



Sunnyvale

# Housing Strategy: Mobile Home Park MOU Progress Update

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# 2020 Housing Strategy

Approved October 13, 2020

- Mobile Home Park Policy
  - ◆ **Tier 1: MOU/Accord**
  - ◆ Tier 2: Rent Stabilization Ordinance
- Tonight:
  - ◆ Update on Progress
  - ◆ Council Discussion/Feedback



# What is an MOU/Accord?

*A formal agreement between the local jurisdiction and the owners of the mobile home parks*

- Sets Conditions Applicable Solely to MHPs
  - ◆ Rent increase limits
  - ◆ Vacancy controls
  - ◆ Enforcement
  - ◆ *etc.*
- Examples
  - ◆ City of Modesto
  - ◆ City of Napa
  - ◆ City of Ontario
  - ◆ City of Rancho Cucamonga
  - ◆ City of Vista



# MOU Preparation

## General Overview

- Consultant led effort
- Three Stakeholder Groups
  - ◆ City of Sunnyvale
  - ◆ MH Park Owners/Designated representatives
  - ◆ MH Residents (SMHPA)
- 6 month check in (Jun/Jul 2021)



# MOU Council Action – *October 13, 2020*

## Initial Key Terms Set By Council

- Rate of annual rent increase *during residency*
- Allowed rate of increase *upon vacancy*
- Capital improvement cost pass-through
- Property tax pass-through
- Retroactivity – no earlier than Oct 13, 2020



# Schedule Overview

Dec  
2020

- Scope & Budget Approval

Jan-  
Jun  
2021

- 11+ Stakeholder meetings
- 2+ City Council meetings

Jul  
2021

- Draft MOU

Dec  
2021

- Final Fully Executed MOU

# Background – Applicable MHP Regulation

## Mobile Home Park Residency Law

- Outlines various protections
  - ◆ Leases
  - ◆ 90-day notices
  - ◆ Limits on security deposits
  - ◆ Homeowner's rights
  - ◆ Just cause eviction



# Background – Applicable MHP Regulation

## AB 2782

- **AB 2782** provides that:
  - ◆ Exemption from local rent stabilization does not apply to any space lease entered into *after* Feb 13, 2020
  - ◆ No long term leases exempt from local rent stabilization after Jan 2025
- **Result:** Existing long term leases entered into before Feb 13, 2020 would be exempt from any RSO adopted by the City until the earlier of expiration of lease or Jan 1, 2025.





# Background – Applicable MHP Regulation

## Sunnyvale Municipal Code Ch. 19.72

- **Limitations on Closures and Conversions**
  - ◆ Required Notices
  - ◆ Tenant Rights
  - ◆ Conversion Impact Report
  - ◆ Relocation Assistance



# Background – Applicable MHP Regulation

## Sunnyvale Housing Element Policies

- **Goal HE-2**
  - Enhanced Housing Conditions and Affordability
- Policy HE-2.6
  - Preserve **mobile home parks** as an affordable housing option
  - Maintain 400 acres of MHP zoning



# MOU vs. Rent Stabilization Ordinance (RSO)

## MOU

- City led agreement with Park Owners
- Provides flexibility to meet needs of jurisdiction
- Can require any type of terms and parameter
- Can assist residents with long term leases if agreed
- Legally binding & recorded

## RSO

- City adopted ordinance
- Required rent review board and fees
- Does not apply to long term leases >12 months
- Owners petition for reasonable rate of return and can increase litigation



Sunnyvale

# Progress on Key Terms

Sunnyvale Mobile Home MOU

# MOU Key Term Reminders

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- The MOU is a balancing act!
- How do we adequately benefit current and future residents?
- MOU cannot control past rent increases, property transfers, etc.
- Change in one term, may result in the need to change other terms
- Unanimous owner agreement is challenging



