



Mobilehome Park Rent Stabilization Ordinance Amendments

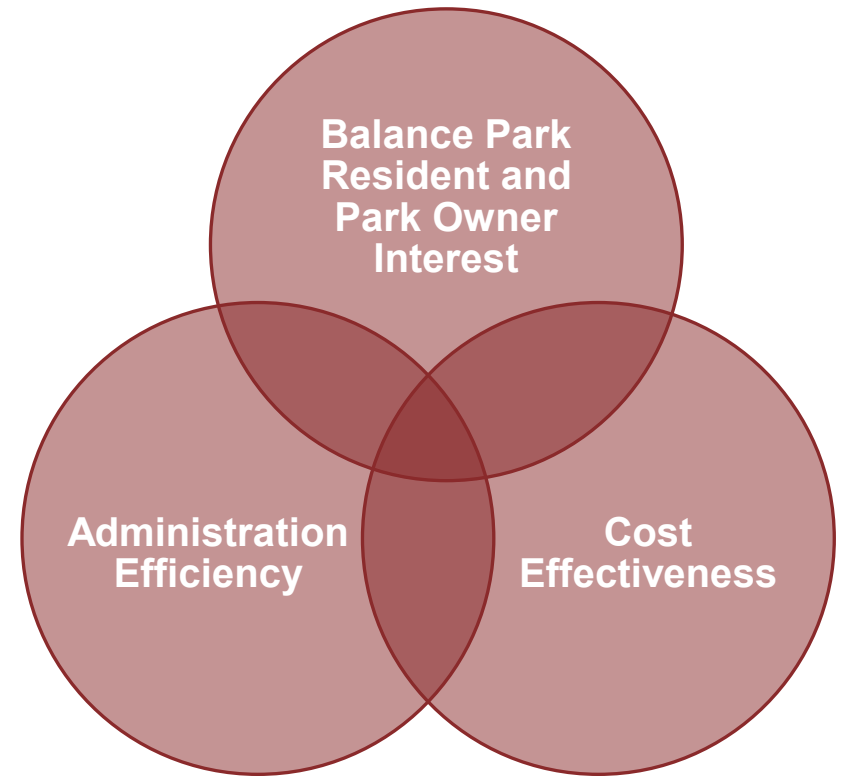
Pico Rivera City Council Meeting

February 25, 2025



Background

- Ordinance 1153 adopted on January 11, 2022, to maintain affordability and stability across MHPs
- Currently 6 MHPs and 404 spaces in the City
- City asked RSG to evaluate the current Ordinance and recommend a streamlined approach to achieve City Council and community objectives
- City considered input from park advocates and residents



Rental Registry

Existing Ordinance	<ul style="list-style-type: none">• MHP owners must register each mobile home space annually<ul style="list-style-type: none">• MHP owner must contact City staff or update the registry system within 30 days of any changes• MHP owner must pay an annual registration fee for each space<ul style="list-style-type: none">• 50% of fee can be passed through to residents
Proposed Amendment	<ul style="list-style-type: none">• Eliminates rental registry and annual registration requirement• Removes annual registration fee
Reason for Change	<ul style="list-style-type: none">• Reduces cost for MHP owners and residents• Reduces administrative burden on City staff to maintain a rental registry

Annual CPI Rent Increase Application

Existing Ordinance	<ul style="list-style-type: none"> • Application not required to increase rent annually due to rental registry • Annual rent increase of 3% <ul style="list-style-type: none"> • As written, CPI is not accounted for in calculation
Proposed Amendment	<ul style="list-style-type: none"> • Implements CPI Rent Increase Application <ul style="list-style-type: none"> • Clarifies that increase is lesser of 3% or 75% of percentage change in CPI • Application is only required when MHP owner desires to increase rent, but no more than once per year • Details process and timeline for City staff to process application
Reason for Change	<ul style="list-style-type: none"> • In lieu of rental registry, provides opportunity for City to update its database of rents and ensure parks comply with Ordinance

Resident Adjustment Application

Existing Ordinance	<ul style="list-style-type: none"> • Resident who believes MHP owner has violated the Ordinance may apply for a rent adjustment with implementing City Department
Proposed Amendment	<ul style="list-style-type: none"> • Eliminates ability for resident to request a rent adjustment <ul style="list-style-type: none"> • Resident concerns would be addressed when MHP owner applies for rent increase • Resident may refuse any rent increase that is in violation of the Ordinance
Reason for Change	<ul style="list-style-type: none"> • Minimizes administrative cost and impact on City staff • Removes subjective requirement that residents apply for adjustment within 180 days of the date they knew, “or reasonably should have known”, of the MHP Owner’s potential violation

