Development of the Housing Element occurred during the COVID-19 pandemic. During this time, there were high increases in the CPI-U in 2022 (5.2%) and 2023 (5.3%), which triggered the 5% ceiling in both years. The first AGA for the MHRSO was applied in 2022; therefore, from the outset, MHRSO residents experienced the highest allowable AGA possible. This is illustrated in Figure 1, which also includes the CPI/AGA from 2017 onward as context. (The AGA prior to 2022 is applicable only for CSFRA-covered rental units.)

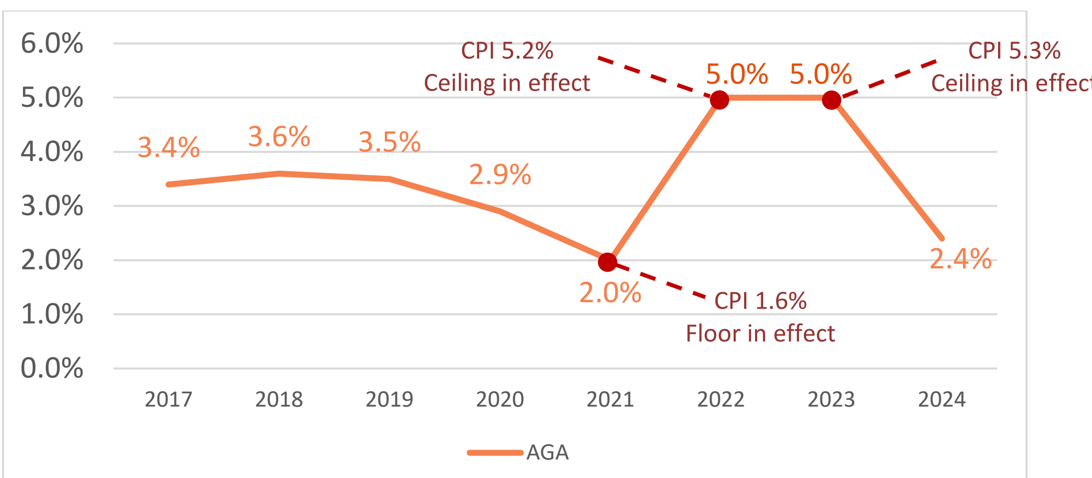

Figure 1: 100% CPI-U Percentages and AGA between 2017-2024

While the 5% ceiling prevented the AGA from being even higher in 2022 and 2023, the input received during the Housing Element public process was that 5% compounded over time is unsustainable for mobile home park residents. As such, the public input regarding studying amendments to allowed rent increases in the MHRSO focused on the AGA and, by extension, the ceiling and the floor, rather than other provisions related to allowable rent increases (for example, capital improvement pass-throughs or the petition/MNOI process).

ANALYSIS

As noted above, this Housing Element item focuses on reviewing the AGA, floor, and ceiling. The analysis includes a review of comparable jurisdictions per the Housing Element requirement to review "comparable jurisdictions with rent control for mobile home parks." Additionally, the analysis includes considerations related to the unique aspects of mobile homes and their residents as well as stakeholder input received during the MHRSO review process.

Comparable Jurisdictions

Staff conducted an analysis of allowed increases in 36 jurisdictions (30 cities, including Mountain View, and six counties) across the Bay Area with mobile home rent stabilization programs, comprising approximately 340 mobile home parks and 45,000 mobile home spaces covered under a rent stabilization program. Note that the State Mobilehome Residency Law (MRL) regulates, among other things, rental agreements for mobile home spaces, park rules and regulations, just cause for eviction, and transfer of mobile homes across California. However, the MRL does not specify any provisions or requirements for rent stabilization programs. As a result, rent stabilization programs are established locally and may reflect local priorities and concerns.

The localized nature of mobile home programs is reflected in the following discussion and charts, which show a wide range of AGAs, floors, and ceilings in the comparable jurisdictions (a summary of all the jurisdictions is provided in Attachment 1).

