

ORDINANCE NO. 1487
AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ARCATA ADOPTING
MOBILEHOME RENT STABILIZATION

WHEREAS, the State of California has recognized, by the adoption of special legislation regulating tenancies of mobilehome owners in mobilehome parks, that there is a significant distinction between homeowners in mobilehome parks and other dwelling units, and the state likewise has recognized that homeowners in mobilehome parks, unlike apartment tenant or residents of other rental stock, are in the unique position of having made a substantial investment in a residence, the space for which is rented or leased as distinguished from owned.

WHEREAS, the physical removal and relocation of a mobilehome from a rented or leased space within a mobilehome park can be accomplished only at substantial cost and inconvenience with a limited concurrent ability to find another location and, in many instances, the removal requires a separation of the mobilehome unit from appurtenances which have been made permanent, thus creating severe damage and depreciation in value to the mobilehome.

WHEREAS, because of the limited availability of vacant spaces in mobilehome parks, the age and condition of some mobilehomes and the cost of moving mobilehomes, it is extremely difficult, if not impossible, to move a mobilehome from one park to another.

WHEREAS, the City has six (6) mobile home parks with a total of approximately five hundred eighty-seven (587) spaces located within the City limits. These spaces represent a significant portion of low-cost, market rate, affordable housing supply within the City.

WHEREAS, the City of Arcata General Plan, Chapter 3, Housing Element provides for the following goals:

1. To “seek and support programs that address the housing needs of and prioritize housing for special groups such as seniors, disabled, farmworkers, those in need of temporary shelter, single-parent families, and large families.” [City of Arcata Housing Element Chapter 3.6 (HE-18)];
2. To “prioritize meeting the needs of low income households, since they represent the most significant area of unmet need.” [City of Arcata Housing Element Chapter 3.6 (HE-22)].

WHEREAS, the City of Arcata General Plan, Chapter 3 Housing Element provides for the following implementation measure: Mobile Home Park Preservation, “Develop programs to preserve mobile home parks with rents that are typically lower than other housing units.” [City of Arcata Housing Element Chapter 3, Table 4 (IM-14)].

WHEREAS, the City Council of the City of Arcata adopted its Mobilehome Affordability Strategies Study (the “Mobilehome Study”) on May 3, 2017, which identified that 48% of respondents pay more than 30% of their income towards housing costs, with 14% paying more than 50%; that rent control is a strategy for maintaining affordable mobilehome housing; and that an ordinance can balance residents’ need for long-term rent predictability with owners’ right to a fair return on investment.

WHEREAS, as a practical matter, the mobilehomes in the City’s mobilehome parks are not in fact mobile. The cost of moving and setting up a mobilehome in a park is substantial. About half of the mobile homes are “doublewide” structures that consist of two ten- or twelve-foot-wide sections joined together when installed on top of a simple foundation, which are impractical to move without significant

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cost and risk of costly damage. Furthermore, many parks will not accept a used mobilehome, so even if a mobilehome can be moved cost effectively, there is nowhere to move it. Mobilehomes are rarely moved after they are placed in mobile home parks. When mobilehome park residents move they sell their mobile homes “in place” on the rented space.

WHEREAS, though mobilehome owners can sell their unit to another party to recoup their investment, the economic relationship between the ownership of underlying land and the unit itself creates a balance of transferable value between the assets. Higher rents depress home value, transferring value from the unit to the park. Conversely, lower rents increase unit value, transferring value from the park to the unit. Uncontrolled rents could result in the transfer asset value to parks.

WHEREAS, the California Supreme Court has observed that “unlike the usual tenant, the mobilehome owner generally makes a substantial investment in the home and its appurtenances – typically a greater investment in his or her space than the mobilehome park owner...” [*Galland v. County of Clovis* (2001) 24 Cal.4th 1003, 1009]. Similarly, federal courts in California have also observed “the park owners are business people who understand that the operation of a mobilehome park involves an economic relationship in which both park owner and the home owner must make a substantial investment. Indeed, they have encouraged the tenants to make the investment and to expect a return on it.” [*Adamson Companies v. County of Malibu*, 854 F.Supp. 1476, 1489 (1994, U.S. Dist. Ct., Central Dist. California)].

WHEREAS, given the courts’ acknowledgement of the co-investor status of mobilehome owners, who on aggregate, generally have greater investment than park owners in the parks; and the fact that the park owners encourage the homeowners to make investments that the park owners then expect to leverage for a return on homeowner investments, as well as the relationship between rents and mobilehome values, the homeowners are entitled to protections of their investment afforded by this mobilehome rent stabilization ordinance.

WHEREAS, mobilehome rent increases in the City of Arcata, without rent stabilization regulation, have historically tracked closely with United States Housing and Urban Development low-income rent rates and rates of change in Consumer Price Index without regulation. This free market condition has created a rough equilibrium for several decades preceding the City’s consideration of rent stabilization, which suggests an appropriate value balance formed by the economic tension between the mobilehomes and parks.

WHEREAS, a rent stabilization initiative measure was adopted in Humboldt County in November 2016, which was overwhelmingly approved by the City of Arcata voters. This rent stabilization ordinance will proactively preserve the long-established value balance in the City’s current mobilehome market, ensuring park owners retain a fair rate of return on their investments and the communities that live in the mobilehome parks retain the right to enjoy the significant investments they have made in their homes.

NOW THEREFORE, the City Council of the City of Arcata does ordain as follows:

Section 1. Chapter 6 is hereby created in Title VI, Business Professions and Trades, of the Arcata Municipal Code, entitled “Mobilehome Park Regulation” and consisting of Article 1, General Provisions, and Article 2, Mobilehome Rent Stabilization as follows:

**TITLE VI – BUSINESS PROFESSIONS AND TRADES
CHAPTER 6 -- MOBILEHOME PARK REGULATIONS
ARTICLE 1 -- GENERAL PROVISIONS**

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SEC. 6910.1 Definitions.

For purposes of this Chapter, the following words, terms and phrases shall be defined as follows:

- A. “Affected Mobilehome Owners” means those Mobilehome Owners whose Space is not covered by a valid lease meeting the requirements of California Civil Code section 798.17(b) of the Mobilehome Residency Law, or otherwise legally exempt from local rent stabilization regulation.
- B. “Base Rent” means the Rent in effect for that Space on July 1, 2017, as adjusted in accordance with this Chapter, as adjusted in this Chapter.
- C. “Base Year” means the 2017 calendar year or, if a Fair Return Application subsequently establishes a new Base Rent, the calendar year preceding the year the application is made.
- D. “Capital Improvement” means the installation of new improvements and facilities. Capital Improvements are required to be amortized over the useful life of the improvements pursuant to the provisions of this Chapter and the United States Internal Revenue Code.
- E. “Capital Improvement Costs” means all costs reasonably and necessarily related to the planning, engineering and construction of Capital Improvements and shall include debt service costs, if any, incurred as a direct result of the Capital Improvement. Capital Improvement does not include ordinary maintenance or repairs or Capital Replacement Costs.
- F. “Capital Replacement” means an improvement required to maintain the common facilities and areas of the park in a decent, safe and sanitary condition or maintain the existing level of park amenities and services. A Capital Replacement is an expenditure as defined by the United States Internal Revenue Code which replaces, upgrades or repairs an existing improvement, such as, but not limited to, an onsite water or electrical distribution or sewage collection system, a street, a parking area, or common facility, such as a laundry, community kitchen or meeting room. If the expenditure qualifies for treatment as a capital expenditure which must be depreciated under the Internal Revenue Code, it is a Capital Replacement. If it can be fully deducted in one year as a business expense, it does not qualify as a Capital Replacement.
- G. “Capital Replacement Costs” means all costs reasonably and necessarily related to the planning, engineering and construction of Capital Replacement and shall include debt service costs, if any, incurred as a direct result of the Capital Replacement. Capital Replacement does not include Capital Improvement Costs.
- H. “City Manager” means the City of Arcata City Manager or its designee.
- I. “Consumer Price Index or CPI” means the monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services. For purposes of this ordinance, the consumer price index is defined follows: All Urban Consumers, West Region All Items, 1982-1984=100, as published by the United States Bureau of Labor Statistics of the United States Department of Labor.
- J. “Fair Return Application” means an application made to the City seeking to increase Space Rents beyond one hundred percent (100%) of the CPI to provide a fair return to the Park Owner.