Fair Return Evaluation Criteria

Existing Ordinance	<ul style="list-style-type: none">• “Fair return” methodology based on 11 factors and “any other relevant factors”• Rent increase shall not be approved if annual increase, plus any increase for fair and reasonable return, results in an increase greater than 3%, “unless otherwise determined by Department”
Proposed Amendment	<ul style="list-style-type: none">• Implements Maintenance of Net Operating Income (MNOI) methodology for determining a constitutional “fair return”• Eliminates ability to cap rent increase necessary to meet constitutional fair return requirements
Reason for Change	<ul style="list-style-type: none">• Reduces subjectivity in calculating a fair and reasonable return• Methodology is typically upheld by courts if legally challenges

Capital Improvement Pass-Through Cap

Existing Ordinance	<ul style="list-style-type: none">• Allowable rent increase for capital improvement cost pass-through, plus the annual rent increase, limited to 3%, “unless approved by the Department”
Proposed Amendment	<ul style="list-style-type: none">• Increase the allowable rent increase for capital improvement pass through to 10%<ul style="list-style-type: none">• Rent increases are not permanent• Amortized capital expenses are provided an interest allowance
Reason for Change	<ul style="list-style-type: none">• Having too low of an allowable capital improvement rent increase can disincentivize MHP owners from investing and maintaining the park• Revision incentivizes MHP owners to invest in the park while maintaining a cap, which ensures the increase won’t put undue hardship on the residents

Rental Review Board

Existing Ordinance	<ul style="list-style-type: none"> • Places responsibility on City staff to decide on most matters and enforce violations • Includes an Oversight Party/Hearing Officer that considers appeals of City staff's determinations
Proposed Amendment	<ul style="list-style-type: none"> • Implements 5-member Rental Review Board <ul style="list-style-type: none"> • Considers capital improvement and "fair return" applications, implements legal requirements for MHP closures, conversions, & changes of use • Board appointed in manner set forth by City Council resolution
Reason for Change	<ul style="list-style-type: none"> • Decreases roles & responsibilities of City staff, therefore reducing administrative cost and impact • Protects implementing City Department from disputes • Provides an impartial forum for reviewing rent increase applications • Less costly than a hearing officer considering appeals

Rent Rollback for Exempt Long-Term Leases

Existing Ordinance	<ul style="list-style-type: none"> When long term lease spaces are no longer exempt from Ordinance, the the annual increase is based on the rent in effect as of the date of expiration of the lease
Proposed Amendment	<ul style="list-style-type: none"> Base Rent means the rent charged on October 13, 2020, when the City Council first introduced its intent to regulate Rent for Mobilehome Parks Base Rent for Mobilehome Spaces that were party to a long-term Rental Agreement prior to January 1, 2025, shall be the lesser of (i) the rent as of October 13, 2020, in addition to the yearly increase of the lesser of three percent (3%) or seventy-five percent (75%) of the percentage change in the CPI or (ii) the rent as of January 1, 2025
Reason for Change	<ul style="list-style-type: none"> To allow residents in long term leases to receive the rent stabilization benefits that the Ordinance has provided since inception