As in Mountain View, most of the jurisdictions that staff is aware of use the CPI-U. Overall, there are almost as many varieties of CPI/floor/ceiling combinations as there are jurisdictions. Mountain View is the only jurisdiction in the study with the specific combination of 100% of CPI AGA/2% floor/5% ceiling. The following summarizes Mountain View's combination compared to other jurisdictions:

- AGA—Mountain View is on the top end of the range relative to comparable jurisdictions, with most jurisdictions limiting the allowed adjustment to less than 100% CPI.

- Floor—Mountain View's 2% floor is midrange relative to comparable jurisdictions. There is an unequal distribution of jurisdictions across the range—most jurisdictions are on the low end of the range with no floor, while a small handful of jurisdictions are on the high end of the range.

- Ceiling—Mountain View's 5% ceiling is on the lower end of the range relative to comparable jurisdictions. In contrast to the floor, there is a more even distribution of jurisdictions across the range, and some jurisdictions have no ceiling at all.

The following is a more detailed discussion of the AGA, floor, and ceiling.

AGA

Table 1 shows the range of AGAs used by jurisdictions and the number of mobile homes covered.

Table 1: Range of AGAs Used by Jurisdictions and Number of Mobile Homes Covered

AGA	Number of Jurisdictions	% of Jurisdictions	Number of Mobile Homes	% of Mobile Homes
100% CPI	10 (Incl. MV)	29%	5,262	12%
90% CPI	1	3%	896	2%
75% CPI	11	30%	15,968	35%
70% CPI	5	14%	8,540	19%
60% CPI	6	17%	11,820	26%
50% CPI	2	6%	2,534	6%
Board[1]	1	3%	174	0%[2]
Total	36	100%	45,194	100%

[1] "Board" means that the annual rent increase is set by a rent board instead of a CPI or other set methodology.
[2] % is due to rounding given the small number of mobile homes covered relative to the total.

- 75% CPI is the most commonly used allowed adjustment and covers the most mobile homes (30% of jurisdictions (11 of 36) covering 35% of all mobile homes).

- 29% of jurisdictions (10 of 36) have an AGA of 100% CPI (covering 12% of all mobile homes).

- 70% of jurisdictions (25 of 36) have an AGA lower than 100% CPI (covering 88% of all mobile homes).

- Mountain View's AGA of 100% CPI is within the range of the CPIs used in comparable jurisdictions but is on the highest end.

Floor

Table 2 shows the range of floors used by jurisdictions and the number of mobile homes covered.

Table 2: Range of Floors Used by Jurisdictions and Number of Mobile Homes Covered

Floor	Number of Jurisdictions	% of Jurisdictions	Number of Mobile Homes	% of Mobile Homes
None	31	86%	29,440	65%
1%	1	3%	371	1%
2%	1 (Incl. MV)	3%	1,130	3%
3%	2	6%	14,003	31%
3.5%	1	3%	250	1%
Total	36	100%	45,194	100%

- 86% of jurisdictions (31 of 36) have no floor (covering 65% of all mobile homes).
- Only 15% of jurisdictions (five of 36) have any kind of floor (i.e., 1% and up).
- Mountain View is the only jurisdiction with a floor of 2%, which falls in the middle of the range of no floor to a floor of 3.5% range.

Ceiling

Table 3 shows the range of ceilings used by jurisdictions and the number of mobile homes covered.

Table 3: Range of Ceilings Used by Jurisdictions and Number of Mobile Homes Covered

Ceiling	Number of Jurisdictions	% of Jurisdictions	Number of Mobile Homes	% of Mobile Homes
3%	4	11%	5,307	12%
4%	7	20%	9,361	21%
5%	8 (Incl. MV)	23%	5,280	12%
6%	4	11%	3,812	8%
7%	3	9%	11,982	27%
8%	2	6%	781	2%
10%	1	3%	174	0%
None	7	17%	8,497	19%
Total	36	100%	45,194	100%

- 68% of jurisdictions have a ceiling of 5% and higher, including those jurisdictions with no ceiling (covering 67% of all mobile homes).

  — 5% is the most frequently used ceiling among jurisdictions (23% of jurisdictions (eight of 36) and 19% of all mobile homes).

  — Seven jurisdictions have no ceiling at all.

