

DATE: December 12, 2024

TO: Rental Housing Committee

FROM: Anky van Deursen, Rent Stabilization Manager
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SUBJECT: **Potential Modifications to Allowed Rent Increases in the Mobile Home Rent Stabilization Ordinance—Housing Element Program 3.2**

RECOMMENDATION

Recommend to the City Council to consider modifying the Mobile Home Rent Stabilization Ordinance to lower the annual general adjustment from 100% of the Consumer Price Index to 75% of the Consumer Price Index.

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 11, finding that the CSFRA did not apply to mobile homes. A lawsuit ensued, 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.

Evaluating a potential mobile home ordinance was included in the Fiscal Year 2019-21 City Council Goals and Work Plans. On March 16, 2021, Council voted to keep the preparation of a Mobile Home Rent Stabilization Ordinance (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 (MRL) 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”) of 100% of the Consumer Price Index (CPI), with a floor of 2% and a ceiling of 5%.
 - “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 is lower than 2%. This provides protection for landlords in the event that the CPI is particularly low.
 - “Ceiling” means that the allowable rent increase in any given year is capped (5% in this case), even if the CPI 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 petition process for rent adjustments beyond the generally applicable limits.
- 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 City’s Mobile Home Rent Stabilization Ordinance (MHRSO) with two specific provisions as follows:

- “Study amendments to the Mobile Home Rent Stabilization Ordinance (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 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 tenants experienced the highest allowable AGA possible. This is illustrated in Figure 1, which also includes the CPI/AGA in other years as context. (The AGA prior to 2022 is applicable only for CSFRA apartments.)

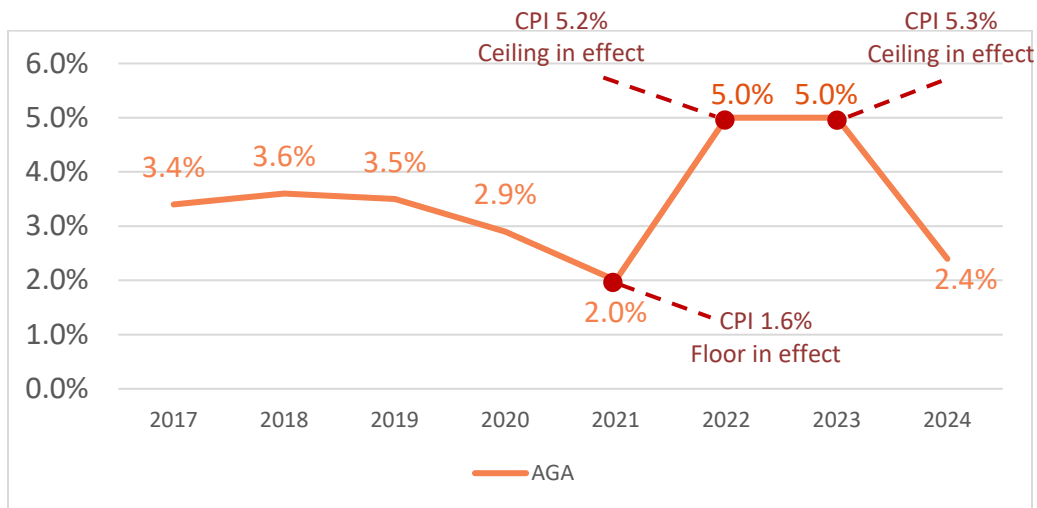


Figure 1: 100% CPI Percentages and AGA between 2017 and 2024

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 still unsustainable for tenants. As such, the public input regarding studying amendments to allowed rent increases in the MRHSO focused on the AGA and, by extension, the ceiling and the

interrelated aspect of the floor (rather than other provisions related to allowable rent increases—for example, capital improvement pass-throughs or the petition 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 its residents and stakeholder input received during the MHRSO review process.

Comparable Jurisdictions

Staff conducted research of 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 has the Mobilehome Residency Law (MRL), which regulates, among other things, rental agreements for mobile home spaces, park rules and regulations, 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 (summary of all the jurisdictions provided in Attachment 1). 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 100% of CPI AGA/2% floor/5% ceiling combination, with the following summary:

- AGA—Mountain View is on the top end of the range relative to comparable jurisdictions, with most jurisdictions 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 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 AGA’s 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	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%

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

¹ “Board” means that the annual rent increase is set by a rent board instead of a CPI or other set methodology.

² 0% is due to rounding given the small number of mobile homes covered relative to the total.