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- K. “Interest Allowance on Amortized Expenses” means the interest rate on the cost of the amortized expense equal to the “average rate” for 30-year fixed rate home mortgages plus two percent. The “average rate” shall be the rate Freddie Mac last published in its weekly Primary Mortgage Market Survey (PMMS) as of the date of the initial submission of the petition. In the event that this rate is no longer published, the index which is most comparable to the PMMS index shall be used.
- L. “Legal Expenses” means reasonable attorney’s fees and expert witness’ fees.
- M. “Mobilehome Residency Law” means the California Mobilehome Residency Law codified in California Civil Code Section 798 et seq. as now enacted and hereafter amended.
- N. “Mobilehome” has the meaning set forth in Section 798.3 of the Mobilehome Residency Law, which is defined as of the date of enactment of this Chapter as follows:
1. A structure designed for human habitation and for being moved on a street or highway under permit pursuant to section 35790 of the Vehicle Code, including a manufactured home, as defined in section 18007 of the Health And Safety Code, and a mobilehome, as defined in section 18008 of the Health And Safety Code, but, except as provided in subsection 2 of this definition, does not include a recreational vehicle, as defined in section 799.29 of the Civil Code and section 18010 of the Health And Safety Code or a commercial coach as defined in section 18001.8 of the Health and Safety Code.
 2. "Mobilehome" for purposes of this Chapter also includes trailers and other recreational vehicles of all types defined in section 18010 of the Health and Safety Code, other than motor homes, truck campers, and camping trailers, which are used for human habitation, if the occupancy criteria of either subsection 2a or 2b of this definition, are met:
 - a. The trailer or other recreational vehicle occupies a mobilehome site in the park, on November 15, 1992, under a rental agreement with a term of one month or longer, and the trailer or other recreational vehicle occupied a mobilehome site in the park prior to January 1, 1991.
 - b. The trailer or other recreational vehicle occupies a mobilehome site in the park for nine (9) or more continuous months commencing on or after November 15, 1992.
- "Mobilehome" does not include a trailer or other recreational vehicle located in a recreational vehicle park subject to chapter 2.6 (commencing with section 799.20) of the Civil Code.
- O. “Mobilehome Owner” means a person who is the owner of a Mobilehome and legally occupies the Mobilehome within a Mobilehome Park.
- P. “Mobilehome Park” or “Park” has the meaning set forth in Section 798.6 of the Mobilehome Residency Law, which is defined as of the date of enactment of this Chapter as any area of land within the City of Arcata where two (2) or more mobilehome spaces are rented, or held out for rent, to accommodate mobilehomes used for human habitation.
- Q. “Mobilehome Space” or “Space” is the site within a Mobilehome Park intended, designed or used for the location or accommodation of a Mobilehome and any accessory structures or appurtenances attached thereto or used in conjunction therewith.

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- R. “Mobilehome Park Owner” or “Park Owner” means the owner or operator of a mobilehome park or an agent or representative authorized to act on said owner’s or operator’s behalf in connection with the maintenance or operation of such park.
- S. “Party” means any Affected Mobilehome Owner and/or Park Owner involved in proceedings under this Chapter.
- T. “Prospective Mobilehome Owner” means a person who is in the process of negotiating a tenancy in a Mobilehome Park.
- U. “Rent” means any consideration, including any bonus, benefit or gratuity demanded or received by a Park Owner for, or in connection with, the use or occupancy of a Mobilehome Space, or in connection with the assignment of a lease, or in connection with subleasing of the Space. Rent shall not include:
1. Utility charges for charges for sub-metered gas and electricity.
 2. Charges for water, refuse disposal, sewer service, and/or other services, which are either provided and charged to tenants solely on a cost pass-through basis and/or are regulated by state or local law.
 3. Any amount paid for the use and occupancy of a Mobilehome unit (as opposed to amounts paid for the use and occupancy of a Mobilehome Space).
 4. Charges for laundry services.
 5. Storage charges.
- W. “Rent Increase” means any increase in Base Rent charged by a Mobilehome Park Owner to a Mobilehome Owner or offered to a Prospective Mobilehome Owner.
- X. “Rent Stabilization Administration Fee” means the fee established by this Ordinance and amended from time to time by resolution of the City Council in accordance with the provisions of this Chapter.
- Y. “Service Reduction” means a decrease or diminution in the basic service level provided by the Park occurring at any time since, January 1, 2018, including but not limited to services the Park Owner is required to provide pursuant to:
1. California Civil Code Sections 1941.1 and 1941.2.
 2. The Mobilehome Residency Law, California Civil Code Section 798 et seq.
 3. The Mobilehome Parks Act, California Health and Safety Code Section 18200 et seq., or
 4. An express or implied agreement between the Park Owner and the tenant.

Section 2. Article 2, Mobilehome Rent Stabilization, is hereby created in Chapter 6, Mobilehome Park Regulations, of Title VI Business Professions and Trades of the Arcata Municipal Code as follows:

**TITLE VI – BUSINESS PROFESSIONS AND TRADES
CHAPTER 6 -- MOBILEHOME PARK REGULATIONS
ARTICLE 2 – MOBILEHOME RENT STABILIZATION**

SEC. 6920.1 Purpose.

The purpose of this Article is to establish an efficient method of reviewing certain requested Mobilehome Space Rent Increases in Mobilehome Parks to protect Mobilehome Owners from arbitrary,

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capricious or unreasonable Rent adjustments while ensuring that Park Owners and/or operators and investors receive a fair and reasonable return on their investment in their Mobilehome Parks.

SEC. 6920.2 Definitions.

Unless specifically defined in this Article or the context specifically requires otherwise, the terms used herein are defined in Article 1, General Provisions, of this Chapter.

SEC. 6920.3 Applicability.

This Article shall be applicable to all Mobilehome Spaces within the City of Arcata except as specifically exempted by this Chapter or state law.

SEC. 6920.4 Exemptions.

- A. This Section provides information about exemptions based on state law that preempt local law, and does not provide a separate basis for an exemption. The following exemptions from local Rent regulations are provided by state law:
 - 1. Spaces that are subject to a lease that exempts that Space from Rent regulation pursuant to the Mobilehome Residency Law.
 - 2. New Mobilehome Spaces exempted pursuant to Civil Code section 798.45 of the Mobilehome Residency law.
 - 3. Spaces which are not the principal residence of the Mobilehome Owner, and which are exempt pursuant to Civil Code Section 798.21 of the Mobilehome Residency Law.
- B. This Article shall not apply to Mobilehomes or Mobilehome Parks owned or operated by any governmental agency or any rental unit whose Rent is subsidized pursuant to a public program that limits the Rent that can be charged for the Mobilehome.
- C. This Article shall not apply to Mobilehome Parks with fewer than ten (10) Spaces.

SEC. 6920.5 Base Rent.

- A. Base Rent for Non-exempt Leases in 2017. Unless provided otherwise, the “Base Year” means the 2017 calendar year. Except as provided in this Article, a Mobilehome Park Owner shall not demand, accept or retain Rent for a Mobilehome Space exceeding the Base Rent.
 - 1. If a previously rented Mobilehome Space was not rented in the 2017 calendar year, the Park Owner shall not demand, accept, or retain Rent for said Space in an amount exceeding 90th percentile of all subject Rents in effect at the time the Space is rented.
 - 2. If an existing non-exempt Mobilehome Space is rented for the first time after the 2017 calendar year, the Park Owner shall not demand, accept, or retain Rent for said spaces exceeding the Rent first charged for the Space.
- B. Base Rent Following Expiration of an Exempt Lease. Base Rent for a Mobilehome Space that becomes subject to this Chapter upon the expiration of an exempt lease shall be the Rent in effect under the exempt lease as of the date of its expiration. Mobilehome Space Rents shall be verified by information required on the annual registration application or any other documentation

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required by the City Manager.

- C. Base Rent Following Termination or Permanent Removal. Whenever either of the following events occurs, a Park Owner shall be permitted to charge a new Base Rent for the Mobilehome Space not to exceed the 90th percentile all subject rents in effect at the time the Space is rented:
1. The termination of the tenancy of the Affected Mobilehome Owner in accordance with the Mobilehome Residency Law; or
 2. The voluntary permanent removal of a Mobilehome by a Mobilehome Owner. A removal of the Mobilehome from the Space for the purpose of performing rehabilitation or Capital Improvements to the Space or for the purpose of upgrading the Mobilehome shall not constitute a voluntary removal of the Mobilehome.
- D. Base Rent Following a Fair Return Application. Base Rent shall be the allowable Rent determined as a result of a Fair Return Application.

SEC. 6920.6 Annual Rent Increases.