- 31% of jurisdictions (11 of 36) have a ceiling of 4% or lower (covering 33% of mobile homes).

- Mountain View with a ceiling of 5% falls on the lower end of the range.

Unique Characteristics of Mobile Homes and Residents

During the process of evaluating options for a mobile home ordinance, staff conducted a survey in 2020 to gather information about Mountain View mobile home parks and their residents to help inform policy decisions regarding the MHRSO. Key survey results include:

- A significant portion (about 44%) of mobile home residents are senior citizens aged 65 and older, with limited or fixed incomes, and/or who have chosen a mobile home park as their retirement homes; 30% of the senior citizens are also single-person households.

- Two mobile home parks have greater than 90% senior households age 55+ (New Frontier and Sunset Estates).

- About 16% of mobile homes (185) are occupied by mobile home residents that do not own but rent their mobile home (in Santiago Villa and Sahara mobile home parks).

As such, there is a high percentage of mobile home residents who are seniors who are more likely to have a fixed income and, therefore, are more vulnerable to rent increases relative to the overall population. Additionally, while most mobile home residents pay space rent but own their unit, 16% of the residents are renters who pay for both the unit and space rent. Mobile home renters may be more vulnerable to annual increases than the mobile home owners (to the extent that mobile home owners have fixed rate or no mortgage payments).

Additionally, per Section 46.1.d of the MHRSO:

> "Mobile home residents can be particularly vulnerable to rent increases because ownership is commonly divided between two (2) parties, with one (1) party owning the home and another party owning the land. The mobile homeowner usually owns only the housing unit and rents a site in a mobile home park on which to place the

> home. This division of ownership impacts the overall affordability of mobile homes because the cost of living in a mobile home depends not only on the cost of the home, but also on the rent charged by park owner."

Given this unique vulnerability, compared to residents protected by the CSFRA, additional considerations for mobile home residents may be appropriate to maintain their housing stability.

Stakeholder Input

In October 2024, the City initiated a stakeholder engagement process to receive input. The process included notifications sent by mail to mobile home residents and mobile home park owners and multiple email notifications to those who registered on the City's mobile home interest list and the displacement response interest list. Two stakeholder meetings for mobile home residents were held, one online and one in person, attended by 29 residents in total. One stakeholder meeting was held for mobile home park owners (online), attended by nine representatives of park owners. Stakeholder input was also received by email and is attached to this report (Attachment 2). The following is a summary of the input from residents and park owners.

Residents

- Many residents are seniors, disabled, and/or on a fixed income. Owning and maintaining a mobile home comes at a higher cost than renting an apartment, such as maintenance and repairs of the mobile home, driveway, trees, heat pumps, insurance, mortgage, and utilities.

- If space rents become burdensome, it is not easy for mobile home owners to move. The mobile home must be sold or moved to another park, which is costly.

- The 5% rent increases are not sustainable with a nearly 13% increase over the last three years (5% + 5% + 2.4% compounded). Too-high rents drive out the diverse community, and mobile homes end up being less affordable. This does not work toward one of the MHRSO's goals to keep people in their homes.

- Between 2016 and 2021, residents were subject to uncontrolled rent increases and vacancy decontrol in case of a sale or a new tenancy of a mobile home, setting initial rents at unprecedented high levels. Space rents vary from $800 to $2,100 per month. For residents paying the highest space rents, rent increases of 5% add up fast.

- Rent increases of around 3% per year are expected and historically the norm.

- An AGA of 60% CPI and ceiling of 3% would accomplish this. The floor of 2% should be eliminated, like in many other jurisdictions. Why provide a guaranteed income for park owners irrespective of market conditions or inflation levels?

- Costs of operating a park are lower compared to managing an apartment building, warranting a lower rent increase than for apartments. Residents asked about the actual costs and revenues of a mobile home park.

Park Owners

- Comparing Mountain View with other jurisdictions shows that the AGA of the MHRSO is within the range of comparable jurisdictions, even if it is on the high end of the range. Therefore, strictly speaking, the Housing Element requirement seems to be met.

