



AGENDA REPORT

Department: Community Development
Prepared by: Angelita Palma, Housing Manager
Meeting Date: Tuesday, September 17, 2024
Approved by: Benjamin A. Martinez, City Manager

SUBJECT:

Memorandum of Understanding (MOU) Providing Rent Stabilization in National City Mobilehome Parks for a Term of Ten Years Effective January 1, 2025.

RECOMMENDATION:

Adopt the Resolution, Entitled, "Resolution of the City Council of the City of National City, California, Authorizing the City Manager to Execute a Mobilehome Park Memorandum of Understanding, and Agreement Affecting Real Property By and Among the City of National City and Bonita Paradise, LLC, Bonita Vista MHP, Happy Hollow MHP LP, and Keystone TP for a Term of Ten Years, Effective January 1, 2025."

BOARD/COMMISSION/COMMITTEE PRIOR ACTION:

None.

EXPLANATION:

Mobilehome Park Rent Stabilization Ordinance 2022-2505 adopted December 6, 2022

The City Council of the City of National City ("City Council") began acknowledging concerns about excessive rent increases in August 2022. The supply of mobilehome park spaces is very limited in National City, with little to no vacancies advertised at most mobilehome parks. The limited supply contributes to escalating rents in a manner that would, in absence of regulation, result in the elimination of mobilehomes as a source of affordable housing for seniors, veterans, and families. There is a total of 359 mobilehome park spaces available in National City, of which approximately 176 are on long-term leases and exempt from local or statewide rent control by the State of California Civil and Government Codes.

National City Mobilehome Parks		
Mobilehome Parks	Address	No. of Spaces
Bonita Paradise LLC	3131 Valley Road, National City	83
Bonita Vista MHP	2621 Sweetwater Road, National City	93
Happy Hollow MHP LP	999 E. Division Street, National City	90
Keystone TP	3221 National City Blvd., National City	93

On December 6, 2022, the City Council approved a temporary Mobilehome Park Rent Stabilization Ordinance ("Ordinance"), attached as Exhibit "B," amending Title 9 of the National City Municipal Code by adding Chapter 9.64. The Ordinance prohibits management of a mobilehome park from increasing the gross rental rate for a tenancy for a mobilehome park space by more than 3% plus the percentage change in the San Diego Metropolitan Area Urban (broader

base) Consumer Price Index, as defined, or 5%, whichever is lower, from the lowest gross rental rate charged at any time during the immediately preceding 12 months. The Ordinance also does not allow the rent to be increased in more than two increments in any 12-month period during the term of the Ordinance. The Ordinance provides for both civil and criminal remedies if rent in excess of the maximum rent allowable is collected.

Ordinance 2022-2505 was designed as a temporary measure and is set to expire on December 31, 2024. Since the sunset of the Ordinance could leave tenants vulnerable to unregulated rent increases, City staff has worked to find a longer-term solution that would preserve the benefit of rent stabilization provided by the current Ordinance to mobilehome owners and mobilehome tenants (collectively “Tenants”) and, at the same time, prevent the potential for costly and ongoing litigation between the City and mobilehome park owners (“Owners”) for not allowing Owners to receive a reasonable return on rent.

Proposed Memorandum of Understanding

City staff has periodically met with the Owners to discuss and consider alternative solutions, which led to the development and negotiation of the proposed Mobilehome Park Memorandum of Understanding and Agreement Affecting Real Property (“MOU”), attached as Exhibit “A,” that responds to the need for a rent stabilization mechanism to avoid excessive rent increases and, at the same time, provides for a fair return to the Owners by incorporating the “Pass Through” adjustments listed below. The proposed MOU is an agreement between the Owners and the City of National City for a term of ten (10) years and would become effective on January 1, 2025. All four Owners have had their legal counsel review the MOU and have agreed to execute and publicly record the attached form of the MOU. Amendments may be made at any time during the term of the MOU, subject to the approval of the Owners and City Council.

The major provisions of the MOU are the following:

-Annual Permissive Rent Increases

Mobilehome Tenants' rent can be increased once during a 12-month period. The rent increase can be three percent (3%) plus the percentage change in the Consumer Price Index (CPI), up to a maximum of five percent (5%), from the lowest rent charged for the mobilehome space at any time with a 90-day written notice before the increase takes effect, per Civil Code Section 798.30.

-Pass Through Adjustments

In addition to the rent increases, the Owner may pass through the following costs to the Mobilehome Tenants (“Pass Throughs”). Applicable Pass Through adjustments will be divided by twelve (12) and then allocated equally among all spaces in the Park.