# Sunnyvale MOU – Key Terms

## Annual Rent Increase

### Residents

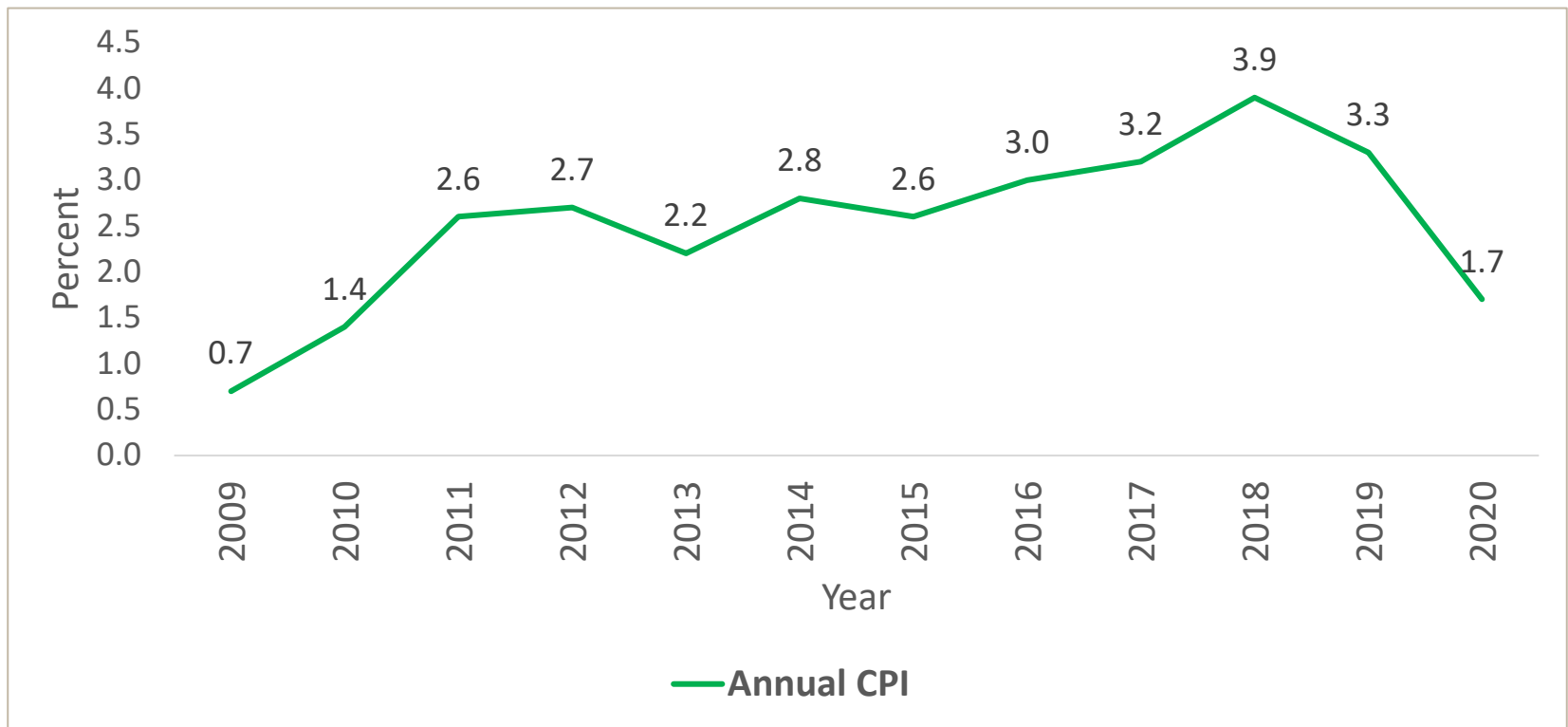
- 75% of CPI
- No floor
- 7% Cap

### Owners

- CPI
- If CPI >8%, = 75% of CPI
- 3.5% Floor
- No Cap

# Sunnyvale MOU – Annual Rent Increase

- Current MHP long term leases range from 3-7% annual rent increases
- CPI 10-year average = ~ 2.5%



# Sunnyvale MOU – Key Terms

## Rent Increase on Turnover (“Vacancy Control”)

### Residents

- 5%
- Once every 24 months

### Owners

- Maximum 20%



# Sunnyvale MOU – Vacancy Control History

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- Space rent at turnover increases between 1-88%
  - ◆ Avg 30% (based on example leases from residents)
- Only 2 Owners identify space rent increase amount at re-sale
  - ◆ One owner has tiered approach
- 92% of all Sunnyvale MHP leases are >1 year

# Sunnyvale MOU – Key Terms

## Property Tax Pass Through Outside Annual Increase

### Residents

- Up to 50% of property tax increase due to transfer of ownership in year of transfer
- Phased in over 5 years as pass-through, with 10% of the allowable property tax increase phased in each year.

### Owners

- 100% of increases above 2% statutory to be passed through

# Sunnyvale MOU – Key Terms

## Terms Where Stakeholders Generally Align

- Pass Throughs:
  - ◆ Capital Replacement
  - ◆ New Capital Investments
  - ◆ Disaster Related Costs
  - ◆ Govt Mandated Costs
- Retroactivity of MOU/Applicability to Existing Leases
  - ◆ Owners agree to add immediate lease addendum for 2 components

# Sunnyvale MOU – Key Terms

## Terms Where Stakeholders Generally Align

- Standing Advisory Committee for MOU Oversight
- Must Require a Safety Net Program
- Disappearing Amenities
- MOU Binding on Subsequent Park Owners
- Duration 10+ years

# Sunnyvale MOU – Key Terms

## Exclusions

- Renter Occupied Mobile Homes
  - ◆ Mobile home units owned by park
  - ◆ Rental Parks (Thunderbird, Ranchero, Aloha)
- Mobile home units not primary residences
  - ◆ Excluded by MRL

# Next Steps

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## Sunnyvale MOU

- Next Council Meeting July 13, 2021
- Goal:
  - ◆ Draft MOU or Council assistance with finalizing terms
- Per Housing Strategy, MOU must be completed within one year (Dec 2021)

# Recommendation & Council Feedback

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- **Alt. 1:** Direct staff to continue to negotiate final terms with MOU Stakeholders.
- Guidance/feedback on key terms
  - ◆ Are we striking the right balance?
- Exclusion vs. inclusion of mobile home units owned by park (rental units)
  - ◆ Options:
    - Include in certain aspects of MOU (i.e. annual rent)
    - Remove from MOU
    - Include rental parks/units in future policy (i.e. tenant protections or state rent control policy)