- Two initial years of AGAs of 5%, due to inflation, were higher than the norm, but the AGA ceiling gave residents some protection. Park owners state that annual operating costs increased even higher than the AGA of 5% due to high inflation. Now, the AGA for 2024 is back to a more traditional level.

- Some jurisdictions show a very low AGA floor/ceiling percentages, adopted as a result of COVID emergency/inflationary costs. These percentages most likely will be adjusted upward again when park owners can no longer keep up with inflation.

- Annual fees are high compared with other jurisdictions and cannot be passed through to residents. This effectively lowers the revenues more than other jurisdictions, which have lower fees and pass-through provisions.

- If the AGA were to be lowered from the current 100% of CPI, this would cause the price of mobile homes to go up, making mobile homes less affordable for new buyers over time.

- If the AGA were to be lowered, resulting in rents not covering the costs of operating/maintaining a mobile home park, a park owner may be forced to file a petition for an upward adjustment of rent. This could result in awarded petition rent increases that are even higher than the AGA increases, making mobile homes less affordable or causing residents to leave. As a last resort, park owners may need to close or sell the park if they cannot recoup their operating costs through the AGA.

RHC DISCUSSION AND RECOMMENDATION TO COUNCIL

As noted in the Background section, the MHRSO is a City program implemented and enforced by the RHC. Therefore, during the December 12, 2024 RHC meeting, staff provided a recommendation with alternatives for RHC consideration. The RHC discussed this issue and provided an alternative recommendation as discussed below. Two RHC members (mobile home residents) recused themselves to avoid potential conflict of interest, leaving three RHC members to participate and vote on the item.

Staff Recommendation as Presented to the RHC

Staff recommended the following for RHC consideration.

- **Recommendation:**
  - Lower the AGA from 100% CPI to 75% CPI.
  - Maintain a floor of 2% (no change).
  - Maintain a ceiling of 5% (no change)
- **Alternatives:**
  - Recommend a different AGA, floor, and/or ceiling combination.
  - Recommend no change to the current MHRSO combination of AGA, floor, and ceiling.

The staff recommendation was based on:

- The purpose of the MHRSO (protect mobile home residents from unreasonable rent increases and protect the rights of park owners and mobile home landlords to receive a fair return);
- Housing Element direction (study amendments to allowed rent increases consistent with or less than comparable jurisdictions);
- The analysis above regarding comparable jurisdictions;
- The unique characteristics of mobile homes and residents (particular vulnerabilities specific to the residents); and
- Feedback from stakeholders (balancing resident and park owner interests).

Attachment 3 excerpts the more detailed rationale provided in the December 12 RHC staff report.

RHC Discussion and Recommendation

The RHC deliberated on staff's recommendation and provided the following general comments, as well as input regarding each of the three components (CPI level, floor, and ceiling).

- **General Comments:**

  — Overall, a majority of the RHC members expressed interest in more favorable tenant protections to better serve the policy goals of preventing displacement. However, RHC members recognized that it is understandable that park owners would not support lowering the existing allowed rent increases under the MHRSO.

  — If park owners cannot generate a fair return with a lower AGA, there is the option to file a petition for upward rent increases.[1] However, the RHC was split on this matter: two Committee members felt the MNOI process provided a safety valve for park owners, whereas one Committee member felt that the need for park owners to rely on the MNOI process negates the protections that the AGA should provide.

  — This issue is a question of economics and values. The MHRSO has two goals, tenant protections and fair returns, and both goals need to be met.

  — Displacement is never zero. Sometimes, leaving where one lives is a choice that the household makes.

  — Additional data is desired, but that data is not readily available. An example provided was being able to better understand the costs that park owners incur with managing a mobile home park and what percentage of costs fluctuate with CPI.

  — A question was asked if the AGA can be adapted for special circumstances/needs and include two different AGA levels, such as using Supplemental Security Income cost of living adjustment (SSI COLA) to address the needs of seniors on a fixed income in parallel with using the CPI for those who may not have special needs.

---

[1] There are three available petition options for park owners to request rent increases above what is allowed under the AGA: (1) MNOI petition; (2) capital improvement petition; or (3) joint petition with tenants for tenant-requested improvements.