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	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 (5 of 36) have any kind of floor (i.e., 1% and up), and only 12% of jurisdictions (4 of 36 jurisdictions covering 35% of all mobile homes) have a floor of 2% or higher.
- Mountain View is the only jurisdiction with a floor of 2%, which falls in the middle of the none to 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	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 up (covering 67% of all mobile homes).
 - 5% is the most frequently used ceiling among jurisdictions (23% of jurisdictions (8 of 36) and 19% of all mobile homes).
 - Several jurisdictions (7) 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 its residents to help inform policy decisions regarding the MHRSO.

- A significant portion (about 44%) of mobile home residents are senior citizens aged 65 and older, with limited or fixed incomes, who have chosen a mobile home park as their retirement home; 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 (or 185) are occupied by mobile home residents that do not own but rent their mobile home (in Santiago Villa and Sahara mobile home parks).

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 memo (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 to move for mobile homeowners. 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 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. The worst-case scenario would be for the park to foreclose to the bank, which would not be experienced in running a mobile home park, likely impacting park operations.

OPTIONS TO MODIFY ALLOWED RENT INCREASES IN THE MHRSO

This section provides a summary of staff recommendations along with alternatives. The recommendation is based on the purpose of the MHRSO, Housing Element direction, the analysis above regarding comparable jurisdictions, the unique characteristics of mobile homes and residents, and feedback from stakeholders.

As noted in the Background section, the MHRSO is a City program implemented and enforced by the RHC. Therefore, the RHC is asked to provide input to the City Council in its advisory role. RHC input will be forwarded to Council for consideration in January 2025.

Recommendation

a. Lower the AGA from 100% CPI to 75% CPI.

- Although the current MHRSO AGA of 100% CPI is in the range of analyzed jurisdictions, it is at the highest end of the range.
- 70% of jurisdictions have an AGA lower than 100% CPI.
- An AGA of 75% CPI is the most frequent standard used by jurisdictions with mobile home rent stabilization programs (11 out of the 36 jurisdictions use 75% CPI), which supports Housing Element Program 3.2 to identify options consistent with comparable jurisdictions.
- Enables residents to remain in their homes for longer periods, with rent increases more easily manageable, aligning with Housing Element Goal 3.5.
- This may result in lower resident turnover, which may also benefit park owners who own and rent out a mobile home unit, providing a more consistent stream of revenue.
- As noted, the MHRSO was initially adopted based on mirroring the CSFRA. However, many mobile home residents are seniors and/or low-income and may be disproportionately impacted relative to apartment dwellers. Therefore, mobile home residents may be more vulnerable to rent increases, and lowering the AGA can address help this vulnerability.
- This recommendation seeks to achieve a balance of using a more common AGA standard consistent with comparable jurisdictions while also continuing to recognize that park owners have operating/maintenance costs.

b. Maintain a Floor of 2% (no change)

- Current MHRSO floor is in the mid-range of analyzed jurisdictions.
- Having a floor may compensate for potential losses incurred when the 5% ceiling is enforced.
- Although the majority of jurisdictions have no floor, it is unclear what local considerations were part of the policy-making process in those jurisdictions. The MHRSO is based on balancing the needs of residents and park owners, and park

owners may still have rising costs, even if there is no increase in the CPI. Maintaining a rent floor of 2% provides protection for park owners just as a ceiling provides protection for residents.

c. Maintain a Ceiling of 5% (no change)

- The current ceiling of 5% is on the lower end of the range relative to comparable jurisdictions and is the most frequently used ceiling among the cities. Some cities have no ceiling at all.
- The ceiling protects tenants in case of high inflation.
- Lowering the AGA to 75% CPI decreases the chance that the 5% ceiling would be triggered.

Alternatives

1. Recommend a different AGA, floor, and/or ceiling combination.
2. Recommend no change to the current MHRSO combination of AGA, floor, and ceiling.

NEXT STEPS

RHC recommendations and input will be forwarded to the City Council for consideration on January 28, 2025. If Council directs staff to amend the allowable rent increases, ordinance amendments will be brought forward in March 2025 to meet the Housing Element deadline of March 31, 2025.

FISCAL IMPACT

There is no fiscal impact to discuss feedback or provide recommendations for potential amendments to the MHRSO.

PUBLIC NOTICING

Agenda posting, posting on the City’s website, and email to mobile home and displacement response strategy distribution lists.

AvD-WC/2/HSN/RHC
821-12-12-24M

- Attachments:
1. Summary of Comparable Mobile Home Rent Stabilization Jurisdictions in the Bay Area
 2. Stakeholder Input Received via Email