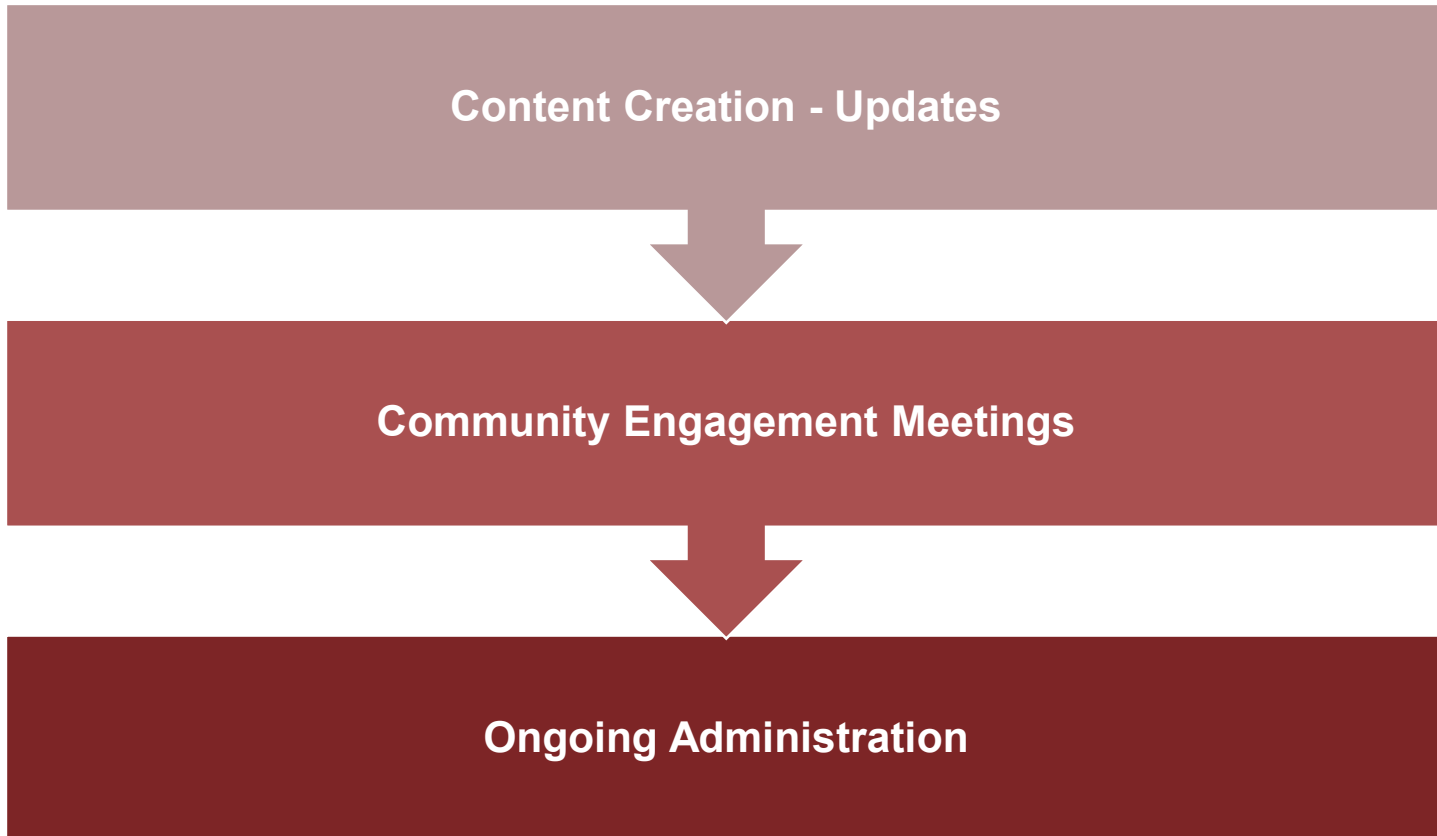
Vacancy Control (New Resident Rent)

Current Language	<ul style="list-style-type: none"> • MHP owner may set the <u>“initial rent”</u> for the next resident when: <ul style="list-style-type: none"> • Tenancy is terminated in accordance with Mobilehome Residency Law; or • The voluntary, permanent removal of a mobilehome • References section of law limiting rent increase to 3% annually, but is not explicit
Proposed Amendment	<ul style="list-style-type: none"> • Further clarifies existing Ordinance language that initial space rents for new residents shall be limited to the lesser of 3% of previous resident’s rent or 75% of change in CPI when space is vacated <u>under any circumstance</u> • No rent increase may be imposed following space vacancy if a rent increase was imposed within the 12-month period preceding the proposed rent increase
Reason for Change	<ul style="list-style-type: none"> • Maintains long term affordability for all spaces in the City

New Construction Exemption

Current Language	<ul style="list-style-type: none">Newly constructed spaces permitted after January 1, 1990 are exempt from the Ordinance.
Proposed Amendment	<ul style="list-style-type: none">Newly constructed spaces that have been permitted within the past 15 years (on a rolling basis) are exempt from the Ordinance.
Reason for Change	<ul style="list-style-type: none">Maintain consistency with changes to Civil Code 798.7 & 798.45

Next Steps





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