- **Comments Regarding AGA:**

  — One Committee member suggested using the lower of the SSI COLA or the CPI-U.

  — A majority (2) of the Committee members participating in this item supported either a 75% CPI or 60% CPI, with a slight preference for 60% CPI, with the following points being expressed:

    - Park owners may be earning a high profit already, which would allow them to absorb a lower AGA without resorting to using the MNOI petition process.

    - The delay in establishing rent stabilization for mobile homes may have caused rents to go up more during the interim period.

- **Comments Regarding Floor**

  — A majority (2) of the Committee members participating supported having no floor.

    - CPI or SSI COLA may be zero or negative, in which case the floor should also be zero. They do not know of any other industry being guaranteed a 2% return.

    - Having no floor would align with other jurisdictions.

- **Comments Regarding Ceiling**

  - One Committee member supported maintaining the 5% ceiling.

  - A majority (2) of the Committee members participating expressed they had the most ambivalence with regard to the ceiling.

  - The RHC does not recommend changing the recommended 5% ceiling. This percentage is in the lower half of the range of peer jurisdictions. If the AGA is set lower, it is less likely that the ceiling will be hit.

- **RHC Recommendation to Council**

  The RHC voted 2-1 to recommend to Council a different combination than provided by staff, as follows:

  — Lower the AGA from 100% CPI to **60% CPI (instead of staff's recommendation of 75% CPI)**.

— Lower the floor from 2% to **no floor (instead of staff's recommendation to maintain the current 2% floor)**.

— Maintain a **ceiling of 5% (same as staff's recommendation)**.

Committee members did discuss an option that lowered the ceiling to 3%. However, the RHC ultimately determined that lowering the AGA to 60% CPI would make it more difficult to hit the ceiling in the first place and, therefore, recommended to keep the current 5% ceiling.

<u>STAFF ANALYSIS FOLLOWING RHC DISCUSSION</u>

After the December 12, 2024 RHC meeting, staff reviewed RHC's discussion and recommendation. Staff attempted to gather and analyze additional relevant information to the extent possible. Staff also considered the following RHC comments:

- <u>Desire for more data to make an informed decision, particularly around mobile home park operating costs, how operating costs fluctuate with CPI, and financial returns</u>.

  During the meeting, staff noted that obtaining this type of data would require much more time and budget, comprise a significantly greater scope of work, and would need a consultant to conduct the type of economic analysis desired. This was not possible given existing staff's current workload and the Housing Element deadline for this item.

  Additionally, park owners may vary in their ability to absorb a lower allowable rent increase. For example, some park owners may be new owners, and some may be long-time owners; some may have a mortgage, and some may not; and there may be different operating models, infrastructure and maintenance needs, and operating costs between mobile home parks.

  Finally, it may not be possible to obtain the necessary data to draw concrete conclusions about the economic status of mobile home parks in Mountain View, such as financial documents and tax returns for each park.

  Conclusion: In response to this RHC comment, staff obtained more historical data regarding CPI-U and identified some recent research regarding mobile home park costs and operations that appear to be applicable to mobile home parks in general, discussed further below.

- Question if two different AGA standards could be considered for different populations, such as lower AGA for seniors on Social Security and a higher AGA for other residents.

  During the meeting, RHC legal counsel noted that having two different AGA standards could trigger fair housing issues. For example, there may be disparate impact on younger people who might also have financial problems but are subject to the higher AGA. Another concern is that a lower allowable rent increase for seniors could provide a disincentive for renting to older people. While this would be discriminatory and illegal under fair housing laws, this would be challenging for the City to monitor.

  Additionally, having two AGA standards would be complicated for both park owners and the City to administer. For example, park owners would need to ask each resident annually if they are on Social Security and request other income information and may require some sort of verification from the tenant. The City would need to track and monitor the financial status of households and ensure that the rent registry is up to date.

  Staff is also not aware of any jurisdiction with two different AGA standards.

  Conclusion: Staff does not recommend two different AGA standards.

Additional CPI-U Data

As discussed above in Chart 1 (which was included in the RHC report), staff included historical CPI-U data from 2017 to 2024 showing that the current floor and ceiling protected (or would have protected) park owners in some years (2021) and residents in other years (2022 and 2023). This informed staff's recommendation to the RHC for maintaining the 2% floor and 5% ceiling.

