

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: MEGAN BASINGER, DIRECTOR
HOUSING AND COMMUNITY SERVICES AND
JEFF BERK, CHIEF ASSISTANT CITY ATTORNEY
SUBJECT: AMENDMENT TO CHAPTER 6-66 OF THE SANTA ROSA CITY
CODE – INTRODUCING A MOBILEHOME RENT CONTROL
ORDINANCE

AGENDA ACTION: ORDINANCE INTRODUCTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department and the City Attorney's Office, that the Council introduce an ordinance amending Chapter 6-66 of the Santa Rosa City Code to: (1) reduce the allowable annual rent increases from 100% of CPI with a 6% cap to 75% of CPI with a 5% cap; (2) allow for a 10% increase in space rent following in-place transfers; and (3) make other minor amendments to conform to changes in State law.

EXECUTIVE SUMMARY

City of Santa Rosa mobilehome park residents ("Residents") requested a reduction in the maximum allowable annual rent increase. City staff ("Staff") has reviewed the local and statewide mobilehome rent control landscape and has convened ad hoc meetings between Residents and mobilehome park owners ("Owners"). Accordingly, Staff recommends that Council reduce the maximum annual allowed rent increase from 100% of CPI with a 6% cap to 75% of CPI with a 5% cap and allow Owners to raise rents by 10% upon in-place transfers. In-place transfers occur when a mobilehome owner sells their home to another person. Currently, the City Code does not allow in-place transfer increases in half of the parks and limits such increases in the other half.

BACKGROUND

1. Chapter 6-66 of the Santa Rosa City Code—the Santa Rosa Mobilehome Rent Control Ordinance ("Ordinance")—applies to mobilehome parks within the Santa Rosa city limits where an Owner rents out two or more mobilehome spaces. The Ordinance took effect in 1993 and Council has amended it numerous times, as detailed in Table 1 below. The table is not an exhaustive list of amendments.

Table 1 – Summary of Ordinance Updates

| Adopted by Council | Effective | Ordinance No. | Provisions Amended |
|---------------------------|------------------|----------------------|--|
| 8/17/1993 | 9/17/1993 | 3072 | Ordinance adopted – CPI max 8%, minimum 4%. |
| 9/5/1995 | 10/6/1995 | 3213 | Definitions, Mobilehome Park Policy Board, CPI% increase, pass-throughs, in-place transfer, administration fee, rent freeze, disclosure. |
| 9/26/1995 | 10/27/1995 | 3217 | CPI%. Max 7%, min 3% |
| 10/1/1996 | 11/1/1996 | 3281 | Definitions, base rent, in-place transfer, administration fee, CPI% increase. |
| 10/2/2001 | 11/2/2001 | 3540 | Definitions, CPI% increase, pass-throughs. Added meet/confer, arbitration, Fair Return procedures. Eliminated MHPPB. |
| 2/3/2004 | 3/5/2004 | 3648 | CPI% increase, pass-throughs, petitions, Fair Return, in-place transfer. Max 6%, no minimum. |

- The Ordinance allows for annual rent increases by the amount of the annual percentage change of the San Francisco-Oakland-Hayward Consumer Price Index (“SF CPI”), up to a maximum of 6%. The Ordinance also contains a provision that if SF CPI exceeds 6% for two consecutive years, staff will review the Ordinance and propose an amendment, if appropriate. Table 2, below, provides a summary of the SF CPI increases from 2001 to 2022.

Table 2 – San Francisco-Oakland-Hayward CPI increases between 2001 and 2022

| Percent Change in CPI for 12-month Period Ending in August | |
|---|------|
| 2001 | 5.1% |
| 2002 | 1.3% |
| 2003 | 1.4% |
| 2004 | 1.2% |
| 2005 | 2.2% |
| 2006 | 3.8% |
| 2007 | 2.6% |
| 2008 | 4.2% |
| 2009 | 0.2% |
| 2010 | 1.0% |
| 2011 | 2.9% |

| | |
|------|------|
| 2012 | 2.8% |
| 2013 | 2.0% |
| 2014 | 3.0% |
| 2015 | 2.6% |
| 2016 | 3.1% |
| 2017 | 3.0% |
| 2018 | 4.3% |
| 2019 | 2.7% |
| 2020 | 1.6% |
| 2021 | 3.7% |
| 2022 | 5.7% |

3. Residents are requesting Council amend the Ordinance to reduce the allowed annual increase, which is currently 100% of SF CPI with a 6% cap.

PRIOR CITY COUNCIL REVIEW

On September 1, 2015, Council held a Study Session to discuss possible amendments to the Ordinance. Both Residents and Owners requested substantive changes. Council noted the importance of consistency of the ordinances within the County and the need for both Residents and Owners to participate in the process. Council created an ad hoc committee to work with the stakeholders on an amendment. The results of that ad hoc committee are unclear, and it brought nothing back to Council.