A. Annual Consumer Price Index Rent Increase:

1. Starting in 2018, on or after May 1 of each year, a Mobilehome Park Owner may impose a Rent Increase for a Mobilehome Space by one hundred percent (100%) of the percentage increase, if any, in the consumer price index (CPI) during the most recent twelve (12) month period ending in December of the prior year. Such Rent Increase may be imposed once in any twelve (12) month period. However, the Rent Increase shall not exceed five percent (5%) of the Rent charged for the Space in the preceding year, except as permitted by this Article in accordance with In-place Mobilehome transfers.
2. CPI Cap Adjustment: If the change in the CPI exceeds five percent (5%) for two or more consecutive years, the cap shall automatically be adjusted to the increase in CPI during the years consecutively exceeding five percent.
3. CPI Decrease: In the event that the CPI decreases, no Rent decrease shall be required pursuant to this Section. In the event that the CPI decreases by more than two percent (2%) in any year, said decrease shall be subtracted from the following annual Rent Increase allowable pursuant to this section, unless the amount of the decrease is larger than the following annual Rent Increase, in which case the Rent Increase for the following year will be zero.

B. Notice of Allowable Annual Rent Increase.

1. Calculation of Annual Increase. The allowable annual Rent Increase shall be calculated annually by the City Manager.
2. Notice of Annual Increase. The amount of the Annual Increase shall be: a) posted by February 15th of each year in City Hall and on the City's website, b) mailed by the City to each Park Owner and Homeowner Representative in each Park, and c) posted by the Park Owner on a notice board in each Mobilehome Park within three business days after it is received by the Park Owner.

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- C. Banking Allowable Annual Increases. Rent Increases authorized pursuant to this Section may be implemented by the Park Owner at any future time, subject to the requirement that by January 30 of each year, Park Owners notify Affected Mobilehome Owners of each increase allowed pursuant to this Section that has not been implemented, and that the banked increase may be added to the Rent at a future date.
- D. Compliance with State Law. Rent Increases permitted pursuant to this Section shall not be effective and shall not be demanded, accepted, or retained until the Park Owner has given the notice required by state law.
- E. Notice: A written notice of each Rent Increase or new or increased Capital Improvement Cost or Capital Replacement Cost pass-through charge made under the provisions of this Section shall be filed by the Park Owner with the City Manager, and provided to each Affected Mobilehome Owner, at least ninety (90) days before the Rent Increase goes into effect or as required by the Mobilehome Residency Law. The notice shall identify the Park and shall specify the dollar amount of the increase, the percentage of the increase, an itemization of all new or increased pass-throughs and additional Rent charges, the specific Space affected, the date the increase will go into effect, how each increase was calculated, and the date the Rent on each affected Space was last increased. The notice shall also advise each Affected Mobilehome Owner of any right to petition for review of a proposed Rent Increase and that a petition form may be requested from the City Manager.

SEC. 6920.7 In-Place Transfer Rent Increases; Establishment of New Base Rent.

- A. Upon the sale of a Mobilehome in place, a Park Owner may implement an increase of the Base Rent for that Space in an amount equal to ten percent (10%) of the Rent for that Space then in effect.
- B. A Park Owner may not condition an in-place transfer of a Mobilehome, or condition assignment of an existing lease to a prospective Mobilehome Owner, upon agreement to an increased Rent. This Subsection shall not apply to specific conditions included in a lease exempt from rent stabilization. For purposes of this Subsection, "a lease exempt from rent stabilization" means a lease that satisfies Civil Code section 798.17(b) of the Mobilehome Residency Law.
- C. No increase may be imposed pursuant to this Section when an existing Mobilehome Owner replaces an existing Mobilehome with another Mobilehome, occupying the same Mobilehome Space.
- D. No increase may be imposed pursuant to this Section where title to the Mobilehome passes to one or more person(s) who, at the time of the title transfer, (1) was/were also lawful, authorized resident(s) of the mobilehome, or (2) were/are parents, siblings, children, nieces, or nephews of the Mobilehome Owner and the Mobilehome remains in the same Space.
- E. Rent Increases authorized by this Section shall be in addition to any other Rent Increases authorized by this Chapter.

SEC. 6920.8 Fair Return Rent Increases.

- A. Fair Return. A Park Owner has the right to obtain a Rent Increase to maintain net operating income ("MNOI") equal to the Base Year net operating income adjusted by 100 percent of the percentage increase in the CPI since the Base Year. It shall be presumed this standard provides a

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fair return. Nothing in this Article shall preclude the City Manager, or hearing officer on appeal, from granting a Rent Increase that is necessary in order to meet constitutional fair return requirements.

- B. If a Park Owner presents evidence to the City Manager, including any financial records requested by the City Manager, which proves that the Park Owner is denied a fair return by the Rent control provisions of this Article, the City Manager may authorize an increase in Rent as deemed appropriate by the City Manager to provide a fair return to the Park Owner. The City Manager shall use the method set forth in this Article to determine the fair return.

SEC. 6920.9 Method to Determine a Fair Return.

- A. Maintenance of Net Operating Income: It shall be presumed that the net operating income produced by the property during the Base Year provided a fair return. A Park Owner shall be entitled to Rents sufficient to earn a just and reasonable return and to maintain and increase their Base Year net operating income in accordance with this Section. This method is called maintenance of net operating income (“MNOI”) and shall be included in all Fair Return Applications.
- B. Adjustment of Base Year Net Operating Income: The Park Owner or the Affected Mobilehome Owners may apply to the City Manager to rebut the presumption of fair and reasonable return based upon the Base Year net operating income. To make such a determination and in order to adjust to the Base Year net operating income, the City Manager, or hearing officer if on appeal, must make the following findings:
 - 1. Exceptional Expenses in the Base Year. The Park Owner’s operating expenses in the Base Year were unusually high or low in comparison to other years. In such instances, adjustments may be made in calculating operating expenses so the Base Year operating expenses reflect average expenses for the park over a reasonable period of time. The following factors shall be considered in making such a finding:
 - a. Extraordinary amounts were expended for necessary maintenance and repairs.
 - b. Maintenance and repair were below accepted standards so as to cause significant deterioration in the quality of services provided.
 - c. Other expenses were unreasonably high or low notwithstanding the application of prudent business practices.
 - 2. Exceptional Circumstances in the Base Year. The gross income during the Base Year was disproportionately low due to exceptional circumstances. The following factors shall be considered in making such a finding:
 - a. If the gross income during the Base Year was lower than it might have been because some Mobilehome Owners were charged reduced rent.
 - b. If the gross income during the Base Year was significantly lower than normal because of the destruction of the Park and/or temporary eviction for construction or repairs.
 - c. The pattern of rent increases in the years prior to the Base Year and whether those increases reflected increases in the CPI.
 - d. Base Year Rents were disproportionately low in comparison to the Base Year Rents of other comparable parks in the City.

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- e. Other exceptional circumstances, excluding any comparisons of Base Year Rents to Rents of other comparable parks located outside of the City or to market rents determined from comparable Parks located outside of the City.

C. Calculation of Net Operating Income.

1. Net Operating Income. Net operating income shall be calculated by subtracting operating expenses from gross rental income.
2. Gross Rental Income.
 - a. Gross rental income shall include the following:
 - i. Gross Rents calculated as gross rental income at 100 percent occupancy, adjusted for uncollected Rents due to vacancy and bad debts to the extent such vacancies or bad debt are beyond the control of the Park Owner. Uncollected Space Rents in excess of three percent of gross Space Rent shall be presumed to be unreasonable unless established otherwise and shall not be included in computing gross rental income.
 - ii. All other income or consideration received or receivable in connection with the use or occupancy of the Rental Unit, except as excluded below.
 - b. Gross rental income shall not include the following:
 - i. Utility charges for submetered gas and electricity.
 - ii. Charges for water, refuse disposal, sewer service, and/or other services which are either provided and charged to Mobilehome Owners solely on a cost pass-through basis and/or are regulated by state or local law.
 - iii. Any amount paid for the use and occupancy of a Mobilehome unit (as opposed to amounts paid for the use and occupancy of a Mobilehome Space).
 - iv. Charges for laundry services.
 - v. Storage charges.
 - vi. Rental Income from Spaces exempted from Rent limitation by state law or this Chapter.
3. Operating Expenses.
 - a. Operating expenses shall include the following:
 - i. Reasonable costs of operation and maintenance.
 - ii. Management expenses. It shall be presumed that management expenses increase by the percentage increase in Rents or the CPI, whichever is greater, between the Base Year and the prior year unless the level of management services has either increased or decreased significantly between the Base Year and the prior year.
 - iii. Utility costs, except where the consideration of the income associated with the provision of the utility service is regulated by state law and consideration of the costs associated with the provision of the utility service is preempted by state law.
 - iv. Real property taxes attributable to the Base Year or prior year regardless of when actually paid.
 - v. License and registration fees required by law to the extent these expenses are not otherwise paid or reimbursed by Mobilehome Owners.