After the December 12 meeting and based on RHC's discussion, staff expanded the CPI-U analysis to include 1999 to 2024 for the San Francisco Bay Area (which is the applicable region for the MHRSO), as shown in Figure 2 and discussed below.

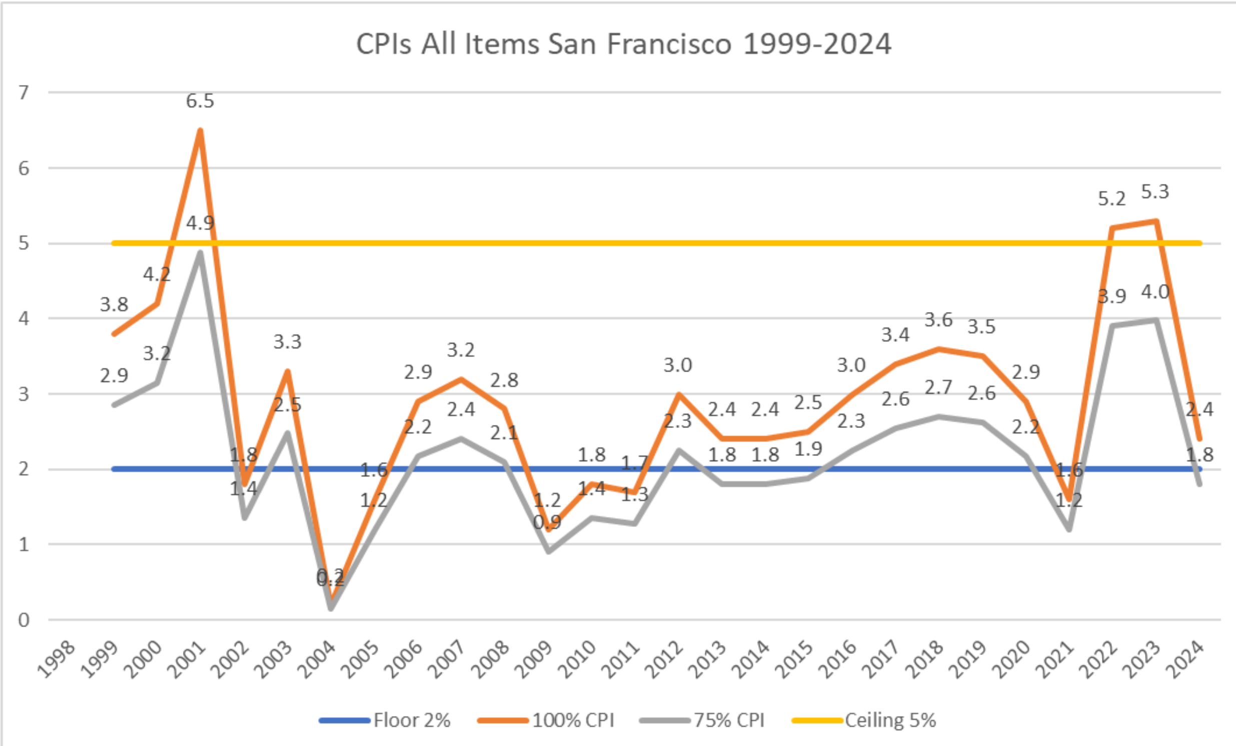

Figure 2: CPI-U from 1999 to 2024, San Francisco Bay Area

- Summary:

  — Related to the AGA: The average annual CPI-U over the 26 years reviewed was 2.93%. Applying staff's recommendation, a 75% CPI would have averaged 2.20% annually over this time period.

  — Related to the Floor: CPI-U fell below a 2% floor seven times (2002, 2004, 2005, 2009, 2010, 2011, and 2021). If the MHRSO were in place during this 26-year period with a 2% floor, park owners would have been protected in each of these seven years. Had an AGA of 75% CPI-U (or lower) been in place, the 2% floor would have come into effect 11 times (2002, 2004, 2005, 2009, 2010, 2011, 2013, 2014, 2015, 2021, and 2024).