1. Government Fees and Assessments:

The government fees and assessments (“fees”) Pass Through would be the increased difference from the prior fiscal tax year by which such fees exceed the annual CPI increase.

2. Capital Improvements

The Pass Through will equal the actual cost of a Capital Improvement plus the interest rate paid by the Owner for any financing associated with the applicable amortization schedule of the U.S. Internal Revenue Code. The Rent obligation will be eliminated at the conclusion of the amortization period.

3. Capital Replacements

A Capital Replacement Pass Through is determined by subtracting the actual cost from insurance proceeds, rebates, tax credits, or warranty payments received by

the Owner, defraying the costs, and amortizing the remaining cost of the Capital Replacement plus either interest rate paid by the Owner or the Prime Rate plus two percent (2%) over the applicable amortization schedule of the U.S. Internal Revenue Code. The Rent obligation will be eliminated at the conclusion of the amortization period.

4. Property Tax Increases

- (a) A property tax Pass Through may be imposed in the amount of any property tax increase that exceeds two percent (2%) in a given fiscal tax year caused by an involuntary Property Tax reassessment.
- (b) If the Park is sold to a third party, the Owner may pass through to the mobilehome Tenants the increase, phased in over five (5) years, in property taxes resulting from a reassessment of the park upon such sale to the extent that such increase exceeds two percent (2%) in a given fiscal tax year.
- (c) Owner shall not be entitled to any property tax Pass Through due to an increase in property taxes that is triggered solely by or based upon a voluntary internal reorganization resulting in a "change of ownership" or a transfer of a joint venture or partnership interest among the current persons holding an ownership interest that triggers a reassessment of the property or the park.

5. Emergency or Disaster Related Costs.

The Pass Through is the amortized cost to repair damage to the park arising from any emergency or disaster related event.

- (a) Damage over the initial fifty thousand dollars (\$50,000) of such costs, provided such costs are amortized in accordance with the procedure for amortizing capital replacements.
- (b) The net of any insurance proceeds or disaster grants or assistance received by the Owner for such costs.
- (c) The Owner shall not be entitled to pass through to the mobilehome Tenants any emergency and disaster related event costs unless the Owner has continued to maintain throughout the term of this MOU the types and amounts of property insurance in effect on the effective date if those types and amounts of property insurance are commercially available throughout the term of this MOU.
- (d) The Rent obligation will be eliminated at the conclusion of the amortization period.

6. Requirements Applicable to all Pass Throughs.

- (a) At least ninety (90) days written notice of the Pass Through unless the Owner holds a "meet and confer" meeting with the mobilehome Tenants regarding the Pass Through.
- (b) Pass Throughs shall be separately itemized in the monthly space rent bills.
- (c) Pass Throughs shall not be deemed part of the rent to calculate the annual permissive rent increase.

-Covenants Running with the Land

The obligations of the Owner contained within this MOU to the park are covenants running with the land binding upon the Owner and all successors, heirs, and assigns of the Owner to the park during the term of this MOU. When the MOU is executed and notarized, it will be recorded in the Official Records of the San Diego County Recorder's Office.

-Applicability and Exemptions

The provisions of this MOU shall apply to all mobilehome parks and all mobilehome spaces owned by the Owner within the City of National City, with the exception provided below.

- (1) Any leases for a term exceeding one year; and, including
- (2) Leases of more than a year existing at the effective date; and any
- (3) New leases for a term exceeding one year, which are entered into after the effective date.

- (4) Mobilehomes owned by park;
- (5) Recreational vehicles in a mobilehome space;
- (6) Mobilehomes spaces exempt from local or statewide rent control pursuant to state law, including but not limited to, Civil Code §§ 798.7, 798.21, 798.45, and Govt. Code § 66427.5.

FINANCIAL STATEMENT:

Staff conservatively estimates that the cost of enforcing the proposed MOU would be approximately \$5,000 per year and would be included under an existing contract with CSA San Diego County for tenant-landlord mediation and fair housing services funded with CDBG Fund 301 (administrative not program funds) and potential supplemented by Housing Authority Fund 501.

RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:

Housing and Community Development

ENVIRONMENTAL REVIEW:

This is not a project under CEQA and is therefore not subject to environmental review. CCR15378; PRC 21065.

PUBLIC NOTIFICATION:

The Agenda Report was posted within 72 hours of the meeting date and time in accordance with the Ralph M. Brown Act.

ORDINANCE:

Not Applicable

EXHIBITS:

Exhibit A - MOU

Exhibit B - Ordinance 2022-2505

Exhibit C - Resolution