ANALYSIS

1. Rent Control of Homes and Apartments versus Mobilehome Rent Control
 - a. Establishing the difference between rent control and mobilehome rent control is a key component to evaluating the request of Residents. Cities and counties throughout the state adopt rent control ordinances applicable to single family and multifamily housing units. Renters throughout the state also benefit from Assembly Bill (“AB”) 1482 (2019), which restricts rent increases to 5%, plus CPI adjustment of no more than 5%, for a maximum increase of 10% per year. AB 1482 exempts units that are subject to local rent control ordinances that restrict annual rent increases to an amount less than 5% plus CPI.
 - b. Mobilehome rent stabilization ordinances are a specific set of ordinances that apply to mobilehome parks and do not apply to single family and multifamily housing units. There are significant differences between

mobilehome rent control and other residential rent control. First, mobilehome park residents typically own their mobilehome but rent the land upon which the mobilehome sits. Second, mobilehome parks typically have very low vacancy rates, and turnover is very limited. The purpose of mobilehome rent stabilization is to protect residents who cannot easily relocate their units and who seek protection from unreasonable rent increases.

2. Use of Consumer Price Index (CPI)

- a. CPI is used as the annual escalator in the City’s Ordinance and is a common tool for adjustments in these ordinances state-wide. Santa Rosa uses SF CPI for the following ordinances: Capital Facilities Fees, Building Fees, Minimum Wage Ordinance (10-45.070), City of Santa Rosa Stormwater Assessment Fee, and City Cannabis Tax.
- b. Based on information available on the Mobilehome Park Home Owners Allegiance Website, in a list of 95 jurisdictions in the State of California—representing 1,392 mobilehome parks—75 jurisdictions use CPI to calculate rent increases. Of the jurisdictions in Sonoma County, the County, as well as Cotati, Petaluma, Sebastopol, Sonoma and Windsor apply the SF CPI in their ordinances. Ukiah, located in Mendocino County, also uses the SF CPI in its ordinance.
- c. The U.S. Bureau of Labor Statistics publishes CPI information and breaks it into four nationwide geographic regions, as well as numerous sub-regional metropolitan areas. In California, there are four metropolitan areas—Los Angeles, San Diego, San Francisco, and Riverside. If Santa Rosa’s ordinance does not use San Francisco CPI data, the CPI of the Western Region—which is comprised of 11 states—would be the applicable index. The Western Region has had higher CPI increases since 2020, as shown in Table 3 below.

Table 3 – Western Region CPI increases between 2001 and 2022

| <u>Year</u> | <u>Aug</u> |
|-------------|------------|
| 2012 | 2.1 |
| 2013 | 1.5 |
| 2014 | 2.1 |
| 2015 | 1.3 |
| 2016 | 1.5 |
| 2017 | 2.7 |
| 2018 | 3.6 |
| 2019 | 2.6 |
| 2020 | 1.9 |

| | |
|------|-----|
| 2021 | 5.0 |
| 2022 | 8.1 |

- d. Staff maintains that use of the SF CPI is appropriate because the greater Bay Area includes Sonoma County and, thus, Sonoma County is subject to the same economic factors. Use of another CPI, Western Region or National, will deviate from the majority of jurisdictions in the area and from the City's existing practices.

3. Percentage of CPI

- a. The Ordinance allows for annual rent increases at 100% of CPI for the San Francisco region. The data provided in Table 2 shows the percentage of rent increases that have occurred over the past 22 years.
- b. In Sonoma County, the following jurisdictions also apply 100% of SF CPI: Calistoga, County of Sonoma, Petaluma, Sebastopol, and Windsor.
- c. Rent increases for residents in Santa Rosa have been at 100% CPI for the life of the Ordinance. Attachment 2 contains a summary of the past year's rent increases for each mobilehome park subject to the City's Ordinance. Please note that the rents therein are averages for each park and do not reflect the rent that each resident may be charged.
- d. The City of Sonoma's ordinance provides for an annual rent increase based on 80% of the percent change in CPI for December of each year.
- e. Rohnert Park's allowed annual rent increase is one half of one percent less than the percentage increase in the national CPI up to 4%. The national CPI in August 2022 was 8.7%, based on Rohnert Park's formula, the allowed increase is 0.5% less than the percentage of CPI, or is 8.4% or 96.5% of CPI. The 4% cap was applied as it is the lesser of the two amounts.

4. CPI Cap

- a. Residents have requested a reduction in the maximum annual rent increase. Reviewing statewide ordinance data revealed the following rent increase caps:
 - i. Surrounding jurisdictions of Calistoga, Cotati, County of Sonoma, Petaluma, Santa Rosa, and Windsor have 6% caps.
 - ii. In other jurisdictions throughout the State with a 100% CPI increase, the cap ranges from 3% to 9%.