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- vi. Park Owner-performed labor compensated at reasonable hourly rates. No Park Owner-performed labor shall be included as an operating expense unless the Park Owner submits documentation showing the date, time, and nature of the work performed. There shall be a maximum allowed under this subsection of five percent of gross income unless the Park Owner shows greater services were performed for the benefit of the Mobilehome Owners.
 - vii. Legal Expenses incurred in connection with successful good faith attempts to recover Rents owing, pursuit of rights under or in relationship to this Article, including Legal Expenses incurred in the course of pursuing successful Fair Return Applications, unlawful detainer actions not in derogation of applicable law, and when incurred in the normal operation of the Park, to the extent such expenses are not recovered from adverse or other parties.
 - viii. Interest Allowance on Amortized Expenses.
- b. Exclusions from Operating Expenses. Operating expenses shall not include the following:
- i. Mortgage principal or interest payments or other debt service costs.
 - ii. Penalties, fees or interest assessed or awarded for violation of any provision of this Chapter or other provision of law.
 - iii. Land lease expenses.
 - iv. Political contributions and payments to organizations which are substantially devoted to legislative lobbying purposes.
 - v. Depreciation.
 - vi. Expenses for which the Park Owner has been reimbursed by any utility rebate or discount, security deposit, insurance settlement, judgment for damages, settlement or any other method or device.
 - vii. Unreasonable increases in expenses since the base year.
 - viii. Expenses associated with the provision of master-metered gas and electricity services.
 - ix. Expenses attributable to unreasonable delays in performing necessary maintenance or repair work or the failure to complete necessary replacements.
 - x. Expenses attributable to a Park-owned Mobilehome, including but not limited to any Mobilehomes rented out by the Park Owner except when provided to a Park manager as a component of employment compensation.
 - xi. Expenses attributable to Spaces exempt from Rent limitations by state law or this Chapter shall be excluded by reducing the total allowed operating expenses by a percentage of the total number of Spaces in the Park.
- c. Adjustments of Operating Expenses. Base Year and/or current operating expense items shall be averaged with other expense levels for the same types of items for other years or amortized or adjusted by the CPI or may otherwise be adjusted, in order to establish an expense amount for the item(s) that most reasonably serves the objectives of obtaining a reasonable comparison of Base Year and prior year expenses. Grounds for such adjustments include, but are not limited to:
- i. Either the amount or nature of an expense item for a particular year is not representative.
 - ii. The Base Year expense is not a reasonable projection of average past expenditures for that item in the years immediately preceding or following the base year.

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- iii. The prior year expense is not a reasonable projection of expenditures for that item in recent years or of future expenditures for that item.
 - iv. If a particular item of expense exceeds the normal industry or other comparable standard for the area, the Park Owner shall bear the burden of proving the reasonableness of the expense. To the extent that it is found that the expense is unreasonable it may be adjusted to reflect the normal industry standard.
 - v. A Base Year expense is exceptionally low by industry standards and/or on an inflation adjusted basis is exceptionally low relative to the prior year expense although the level or type of service for which the expense is incurred has not changed significantly.
 - vi. An increase in maintenance or management expenses is disproportionate to the percentage increase in the CPI, while the level of services has not changed significantly and/or is not justified by special circumstances.
- D. Constitutionally Required Fair Return: Notwithstanding any other provisions of this Chapter, the City Manager is authorized to approve any Rent Increase that is constitutionally required by law to yield a fair return.
- E. Rent Increase Effective Date: Rent Increases approved by the City Manager shall be effective on the date given by the applicant in the notice to the Affected Mobilehome Owners required in section 798.30 of the California Civil Code. In the event that the period for determining the allowable Rent Increase exceeds 120 days, the Park Owner may recover a Rent charge retroactive to 120 days after the Fair Return Application is deemed complete. Delays or continuances that are mutually agreed to in writing by all parties concerned, extensions authorized in this Article, and the number of days that lapse between applicant receiving notice of the necessity of replenishing its deposit and paying the required amount pursuant to the procedure for review of Fair Return Applications cost of expert analysis in this Article, shall not be counted in determining whether said 120-day period has expired. In order to avoid undue hardship on the Mobilehome Owners affected by the decision, the retroactive Rent charge shall be amortized and paid over a period of five years, unless the City Manager or hearing officer determines that a different amortization period is more reasonable. Interest may be charged on this amortized Rent.
- F. Per Space Rent Adjustment Pursuant to Fair Return Standard: The allowable Rent Increase per Mobilehome Space pursuant to this Section may not be increased as a result of exempt Spaces in the Park.

SEC. 6920.10 Settlement Proposals.

- A. At least 10 days prior to the date specified when the City Manager will take under submission a Fair Return, Capital Improvements, or Rent Reduction application filed pursuant to this Article, or 10 days prior to any appeal hearing, the Homeowner Representative or the Park Owner may submit a written settlement offer to the other party to settle the claims or requests made in the application and to allow a decision or award to be made in accordance with the terms and conditions stated in the offer.
- B. The offer shall include a statement the terms and conditions that the offering party is willing to accept, and a provision that allows the accepting party to indicate acceptance of the offer by signing a statement that the offer is accepted. At the same time that the offering party submits its offer to the other party, the offering party shall also file a copy of the written settlement offer with the City Clerk, or hearing officer, in a separately sealed envelope, with a statement on the outside of the envelope identifying the offeror and stating that it is a written settlement offer submitted

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pursuant to this section. The sealed copy of the written settlement offer that is filed with the City Clerk or hearing officer shall not be opened until it is either timely accepted by the opposing party or, if it is not timely accepted by the opposing party, after the City Manager or hearing officer, as appropriate, has rendered a final decision on the application or appeal.

- C. Acceptance of the offer must be in writing and shall be signed by the counsel for the accepting party or, if not represented by counsel, by the accepting party.
- D. If the offer is accepted, the parties shall notify the City Manager, and the hearing officer if the application is on appeal, and the City Manager or hearing officer, as appropriate, shall enter the accepted offer as the final decision respecting the application or appeal.
- E. If the offer is not accepted within seven calendar days of the offer's receipt by the opposing party, the offer shall be deemed withdrawn and cannot be given in or considered as evidence as part of the City Manager's or hearing officer's, as appropriate, decision.
- F. Legal Expenses. If an offer made pursuant to this Section is not accepted and the rejecting party fails to obtain a more favorable award or decision, the rejecting party shall not recover his or her post-offer Legal Expenses and shall pay the Legal Expenses incurred by the offering party from the time of the offer. If competing offers to settle are timely submitted but have not been timely accepted, the City Manager or hearing officer, as may be appropriate, shall determine which party has failed to obtain a more favorable decision or award and assign responsibility for the payment of legal expenses accordingly.
 - 1. The City Manager or hearing officer shall mail and email to the parties a notice of assignment of Legal Expense liability ("Legal Expense Notice") within seven days after issuance of a final decision on the application or appeal. Within seven days of his/her/its receipt of the Legal Expense Notice, each party shall simultaneously serve a written request for the awarding of and an accounting of Legal Expenses and on the City Manager or hearing officer and all parties by regular mail and electronic mail. Said requests shall include detailed records of fee billings, time records and supporting declarations executed under penalty of perjury. Within seven days of receiving the requests, opposing parties may file and serve objections in the same manner as service of the original requests. Within seven days after service of the oppositions or within seven days of the deadline for the filing of oppositions, if none is submitted, the City Manager or hearing officer may submit a proposed supplemental decision stating the amount of legal expenses each party is required to pay and the reasons therefor.
 - a. When issued by the City Manager, said supplemental decision shall become final when issued and shall be appealable separately from the City Manager's decision pertaining to the merits of the petition. The appellate procedures set forth in this Article shall govern an appeal of a City Manager's decision pertaining to the awarding of Legal Expenses, but an appeal of a Legal Expenses award shall be consolidated with any appeal taken of the City Manager's final decision pertaining to the merits of the application.
 - b. When issued by the hearing officer, said supplemental decision shall become final in seven days after the proposed decision, unless either party requests an evidentiary hearing within said seven days in which case a final decision shall be made within seven days after the evidentiary hearing is concluded. The hearing officer's decision shall become final upon mailing, with proofs of service, to all parties of the (i) final decision on the merits of the application, or (ii) final decision on the Legal Expenses award, whichever occurs last.

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- c. In his or her discretion, the City Manager or the hearing officer, as appropriate, may reduce or offset from any Legal Expense award made in favor of the applicant by the amount of legal expenses the applicant may be required to pay.
 2. Any award of Legal Expenses shall be itemized by the Park Owner separately from any Rent Increase or Services Reduction award as a separate, limited time pass-through. The Legal Expense award plus Allowable Interest on Amortized Expenses shall be recovered in equal monthly payments over a five-year period, unless the City Manager or hearing officer determines that a different period is more appropriate, and shall be eliminated after payment is completed at the end of the amortization period.
 3. In determining whether a party has obtained a more favorable award or decision than that proffered in a written settlement offer not accepted by that party, the City Manager or hearing officer shall rely upon and be guided by legal precedent and authorities construing the same term used in California Code of Civil Procedure Section 998.
- G. The time limits prescribed in this Section may be extended by the City Manager or the hearing officer, as appropriate, upon a showing of good cause.