  — Related to the Ceiling: CPI-U exceeded 5% three times (2001, 2022, and 2023). If the MHRSO were in place during this 26-year period with a 5% ceiling, residents would have been protected three times. However, had a 75% CPI (or lower) been in place, a 5% ceiling would not have been reached in any year.

As shown in the expanded CPI-U analysis, the MHRSO's current 2% floor/5% ceiling combination would have protected park owners more than residents over the 26 years reviewed. Based on this, staff sees a rationale for considering a floor that is lower than 2%.

Overview of Recent Research Regarding Mobile Home Park Operations/Costs

As noted above, a comprehensive economic analysis of mobile home park economics was not possible given the Housing Element deadline for this item. However, after the RHC meeting, staff conducted a survey of existing literature that could inform the question about mobile home park operations and costs. Staff identified information from two organizations with expertise in mobile home parks that provided general insight into the economics of mobile home parks. Key points are summarized below:[2]

- Mobile home parks may have different operating costs than apartments. For example, landlords bear costs associated with maintaining and repairing apartment complexes and units. Conversely, park owners are primarily responsible for maintaining the park and the connection of utilities to each unit but are not responsible for maintaining the units themselves (unless the park owner also owns the unit). In Mountain View, the majority of the units are owned by households, not by the park owner.

- As such, mobile home parks generally have lower operating costs than apartments. For example, the operating costs of mobile home parks are approximately 35% to 40% of the gross rental income as compared to apartments, which may have a 50% to 60% expense ratio. Therefore, mobile home parks may yield higher economic returns than apartments.[3]

- Mobile home parks appear to have seen values rise nationwide even in a high-interest-rate environment relative to other real estate asset classes. This may be due to an increasing need for affordable housing and, because mobile homes are often considered to be a form of naturally affordable housing, resulting in investor demand for mobile homes as an asset class.

- Mobile home parks are in relatively limited supply. Additionally, high barriers of entry limit the likelihood that new mobile home parks will be added to the supply, which may further

[2] The two organizations are Economic Roundtable and the Mobile Home University. Economic Roundtable is a leading nonprofit research organization regarding evaluating mobile home and apartment rent stabilization programs throughout California, including economic analysis and policy analysis/development. The information referenced above comes from a recent report that Economic Roundtable conducted for the City of Los Angeles (https://clkrep.lacity.org/onlinedocs/2023/23-1134_rpt_hci_11-1-24.pdf). The Mobile Home University provides comprehensive information and training for interested and existing mobile home park owners and is considered a top source of information on the industry in the country (https://www.mobilehomeuniversity.com/index.php).

[3] Actual economic returns will depend on a number of variables, such as how long the park owner has owned the park, whether there are mortgage payments, and, if so, the interest rate and other financing terms, etc.

drive investor demand, increase park values, and increase the economic returns to park owners.

In summary of the above points, while each mobile home park may be situated differently, mobile home parks in general appear to be an attractive real estate asset class and, due to lower operating costs as a percentage of income, may have higher economic returns relative to apartments.

STAFF RECOMMENDATION FOR COUNCIL CONSIDERATION

Based on the insights gleaned from additional CPI-U data and information from two organizations with expertise related to mobile home parks, staff has developed a new recommendation that is different than both what was presented to the RHC and what RHC has recommended to Council. Staff believes the following recommendation strikes an appropriate balance between protecting mobile home residents and park owners, given the available data and information analyzed within the time frame of the Housing Element deadline.

- **Lower the AGA from 100% CPI-U to 75% CPI-U (same as staff's recommendation to the RHC).**

  Attachment 1 provides the rationale for 75% CPI-U that was provided to the RHC. While the additional research conducted after the December 12 RHC suggests that mobile home parks may yield higher economic returns relative to apartments in general and could support an AGA lower than 100% CPI, staff did not have time to conduct additional analysis or evaluate the specific circumstances of the six mobile home parks in Mountain View to determine that basing the AGA on 60% CPI-U may be more appropriate than 75% CPI-U.