- b. The Ordinance contains a provision providing that if the change in CPI exceeds 6% for two consecutive years, Staff will review the Ordinance and ask Council to consider amendments, if appropriate. Table 2 shows that, during the past 22 years, the increase has not met or exceeded the 6% limit. For 2023, the SF CPI is 5.7%

5. In-Place Transfers

- a. An in-place transfer occurs when a resident sells their mobilehome to another person. Currently, the Ordinance allows Owners a limited in-place transfer rent increase, if in 1995 they applied for and received approval. Half of the parks received such approval and are allowed to increase the rent on an in place transfer the lesser of \$50 per month or 100% of that year's CPI increase. This can only be done twice for the life of the space.
- b. Typically, jurisdictions that apply a percentage less than 100% of CPI allow park owners about a 5%-15% in-place transfer rent increase. As shown in Table 4, below, Owners request an allowance for 15% increases and Residents countered that with a cap of 3.5% on such increases.

6. Rent Control Administrative Fee

- a. The Ordinance contains a section that provides for a fee to fund administration costs. On February 1, 1999, the fee was set at \$4.78 per month per mobilehome space. Residents and Owners each pay half of the fee. The monthly amount has remained the same for 23 years.
- b. The current fund balance is approximately \$820,000. This accumulation results from the absence of a fair rate of return hearing or other hearing in over 20 years and from a lack of fund expenditures due to Staff vacancies.
- c. The Residents have requested that this fee be temporarily frozen, given the large fund balance. However, given the potential changes in the Ordinance and corresponding uncertainty of the need for future hearings, Council's consideration of reinstating the rent deferral program (see discussion below), and the potential for transferring some of these fees to fund that program, Staff recommends Council defer a decision on the fee at this time.

7. Mobilehome Rent Deferral Program

- a. In 1998, Council enacted City Code section 6-64, which established a Mobilehome Rent Deferral Program ("Program"). The Program was, in part, supported by an administrative fee, which is currently \$0.30, per space, per month. The fee is used to support the administration of the remaining rent deferral loan and the remaining mobilehome rehabilitation loans.

- b. The Redevelopment Agency previously provided funding to the Housing Authority to make a direct payment to an Owner for a portion of the space rent on behalf of an income eligible Resident. The Authority's financial contribution is a loan secured against the mobilehome and is repaid upon transfer or sale of the mobilehome. At the height of the program there were 50 participants. To be eligible, Residents must provide annual income verification.
- c. The Program was suspended in the late 1990s due lack of funding. At one time, the Program served approximately 50 households by providing residents with up to \$160 per month. It had an annual cost of approximately \$100,000, plus administrative expenses. There is presently one remaining participant from the initial deployment of the Program. Resumption of the program will require an ongoing funding source to allow for continued assistance.

8. Stakeholder Meetings

- a. Staff held a meeting with Owners on August 18, 2022, to discuss Residents' request to reduce the allowed annual increase.
- b. Staff held a meeting with Residents on August 25, 2022.
- c. Following the Resident and Owner meetings, Staff convened an ad hoc committee comprised of six stakeholders—three park owners and three park residents. Staff held three meetings with this group: October 3, October 18, and November 4, 2022. The purpose of the meetings was to see if both sides could agree on an ordinance amendment to lower the annually allowed rent increase. The Residents and Owners made progress but did not reach an agreement. See Chart below.
- d. At the Residents' meeting, concern over the most economically vulnerable residents was expressed. That concern was echoed and shared by the Owners. At the November 4th Ad Hoc meeting, the Owners offered to collectively and voluntarily contribute \$100,000 annually as a rent subsidy for the most vulnerable residents. The subsidy would be in the form of a grant to the individual residents, not a loan. This offer was conditioned on a "package deal", which included annual allowed increases of 75% of CPI and a 6% cap, and a 15% increase on in-place transfers. The rent subsidy program will need to be further evaluated by the staff, Owners and Residents and presented to Council at a later date.

9. Staff Recommendation

- a. Over the course of the Ad Hoc meeting, both sides presented revised proposals for an amendment to the Ordinance. The table below summarizes

the key data points, as well as staff’s recommendation to Council.

Table 4 – Comparison of Proposals and Recommendation

| | CURRENT | RESIDENTS | OWNERS | STAFF RECOMMENDATION |
|------------------------|---------|-----------|----------------|----------------------|
| CPI | 100% | 65% | 75% | 75% |
| CAP | 6% | 3.5% | 6% | 5% |
| IN-PLACE TRANSFERS | MINIMAL | 3.5% | 15% | 10% |
| VOLUNTARY SUBSIDY FUND | | | \$100,000/YEAR | |

FISCAL IMPACT

Approval of this action, which includes keeping the Mobilehome Rent Stabilization Fee in place, does not have a fiscal impact on the General Fund. If the Mobilehome Rent Stabilization Fee is suspended or reduced from its current rate, there may be an impact to the General Fund to provide adequate monies for the administration of mobilehome rent control.

ENVIRONMENTAL IMPACT

This action is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

- Mobilehome Park Owners
- Mobilehome Park Residents

ATTACHMENTS

- Attachment 1 - Mobilehome Rent Control Ordinance (SRCC 6-66) REDLINE

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- Attachment 2 – Mobilehome Park Average Rents

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