6920.11 Procedures for review of Rent.

- A. The following matters are subject to review by the City Manager upon application:
 1. Fair return Rent Increase, excepting that a Park Owner may not file a Fair Return Application in November or December except in cases of unforeseen circumstances.
 2. Preapproval of a temporary Rent Increase for specified Capital Improvements and Capital Replacements.
 3. Rent reduction for Service Reduction.
- B. Limit on Frequency of Applications. Only one application pursuant to this Article may be filed for a Mobilehome Park within any 12-month period, except in the event of extraordinary circumstances that could not reasonably have been foreseen at the time the prior application was filed.
- C. Filing of Application.
 1. Applications for Rent adjustments for fair return Rent Increases, temporary Capital Improvements and Capital Replacements Rent Increases, or Rent reductions for Service Reductions shall be on forms prescribed by the City Manager.
 2. The City Manager may require an application to contain any information as he or she deems relevant, including, but not limited to:
 - a. A list of the names and addresses of all Mobilehome Park Mobilehome Owners subject to the proposed Rent adjustment.
 - b. A statement of the date the Rent adjustment is proposed to be effective.
 - c. The Rent for each Space in the park in the Base Year, and the three prior years.
 - d. An income and expense statement for the Base Year, and the four years prior.
 - e. Evidence documenting the income and expenses claimed by the Park Owner.

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- f. All other documentation and opinion testimony upon which the Park Owner is relying to justify the Rent Increase, or upon which the Mobilehome Owner is relying on to justify a Rent reduction.
 - g. A statement of the applicant's theories in support of the Rent Increase or Rent reduction.
- D. Notice of Application. The applicant and the City shall provide notice of an application as follows:
1. The applicant and City: by sending a hard copy and electronic copy of the application to the either the a) Homeowner Representative and each Affected Mobilehome Owner, or b) the Park Owner, as appropriate;
 2. The applicant: by providing the City with hard and electronic copies of the application;
- E. Determination that Application is Complete. Within 30 days after filing an application, the City Manager will determine if it is complete. An application will be considered complete only if and when the required fees have been paid. If the application is incomplete, the City Manager will inform the applicant in writing as to what additional information is required. Within 30 days of the applicant's submittal of requested additional information or fees, the City Manager shall determine whether the application is complete and notify the applicant of the City Manager's determination. This process shall continue until the City Manager issues a written notice advising the applicant that the application is complete. The time period for Rent Increase effective date shall begin running on the date the City Manager delivers said completeness notice to the applicant.
- F. Access to Application. Applications shall be available for inspection and copying by the public during the City's normal business hours. The City shall reasonably make all applications available to view through the City's website.
- G. Cost of Expert Analysis. Upon the receipt of an application authorized by this Article, the City Manager shall determine if the employment of experts will be necessary for a thorough analysis of the application. The City Manager may retain a certified public accountant to, among other things, verify the accuracy of the expense and income items stated in the application; an expert in the use and theory of the fair return and MNOI methods utilized in this Article; and/or, a licensed appraiser. The City Manager shall also determine the anticipated cost of employing any such experts and communicate this amount to the applicant. The City Manager shall keep an accounting of the Applicant's deposit and how it is used to defray the City's costs. If at any time during the processing of an application the remaining balance of the deposit is less than \$1,000, or other amount as adjusted by resolution of the City Council, the City Manager shall notify the applicant of the remaining balance, additional amount to be paid, and deadline for payment. The application shall not be further processed until the applicant has paid the estimated cost of expert analysis. Any unused portion for payments so collected shall be refunded to the applicant.
- H. Contents of Expert Analysis. At a minimum, any analysis pursuant to this Section shall include a determination of:
1. Base Year and prior year rental income;
 2. Base Year and prior year operating expenses by category;
 3. Base Year and prior year overall operating expenses;
 4. Base Year and prior year net operating income;
 5. The percentage change in net operating income between the Base Year and prior year;
 6. The percentage change in the CPI between the base period and the prior year;

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7. The ratio of the percentage change in net operating income to the percentage change in the CPI between the Base Year and the prior year; and
 8. The rent adjustment required under an MNOI standard pursuant to this chapter.
- I. Response by other party. The party not filing the application may submit a written response to the application within 30 days after the application is determined complete, unless the City Manager determines that there is good cause to extend that deadline. The party filing written response shall deliver it to the applicant and to the City Clerk.
- J. Decision by City Manager. Applications filed pursuant to this Article shall be decided by the City Manager based on substantial evidence and without a hearing or personal appearances by any of the involved parties or their representatives. The decision will be made within 60 days of the date that the application is determined complete, unless the City Manager determines that there is good cause to extend that deadline. The City Manager shall email all involved parties or their representatives the date on which the City Manager will consider the matter under submission and beyond which the City Manager will not accept additional information, briefs, evidence or arguments (the "Submission Date"). The City Manager shall email notice of the Submission Date to all parties or their representatives at least 21 days prior to the Submission Date. The City Manager's decision on the merits of the application shall be emailed and sent by mail, with proof of mailing, to the Park Owner, the Park Owner's and Mobilehome Owners' representatives, and the Homeowner Representative.
- K. Required Findings in Decision: Any Rent adjustment decision pursuant to this Article shall include a determination of the following:
1. Base Year and prior year rental income;
 2. Base Year and prior year operating expenses by category;
 3. Base Year and prior year overall operating expenses;
 4. Base Year and prior year net operating income;
 5. The percentage change in net operating income between the Base Year and the prior year;
 6. The percentage change in the CPI between the Base Year and prior year;
 7. The ratio of the percentage change in net operating income to the percentage change in the CPI between the Base Year and prior year;
 8. The rent adjustment required under the MNOI standard, if applicable to the application.
- L. Conditions for Allowance or Disallowance of Rent Increase: The allowance or disallowance of any proposed Rent Increase (or decrease) or portion thereof may be reasonably conditioned in any manner necessary to effectuate the purposes of this Article.
- M. Representation of Parties:
1. Each party may be represented by any person of its choosing. The representative need not be an attorney.
 2. Written designation of representatives shall be filed with the City Manager or hearing officer.
 3. The written designation of the representative shall include a statement that the representative is authorized to bind the party to any stipulation, decision or other action taken by the City Manager or hearing officer.

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- N. Overall Period for Review of Application. Except as otherwise provided in this Article, a decision on an application for Rent adjustment made pursuant to this Article shall be made within 120 days after the application is deemed complete, unless extended by the City Manager or hearing officer for good cause.
- O. Standard of Review. The applicant shall bear the burden of proof, by a preponderance of the evidence, on all issues necessary to the granting of the petitioner's petition, both at the City Manager and hearing officer levels of review.

SEC. 6920.12 Appeal of City Manager's Decision.

- A. The decision of the City Manager on an application for Rent Increase for fair return, Capital Improvements, or Capital Replacements, or Rent reduction for Service Reduction may be appealed within 30 days after the date of its mailing. An appeal by the Park Owner shall be signed by the Park Owner or its/his/her lawfully appointed agent. An appeal by the Mobilehome Owners must be signed by the Mobilehome Owners residing on a majority of the Mobilehome Spaces that are subject to the City Manager's decision. An appeal must be in writing and must be delivered to the opposing parties and the City within the 30 appeal period. If the City Manager's decision is not timely appealed, the City Manager's decision shall become final on the thirty-first day after the decision is mailed. The appealing party shall be required to pay for the costs of the appeal, including those imposed by the hearing officers and those established by resolution of the City Council. The appeal shall be conducted through a de novo evidentiary hearing, which shall consider at least the following: the application, all information, expert opinions and arguments submitted by the parties to the City Manager; the opinions of the City's experts; additional arguments or facts upon which the City Manager's decision is based; and the briefs, evidence and testimony accepted or rejected by the City Manager in support of or in opposition to the application by any of the parties to the proceedings.
- B. Procedure for Selection of a Hearing Officer.
 - 1. Hearing officers shall be licensed attorneys of the State Bar of California in good standing, and shall have no financial interest in Mobilehomes, Mobilehome Spaces or Mobilehome Parks and shall not have represented Mobilehome Park Owners or Mobilehome Park Mobilehome Owners in Rent setting cases or Park closings, Park conversions or any disputes between Park Owners and Park residents.
 - 2. A hearing officer shall be selected through the California Office of Administrative Hearings (OAH). In the event OAH is unavailable or unable to provide a hearing officer, the City Manager may elect to contract with another agency that provides arbitration or hearing officer services or may establish a panel from which the hearing officer is selected in accordance with this Section.
 - 3. In the event a list of hearing officers is established, the City Manager shall make all reasonable efforts to ensure that the list is comprised of at least five qualified candidates. A hearing officer shall disqualify himself or herself from serving as hearing officer in a particular matter where he/she has a conflict of interest within the meaning of the Political Reform Act (Government Code Section 87100 et seq.), and shall otherwise comply with the disqualification provisions of Canon 3.E. of the Code of Judicial Ethics. The City shall make the initial selection of the hearing officer from the panel. The parties to the appeal shall be advised in writing of the selected hearing officer, and advised of their right to disqualify the

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selected hearing officer within five days of receipt of the notice of selection. In the event of a disqualification, another hearing officer shall be randomly selected from the panel by the City, and a new notice of hearing sent to the parties. Each party shall have the right to disqualify one hearing officer for a particular appeal if there are five or fewer hearing officers on the list and may disqualify up to two hearing officers if there are eight or more hearing officers on the list.