  Additionally, 75% CPI-U based on the past 26 years of data yields an annual average of 2.2%. During the stakeholder outreach conducted this year, mobile home residents noted that an annual average rent increase of 2% to 3% was reasonable/expected.

- **Lower the floor to 1% (instead of maintaining the 2% floor as staff initially recommended to the RHC).**

  As shown above based on 26 years of inflation data, the CPI-U went lower than 2% seven times, whereas the CPI-U exceeded 5% only three times. Had the MHRSO been in place during this time with the current requirements, park owners would have been protected more than mobile home residents. Lowering the floor to 1% would provide greater parity with the protections provided for residents.

While a majority of other jurisdictions have no floor, staff did not identify conclusive information why tenants should have upside protection but park owners should have no downside protection, especially without data specific to the economic conditions of Mountain View mobile home parks.

- **Maintain a ceiling of 5% (same as staff recommended to and supported by the RHC).**

In summary, staff's recommendation to Council is to direct staff to prepare an amendment to the Mobile Home Rent Stabilization Ordinance to modify allowed annual rent increases from the current combination of an adjustment limited to 100% of the Consumer Price Index for all Urban Consumers (CP I-U) for the San Francisco-Oakland-Hayward region, with a 2% floor and 5% ceiling, to an adjustment limited to 75% of the CPI-U with a 1% floor and 5% ceiling.

ALTERNATIVES

1. Adopt a 60% CPI (instead of 75% CPI), 1% floor, and 5% ceiling.

2. Recommend a different AGA, floor, and/or ceiling combination.

3. Recommend no change to the current MHRSO combination of 100% CPI-U, 2% floor, and 5% ceiling.

NEXT STEPS

If Council directs staff to modify the MHRSO, ordinance amendments will be brought forward for Council consideration on March 13, 2025 for the first reading (Public Hearing) and March 25, 2025 for the second and final hearing as a Consent item to meet the March 31, 2025 Housing Element deadline.

FISCAL IMPACT

There is no fiscal impact with providing direction to staff on amendments to the MHRSO regarding allowed rent increases.

LEVINE ACT

The Levine Act (Gov. Code Section 84308) prohibits city officials from participating in certain decisions regarding licenses, permits, and other entitlements for use if the official has received a campaign contribution of more than $500 from a party, participant, or agent of a party or participant in the previous 12 months. The Levine Act is intended to prevent financial influence on decisions that affect specific, identifiable persons or participants. For more information see the Fair Political Practices Commission website: www.fppc.ca.gov/learn/pay-to-play-limits-and-prohibitions.html

Please refer to the "X" in the checklist below for information about whether the recommended action for this agenda item is subject to or exempt from the Levine Act.

SUBJECT TO THE LEVINE ACT
___ Land development entitlements
___ Other permit, license, or entitlement for use
___ Contract or franchise

EXEMPT FROM THE LEVINE ACT
___ Competitively bid contract
___ Labor or personal employment contract
_X_ General policy and legislative actions

For more information about the Levine Act, please see the Fair Political Practices Commission website: www.fppc.ca.gov/learn/pay-to-play-limits-and-prohibitions.html.

CONCLUSION

Reviewing allowed rent increases in the MHRSO is part of the City's 2023-31 Housing Element Program 3.2, which has a March 31, 2025 deadline for this item. Staff analyzed comparable jurisdictions, CPI-U data, stakeholder input, and RHC discussion. Staff recommends Council direct staff to modify the MHRSO allowed rent increases from the current combination of 100% CPI-U, 2% floor, and 5% ceiling to 75% CPI-U, 1% floor, and 5% ceiling.

PUBLIC NOTICING

Agenda posting and a copy of report to the mobile home residents and park owners, displacement response interest list, and Housing Element interest list.

Prepared by:	Approved by:
Anky van Deursen Rent Stabilization Manager	Kimbra McCarthy City Manager
Wayne Chen Housing Director	

AVD-WC/6/CAM
895-01-28-25CR
204763

Attachments:
1. Summary of Comparable Jurisdictions with Mobile Home Rent Stabilization Programs
2. Stakeholder Input Received via Email
3. Summary of Initial Recommendations to RHC on December 12, 2024