Mobilehome Opt-In/Stay In Business – Meeting #1 (Park Owners)

December 3, 2015

This is the first of two stakeholder meetings to gather input from park owners. There will also be two stakeholder meetings for park residents. These notes are related to the 11/11/15 version of the "Opt-In/Stay In Business" program concept which was brought forward by a small group of mobilehome park owners and refined with input from City Staff. A summary of this "concept" is attached. City staff intends to use input from these meetings to make initial recommendations to City Council in February 2016. City Council will then decide if this "concept" warrants further analysis and study. These notes have been edited for clarity but do NOT include fact checking or direct input from City Staff.

- There were 22 attendees at this meeting, not including City Staff, of which approximately 17 represented park owners and 5 observed as mobilehome park residents and/or housing advocates.
- **How should we define a Capital Improvement?**
    - Park owners suggest using an IRS definition for eligible capital improvements. Additional analysis would be needed to compare how the IRS definition differs from the definition in the Mobilehome Rent Ordinance (Chapter 17.22 of the San Jose Municipal Code).]

- **Opt In/Stay In Business Program Objectives:**
    - Yes this captures our objectives.
    - Yes accurate for our park (an older park 1957) we do have aging infrastructure issues that need to be addressed. We need to figure out how to move forward. It is hard for park owners to establish a capital improvement fund.
    - Silvercreek: We agree with objectives and intent, conceptually.
    - Chateau LaSalle – we're all in.
    - We are trying our best to absorb and discuss this issue given the timing and holidays.
    - Show of hands: would the owners here be interested in furthering the Opt-In/Stay In Business concept? 18 hand raised (note that some parks had multiple representatives in attendance).
    - Owners change over time. This should work for today's owners and future owners too. I worry this has a short term focus on today's owners. There will be different owners over the next 20 years when parks are sold and/or park operators retire and these changes in ownership may also has tax implications under prop 13. For example our family owns land and the lease to the park operator is up in 8 years. We have to figure out what to do with next. Eventually the land will be reassessed and we'll have to pay

    - higher taxes at sale. How would continued operation be attractive for new owners if taxes are higher and space rents are restricted?
    - Under Opt-in/Stay In Business the rent control ordinance will remain in effect.
    - Generally parks that have secured rent increases have been ones that have been sold as they have to show high expenses (typically tax increases). That process would still be open.
    - Consider the next generation of owners… The way it is currently structured only allows early opt in. Should we consider a broader program that allows opt in later on?
- **What do you think about a 20 year term?**
    - 20 years is too long, we are more comfortable with 15 years.
    - After 20 years the benefits/restrictions would sunset. This would be a pilot. Council could decide to continue later at that point.
    - It should sunset before the new General Plan in 2035.
- **Is the opt/in all spaces in a park or none?**
    - Impossible to do a split b/c the alternative is conversion. All spaces must opt in or this is not worth doing.
- **What is the difference between maintenance that is already covered by annual 3% increases and longer term capital improvements?**
    - Need to define capital improvement vs. maintenance. What are you already obligated to pay for as regular maintenance? IRS definitions can help.
    - We have different opinions.
    - When I do repairs, I can't write that off in the same year.
    - Movement of soils, burst pipes, antiquated storm systems, street replacements, sewer, water line upgrades, club house maintenance.
    - Sometimes you need to replace, not just repair.
- **Can we clarify that maintenance of current infrastructure is NOT part to this program?**
    - Not everyone agreed that maintenance is covered by the 3% allowed rent increases.
    - River Glen is now 60 years old, underground issues, leaking gas and water lines, sink holes from prior wells. Need to replace the asphalt. 3% does not always keep up with normal maintenance of original infrastructure. It depends on the age of the park. If I can't pass that cost through what's my incentive to do it?
    - 3% does not always cover costs. 75% of CPI over time that loses pace with increased cost of maintenance. It costs very little to maintain something new, costs a lot to maintain something that's old. Every year it becomes more expensive to maintain. We lose ground every single year.
    - Rents average $680-$700 per month in one park. With cessation of tenancy we wind up with the house, we'll buy it, fix it and sell it for $995 rent. We are now $300 a month under market. That's not fair to pick mobilehome park owners out as part of the housing element. Why are you picking on us?

    - No way 3% comes close to covering maintenance. For older parks especially. Rent control has hit older parks harder. Makes mobilehomes more valuable. Vacancy decontrol is HUGE for us. Rents average $360/month. Property taxes get reassessed b/c of a family death but we are still stuck in rent control. Hard to pass this stuff on. Some tenants are subleasing spaces in their homes.
    - Global 10 year meter replacement, costs keep going up.
    - Inequity of transfer of value of land has gone to the mobilehome homeowner vs. land owner. We are talking about limited vacancy decontrol here. Rent control has resulted in a big rise in value of homes. Capital improvement pass through have been taken away from us.
    - What is a capital improvement? Let’s not make subjective decisions, let’s use IRS as a guide. Use a neutral third party to deal with it.
- **Should there be a minimum capital improvement for the park owner under Opt-in/Stay In Business?**
    1. One attendee said the size of the capital project investment shouldn’t matter. Small and large infrastructure investments should be eligible for pass through provided there is a reasonable cap on the monthly amount paid by the resident.
    2. Further discussion is needed to determine how large an investment should be required to allow a park owner the benefit of limited vacancy decontrol.

- **What might be the max per space pass through be each month?**
    - Depends on the age of the parks, conditions, etc.
    - We’ll come up with a reasonable amount together. A percentage of existing rent when there is a resale,
    - Park owners are willing to put #s to these questions.
- **What is the difference between this capital improvement and the one that already exists under current laws?**
    - 30 year old formula is used currently, outdated. State and City law would need to be looked at so this potential ordinance makes sense.
    - Tenants may be tired of dilapidated parks. May want upgrades.
- **What are your thoughts on including an Assistance Program for low income residents?**
    - See the Orange County Manufactured Housing Educational Trust as an example. It provides subsidy for very low income person. Pass through would NOT be subject to annual increases. Residents have to apply and show hardship. See one pager.
- **What are your thoughts on the City charging cost recovery fees to administer such a program?**
    - Yes if incentive numbers are proper and agreed upon. Only the parks that opt in would pay.
    - We’ve been painted in the corner, economically. Costs have gone up but rents have been limited.