C. Time of and Scheduling of Hearing.

1. A hearing on the appeal shall commence within 30 days of the selection of a hearing officer unless both parties agree to a different schedule. The hearing shall be completed within 15 days after it is commenced. These time deadlines may be extended by the hearing officer for good cause.
2. The hearing may be scheduled during normal business hours of the City unless a majority of the residents that are subject to the appeal requests that the hearing be scheduled during the evening. The hearing shall be scheduled at a time that it is convenient for the residents' and Park Owner's representatives.

D. Presentations by each party at the hearing and of the City staff and experts shall be limited to 90 minutes each unless the hearing officer determines good cause exists to enlarge those time periods. Each party and the City shall be permitted a cumulative total of one hour of cross-examination of the opposing party's expert witnesses, unless the hearing officer determines good cause exists to enlarge those time periods. The City may provide legal counsel to help prepare the City's experts for their presentation at the appeal hearing, to defend the City's expert witness and to cross examine the expert witnesses of the parties.

E. Notwithstanding anything to the contrary stated herein, whether or not the City decides to appear, submit documents and/or briefs, retain counsel to represent the City, or otherwise participate in the administrative appellate proceedings shall be left to the discretion of the City.

F. Written notice of the time, date and place of the hearing shall be given at least 21 days prior to the hearing.

G. Requests for Additional Information Not Previously Provided to the City Manager by Opposing Party:

1. Either party or the City may request that additional, supporting documentation that was not previously provided to the City Manager as part of his/her initial examination of and decision be provided to substantiate the claims made by a party. The request shall be presented in writing to the hearing officer.
2. The hearing officer may order production of such requested documentation if the hearing officer determines the information is relevant to the proceedings.

H. Responses:

1. Mobilehome Owners or the Park Owner may submit responses to the decision of the City Manager or to reports by the City's experts. Responses shall be submitted to the other parties

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and the hearing officer at least 10 days prior to the hearing. Responses shall be in printed and electronic form.

2. Rebuttal reports may be submitted by the Park Owner, Mobilehome Owners, and/or City or its expert. Such reports shall be submitted to the parties and hearing officer at least five days prior to a hearing. Rebuttals shall be in printed and electronic form.
3. The parties' responses and rebuttal reports shall be considered the prehearing briefs of the parties and the City and no other prehearing briefs shall be allowed unless requested by the hearing officer for good cause.
4. For good cause, the hearing officer may accept additional information at the hearing.

I. Conduct of Hearing:

1. The hearing shall be conducted in accordance with such rules and regulations as may be promulgated by the City Council and any rules set forth by the hearing officer.
2. The hearing officer shall have the power and authority to require and administer oaths or affirmations where appropriate, and to take and hear evidence concerning any matter pending before the hearing officer.
3. The rules of evidence generally applicable in the courts shall not be binding in the hearing. Hearsay evidence and any and all other evidence which the hearing officer deems relevant may be admitted and considered.
4. Any party or such party's representative, designated in writing by the party, may appear at the hearing to offer such documents, oral testimony, written declaration or other evidence as may be relevant to the proceedings.
5. The hearing officer may grant or order not more than two continuances of the hearing for not more than 10 working days each. Additional continuances may be granted only if all parties stipulate in writing or if the hearing officer finds that there is a good cause for the continuance. Such continuances may be granted or ordered at the hearing without further written notice to the parties.
6. A recording of the proceedings shall be made or arranged by the City Manager in a format that is made easily available within five days of the conclusion of the hearing.
7. The hearing shall be conducted in a manner that ensures the parties have an opportunity to obtain documents and to obtain information about the theories and facts to be presented by the opposing parties in adequate time in advance of the hearing to enable preparation of their respective cases.
8. Deadline for Decision: Appeals shall be decided by the hearing officer within 90 days of the date of the filing the appeal and payment of all appellate fees, unless extended by the hearing officer for good cause or by the City Manager to accommodate scheduling availability of a hearing officer.

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9. **Notice of Decision:** The City Manager shall mail hardcopies of the hearing officer's decision to the Park Owner and all affected Mobilehome Owners within three days of the City's receipt of the hearing officer's written decision. The decision shall be emailed to the Park Owner's and residents' representatives as soon as possible after the decision is received by the City.
- J. **Modification of Decision in the Event of Mathematical or Clerical Inaccuracies:** Any party alleging that the hearing officer's statement of decision contains mathematical or clerical inaccuracies may so notify the hearing officer and the other party within 15 calendar days of the date of mailing of the decision. The hearing officer may make corrections and shall file a corrected statement of decision within 10 working days after receiving the request to correct. Alternatively, the hearing officer may decline to correct the decision and shall so notify the parties of his/her determination. Upon filing a corrected statement of decision or a determination not to correct the decision, the hearing officer's decision shall be final.
- K. **Preservation of Record:** Written findings made by the final decision maker pursuant to this Section shall be permanently preserved in the City records.

SEC. 6920.13 Preapproved Temporary Rent Increases for Specified Capital Improvements and Capital Replacements.

- A. A Park Owner shall be permitted to obtain a temporary Rent increase to reimburse specified Capital Improvements and Capital Replacements pursuant to this Section.
- B. The City Council shall from time to time adopt an amortization schedule for typical Capital Improvements and Capital Replacements subject to the provisions of this section.
- C. Prior to making a Capital Replacement or Capital Improvement, the Park Owner may file an application with the City Manager for approval of a temporary Rent Increase to reimburse Capital Improvement Costs or Capital Replacement Costs. Except as is provided in Subsection H, a Park Owner who commences and completes a project prior to obtaining a temporary Rent Increase approval under this Section, shall be deemed to have conclusively waived its right to seek a Rent Increase for that Cost.
- D. Applications for a temporary Rent Increase shall contain at a minimum the following information:
 1. A description and cost of the proposed project. The estimated cost of the proposed project shall be reflected in at least two, bids or proposals from qualified and licensed (if required by law) contractors, installers and/or builders;
 2. Evidence establishing that the project is necessary at the time the Park Owner seeks to implement it;
 3. The date(s) upon which the Park Owner proposes to commence and complete the project;
 4. The manner by which the Park Owner will notify the City of the commencement of the work to allow the City to monitor construction and ensure, as practicable, that the work is completed consistent with the temporary Rent Increase approval;

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5. The period of time during which the Park Owner proposes to amortize the Rent Increase and the rationale therefor;
 7. Evidence that the project will be made at a direct cost of not less than \$100.00 per affected Mobilehome Space or at a total direct cost of not less than \$5,000, whichever is lower, or such other amounts as adjusted by resolution of the City Council;
 8. Calculation of costs amortized over a period of not less than 36 months, or a different time period if the monthly payment amount will not impose an unreasonable financial burden on the Mobilehome Owners of the Park;
 9. Evidence that the costs do not include any additional costs incurred for property damage or deterioration that result or have resulted from any unreasonable delay in undertaking or completing any repair or improvement;
 10. Evidence that the costs do not include costs incurred to bring the Park, improvement or other property into compliance with a provision of the Arcata Municipal Code or state law where the original installation of the improvement was not in compliance with code requirements;
 11. A representation by the Park Owner stating that at the end of the amortization period, the allowable monthly Rent will be decreased by any amount it was increased because of a Rent Increase approval granted under this Section; and
 12. Evidence that the amortization period is in conformance with any schedule adopted by the City Council, unless it is determined that an alternate period is justified based on the evidence presented during the consideration of the Park Owner's application.
- E. Upon receipt of the application, the City Clerk shall provide notice ("Capital Improvement Notice") of the application to all affected Mobilehome Owners. The notice shall state the proposed Capital Improvement or Capital Replacement, the amortization schedule including interest for the project, and the resulting temporary Rent Increase proposed. The City Clerk shall email the application and all of its attachments to the Homeowner Representative. The Park Owner shall post a complete, physical copy of the petition and its attachments at a location that is obvious and accessible to all Mobilehome Owners.
- F. In the event that 50 percent plus one of the Affected Mobilehome Spaces whose Rent would be increased if the application were approved protest the application in writing to the City Clerk within 30 days after the date the City Clerk mails or emails the Capital Improvement Notice to the affected Mobilehome Owners, the City Manager shall determine whether the application is complete, including determining whether all applicable fees have been paid. Upon determining that the application is complete, the City Manager may retain expert assistance as necessary to review the application, and may require the Park Owner to pay the cost of expert assistance.
- G. In the event that 50 percent plus one of the Affected Mobilehome Spaces whose Rent would be increased if the application were approved do not protest the application in writing to the City Clerk within 30 days after the date the City Clerk mails or emails the Capital Improvement Notice to the affected Mobilehome Owners, the City Manager shall approve the application as submitted, and send a notice to the applicant and the Affected Mobilehome Owners stating that the application has been granted and identifying the amount of the temporary Rent Increase allowed to be charged the Affected Mobilehome Owners. Said decision by the City Manager shall be final and shall not be appealable.

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- H. A Park Owner shall be entitled to seek a temporary Rent Increase in order to make a Capital Improvement or Capital Replacement only if the Park Owner has:
1. Consulted with the Park Mobilehome Owners prior to initiating construction of the project regarding the nature and purpose of the project and estimated cost; and
 2. Obtained the prior written consent of an adult household member from at least 50 percent plus one of the Spaces whose Rent would be affected by the requested Capital Improvement or Capital Replacement temporary Rent Increase. Evidence of such consent must be presented at the time of filing the application with the City.

Provided, that the above two criteria have been satisfied, the City Manager shall approve the application as submitted, and send notice to the applicant and affected Mobilehome Owners stating that the application has been granted and identifying the amount of the approved Rent Increase. Said decision by the City Manager shall be final and shall not be appealable.

- I. No temporary Rent Increase granted pursuant to this Section shall become effective until the first full calendar month following the filing by the Park Owner of a notice of completion of the Capital Improvement or Capital Replacement project with the City Clerk, and determination by the City that the work was completed in accordance with the Rent Increase approval. A Rent Increase approved pursuant to this Section shall be itemized separately on the rental billing provided to the affected Mobilehome Owners and shall terminate upon the conclusion of the approved amortization period.
- J. Nothing in this Section shall prevent the Park Owner from making emergency Capital Improvements or Capital Replacements required as a result of a disaster or other unpredictable event. In such event, the Park Owner may make limited and reasonable Capital Improvements or Capital Replacements required to protect the public health and safety and to limit further damage to the Park, and to thereafter or simultaneously seek a Rent adjustment for such Capital Improvement or Capital Replacement pursuant to this section.

SEC. 6920.14 Rent Reduction for Service Reduction.

Rent may be reduced and/or refunded if a Service Reduction results in the reduction in the Mobilehome Owners' enjoyment of their Mobilehomes.

- A. Filing and Processing a Service Reduction Application. A Service Reduction application must be signed by at least one adult Mobilehome Owner from each of fifty percent (50%) plus one of the Spaces subject to this Chapter.
- B. If the City Manager, or hearing officer on appeal, finds that a material Service Reduction has occurred, the City Manager, or hearing officer on appeal, shall determine the resultant percentage reduction in the Mobilehome Owners' enjoyment due to the Service Reduction. Rent shall be reduced by that percentage or amount. In addition, the Mobilehome Owners shall be entitled to, and the City Manager, or hearing officer on appeal, shall award a rebate in the amount of the monthly Rent reduction multiplied by the number of months between the date the Mobilehome Owners notified the Park Owner of the reduction in service and the date the City Manager, or hearing officer on appeal, determined the Rent reduction. Any rebate authorized pursuant to this section may be amortized over a maximum five year period, and bear the Interest Allowance for Amortized Expenses. In the event the Park Owner was not notified of the Service Reduction by the Mobilehome Owners or applicant and the Park Owner did not know nor should have known

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that the Service Reduction occurred prior to the filing of the application, no rebate shall be awarded. If a preponderance of the evidence proves that the Park Owner knew or should have known of the Service Reduction, a rebate shall be awarded and calculated from the date that the Park Owner knew or should have known of the start of the reduction.

- C. No rebate shall be allowed or authorized if a Service Reduction of a recreational facility or service, and resulting Rent decrease, has the prior written approval signed by at least one adult Mobilehome Owner from each of fifty percent (50%) plus one of the Spaces subject to this Article.
- D. No Service Reduction may include a condition created by the Park management's failure to maintain the physical improvements in the common facilities in good working order, or condition for which the provisions of Civil Code section 798.84 provides a remedy.
- E. No recreational service or facility that has been reduced or eliminated shall be reinstated at any cost to the Mobilehome Owners without prior written approval signed by at least one adult Mobilehome Owner from each of fifty percent (50%) plus one of the Spaces subject to this Article.
- F. In the event that a Service Reduction application is filed while a Fair Return Application is pending, the City Manager, the Park Owner, or the Mobilehome Owners may require consolidation of the applications.

SEC. 6920.15 Waivers.

- A. Any waiver or purported waiver by a Mobilehome Owner of rights granted under this Article shall be void as contrary to public policy.
- B. It shall be unlawful for a Park Owner to require or attempt to require as a condition of tenancy in a Mobilehome Park, a Mobilehome Owner or a prospective Mobilehome Owner to waive in a lease or rental agreement or in any other agreement the rights granted to a Mobilehome Owner by this Article.
- C. It shall be unlawful for a Park Owner to deny or threaten to deny tenancy in a Mobilehome Park to any person on account of such person's refusal to enter into a lease or rental agreement or any other agreement under which such person would waive the rights granted to a Mobilehome Owner by this Article.

SEC. 6920.16 Mobilehome Owners' Representatives.

- A. The Affected Mobilehome Owners of each Mobilehome Park shall annually elect by majority vote, with one vote per Space, a representative ("Homeowner Representative") to receive all notices and documents that are required by this Article to be delivered to the Mobilehome Owner or Homeowner Representative. The Homeowner Representative shall additionally have the authority to accept and reject written settlement offers submitted pursuant to this Article, which shall be binding upon the said Mobilehome Owners.
- B. No later than January 31st of each year, the Homeowner Representative shall provide written notice to the City Manager of his/her name, address, phone number and email address, and shall promptly notify the City Manager in writing of any change of contact information or

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representative. Said notice shall be dated, signed and include a certification substantially similar to the following:

“I certify that I have been elected as the designated Mobilehome Owners’ Representative (Homeowner Representative) for the _____ Mobilehome Park (“Park”) as the result of a duly noticed election. All tenants of spaces in the park which are governed by Title VI, Chapter 6 of the Arcata Municipal Code were delivered written notices advising them of (a) their right to vote for the Park’s Homeowner Representative, (b) the authority and obligations of the Homeowner Representative, (c) the slate of candidates running for the position of the Park’s Homeowner Representative, (d) the date by when and how they must cast their vote and (e) the place to cast their vote. I further certify that of the ballots timely cast, _____ [number] or _____% were cast in favor of the undersigned.”

- C. In the event no person is elected or willing to serve as the Homeowner Representative, the president or presiding officer of any existing tenants’ organization or association that is independent of the Park Owner shall serve as the Homeowner Representative. In the event there is no tenant’s organization or association, the duties and authorization imposed upon and granted to the Homeowner Representative by this Article shall not be discharged or exercised with respect to that Park. In the event a Homeowner Representative fails to discharge his/her duties as specified in this Article, the tenants described in subsection (A) of this Section shall have the right to vote as to whether or not the Homeowner Representative shall continue acting as the Homeowner Representative. If at least 50 percent plus one of the Affected Mobilehome Spaces vote against the Homeowner Representative retaining his/her position as Homeowner Representative, that person shall step down from and no longer occupy the position of Homeowner Representative effective as of the date of the election.
- D. In addition to duties and authorization set forth in subsection (A) of this section, the Homeowner Representative shall discharge the following obligations:
1. Upon receipt of the notices and documents which the Homeowner Representative is to receive under this Article, the Homeowner Representative shall (a) post copies of same in a community center or other place in the Park that is readily accessible to and frequented by the Mobilehome Owners, and (b) electronically send them to all affected Mobilehome Owners if reasonably possible
 2. Make good faith and timely efforts to notify all Affected Mobilehome Owners of any written settlement offers received by or proposed by the Homeowner Representative pursuant to this Article. The Homeowner Representative, together with the tenants, shall develop procedures for soliciting the input from those tenants affected by such settlement offers so that the Homeowner Representative reasonably represents the interests of a majority of the potentially affected tenants.
- E. During his/her term as the Homeowner Representative, the Homeowner Representative may not serve on the City Council, or any of its commissions, committees, boards, or task forces. An employee, agent or relative, or anyone receiving any financial compensation from the Park management or the Park Owner, is disqualified from serving as the Homeowner Representative.

SEC. 6920.17 Rights of Prospective Mobilehome Owners.

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- A. Prospective Mobilehome Owners shall be offered the option of renting a Space in a manner that will permit the “tenant-to-be” to receive the benefits of the Mobilehome Space rent stabilization program codified herein, which includes, but is not limited to, rental of a Mobilehome Space on a month-to-month basis. A prospective tenant cannot be denied the option of a tenancy of 12 months or less in duration.
- B. The Park Owner shall provide each prospective Mobilehome Owner with a copy of this Chapter.
- C. Any effort to circumvent the requirements of this Article shall be unlawful.

SEC. 6920.18 Annual registration and other notices required from Owner.

- A. Due Date. No later than May 31st of each year, each Park Owner shall file with the City an annual registration statement, on a form prescribed by the City Manager.
- B. Contents of Registration Form. The registration form shall include the name(s), business address(es), and business telephone number(s) of each person or legal entity possessing an Ownership interest in the Park and the nature of such interest; the number of Mobilehome Spaces within the Park; a Rent schedule reflecting the current Space Rents within the Park; a listing of all other charges, including utilities not included in Space Rent, paid by Mobilehome Owners within the Park and the approximate amount of each such charge; the name and address to which all required notices and correspondence may be sent; the name and address of each Mobilehome Owner; the name and address of each person renting a Mobilehome; an identification of those Spaces or Mobilehomes which the Park Owner considers exempt from this Article and a statement of the reasons therefor; a statement of the number of recreational vehicle Spaces in the Park; and other information required by the City Manager.
- C. Certification of Registration Forms. All registration forms, and any documentation accompanying registration forms, shall contain an affidavit or declaration signed by the Park Owner or a designated agent, with his/her signature notarized, certifying that the information contained therein is true, correct and complete.
- D. Notice of Sale of a Park. Upon the sale or transfer of a Mobilehome Park, the seller or transferor shall notify the City Manager of the sale or transfer and of the name and address of the buyer or transferee. Within 10 days of the sale or transfer of a Mobilehome Park, the buyer or transferee shall provide a new registration form meeting the requirements of this section and a copy of the statement of the Base Year income, expenses, and net operating income of the Park and supporting documents that the previous Park Owner had provided to them pursuant to subsection E of this section.
- E. Notice to Prospective Park Purchasers. The Park Owner shall provide prospective Park purchasers with a copy of this Chapter.

SEC. 6920.19 Retaliation Prohibited.

- A. It shall be unlawful for a Park Owner to evict a Mobilehome tenant where the Park Owner’s dominant motive in seeking to recover possession of the space is:
 - 1. Retaliation for the Mobilehome tenant’s organizing, petitioning government for Rent relief, or exercising any right granted under this Article; or
 - 2. Evading or circumventing the purposes of this Article.

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- B. It shall be unlawful for a Park Owner to retaliate against a Mobilehome tenant because of the tenant's assertion or exercise of rights under this Article in any manner, including but not limited to:
1. Threatening to bring or bringing an action to recover possession of a space.
 2. Engaging in any form of harassment that causes the tenant to quit the premises.
 3. Decreasing housing services.
 4. Increasing Rent.
 5. Imposing or increasing a security deposit or other charge payable by the tenant.

SEC. 6920.20 Time of Allowed Rent Increase/Adjustment.

- A. Once within a twelve (12) month period, the Park Owner may implement a CPI Rent adjustment or a Fair return increase, as authorized in the Article, but not both.
- B. A Capital Replacement Cost pass-through authorized by this Article may only be implemented on the effective date of the CPI or Fair return rent adjustment.
- C. The following Rent Increases or adjustments, as authorized by this Article, may be implemented at any time during the year:
1. Government mandated expense pass-throughs;
 2. Utility pass-throughs;
 3. Capital Improvement Cost pass-throughs;
 4. In-place transfer Rent Increases.
- D. Rent Increases subject to approval by the City Manager shall be implemented after his/her final determination.
- E. Rent reductions for Service Reductions shall be implemented at the time Service Reductions are ordered.

SEC. 6920.21 Refusal of Mobilehome Owner to Pay Illegal Rent.

It shall be unlawful for a Park Owner to demand, accept, receive, or retain Rent in excess of the amounts authorized by this Article. An Affected Mobilehome Owner may refuse to pay any Rent in excess of the maximum Rent permitted by this Chapter. The fact that such unpaid Rent is in excess of the maximum Rent shall be a defense in any action brought to recover possession of a Mobilehome Space for nonpayment of Rent or to collect the illegal Rent.

SEC. 6920.22 Disclosures.

A Park Owner shall disclose to each prospective Mobilehome Owner the current and proposed Base Rent for the Mobilehome Space, any rental agreement options, provide each prospective Mobilehome Owner a copy of this Chapter, and that if the prospective Mobilehome Owner signs a lease with a term of more than one year, that lease will be exempt from rent stabilization in addition to notice required pursuant to Civil Code section 798.74.5 of the Mobilehome Residency Law. The Park Owner shall give the required disclosure and provide a copy of this Chapter to the prospective Mobilehome Owner at the time that the Park Owner, or Owner's representative, receives the prospective Mobilehome Owner's application for tenancy. The Park Owner shall obtain a signature of the prospective Mobilehome

Attachment A

Owner on the disclosure form acknowledging receipt of the disclosures. The Park Owner shall retain the signed disclosure form throughout the entire tenancy of the Mobilehome Owner. This signed form shall be made available to the City Manager upon reasonable written notice.

SEC. 6920.23 Prospective Mobilehome Owner; Tenancy Twelve Months or Less.

All prospective Mobilehome Owners shall be offered the option of a tenancy of twelve (12) months or less upon terms consistent with the provisions of this Article. This section shall not apply to prevent a mutually agreed upon assignment between a Park Owner and an existing Mobilehome Owner of an existing lease, provided any such assignment does not violate the provisions in this Article applicable to in-place transfer Rent Increases.

SEC. 6920.24 Rent Stabilization Administration, Fees.

- A. Administrative Regulations: The City Manager may administratively adopt implementing regulations that are consistent with the provisions and intent of this Article.
- B. Rent Stabilization Administration Fee: All or any portion of the costs to administer this Chapter may be collected by the imposition of an annual rent stabilization administration fee, which shall be at a minimum equal to \$10.00 per Space per month. The fee shall be chargeable against every Mobilehome Space in the City subject to rent stabilization. The Park Owner shall remit payment to the City within 30 days after the end of each calendar quarter, and may pass-through up to one-half of the fee to those tenants subject to the fee as a government mandated expense pass-through. The fee is intended to cover the full cost of administration and the fee assessment amount may be amended from time to time by resolution of the City Council.
- C. Other Fees: The City Council may adopt by resolution additional fees as necessary to reimburse the City for its costs to implement this Chapter, and may allocate specified charges to the respective Parties.

SEC. 6920.25 Amendment.

Any amendment to this Article shall require a prior public hearing before the City Council with notice thereof mailed to all Affected Mobilehome Owners in the City at least ten (10) days prior to the hearing.

Section 3. If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be invalid or unconstitutional, the decision shall not affect the validity of the remaining portions of the Ordinance. The City Council hereby declares that it would have passed this Ordinance, and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid under law.

Section 4. This ordinance is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) of the CEQA Guidelines based on the finding that the provisions of the ordinance constitute additional regulation for a process already existing under State law and thus does not have the potential for causing a significant impact to the environment.

Section 5. Effective Date. This ordinance will take effect thirty (30) days after the date of its adoption.

DATE: _____, 20__

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ATTEST:

City Clerk, City of Arcata

APPROVED:

Mayor, City of Arcata

Attachment A

Clerk's Certificate

I hereby certify that the foregoing is a true and correct copy of Ordinance No. 1487, passed and adopted at a regular meeting of the City Council of the City of Arcata, Humboldt County, California on the _____ day of _____, 2017, by the following vote:

AYES:
NOES:
ABSENT:
ABSTENTIONS:

City Clerk, City of Arcata