



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Make Required Findings and Approve Conversion Impact Report for Blue Bonnet Mobile Home Park, Located at 617 E. Evelyn Avenue in Sunnyvale - Continued from January 24, 2017

This item was originally scheduled for Council consideration and a public hearing on January 24, 2017, but was continued to March 7 in order to provide time for the residents to review of the Supplemental Conversion Impact Report, as explained below.

SUMMARY OF HOUSING AND HUMAN SERVICES COMMISSION ACTION

On November 16, 2016, the Housing and Human Services Commission (HHSC) held a public hearing on the draft Conversion Impact Report (CIR) for Blue Bonnet Mobile Home Park ("Park"). The Report to the HHSC is Attachment 1. Minutes of the HHSC hearing are provided in Attachment 10.

Eight members of the public, mainly Park residents and mobile home owners, expressed concerns such as: dissatisfaction with their mobile home's appraised value, lack of mobile homes for sale at comparable prices, fears of displacement, and concerns about Sunnyvale Municipal Code (SMC) Chapter 19.72 being outdated as it was adopted before the rise of the high-tech industry. Attorney William Constantine, representing the Blue Bonnet Residents' Committee, also spoke and submitted a written comment letter (Attachment 11) expressing concerns about the City's compliance with certain sections of the Subdivision Map Act and related state laws, among other issues. The Applicant submitted a response letter to Mr. Constantine's letter (Attachment 12) and spoke briefly in response to some of the concerns and questions raised. In addition, the Applicant submitted a supplement to the CIR (Attachment 13) that notes, among other points, that the Applicant is offering to pay for the cost of a second appraisal for those mobile home owners who expressed dissatisfaction with their homes' appraised values. Chapter 19.72 provides that if a resident is not satisfied with the initial appraisal received, they can obtain a second appraisal, and if it is higher than the first, they will receive the average of the two appraised values. It is not uncommon for some homeowners to express dissatisfaction with the appraisals they receive in situations of involuntary relocation. At the HHSC hearing, only two of the eight speakers noted concerns about their homes' appraisals, while the remainder of the commenters did not mention appraisals in particular.

After some discussion and a failed motion to recommend approval of the CIR as presented to the HHSC along with the required findings (2-2), the HHSC voted 2-1-1 (with two absences) to recommend Alternative 2: Recommend that the City Council find that preparation, noticing, and distribution of the CIR has been done in compliance with SMC Chapter 19.72, that the CIR includes adequate information and options, and that it takes adequate measures to address the adverse social and economic impacts on displaced residents and mobile home owners of a mobile home park conversion; and conditionally approve the CIR with the condition that the applicant add a more

detailed description of how the relocation assistance described in the CIR will ensure that all the residents will be able to obtain adequate housing before the park is closed.

ACTIVITY SINCE THE HOUSING AND HUMAN SERVICES COMMISSION HEARING

Since the hearing, the Applicant, working closely with the Relocation Specialist (Autotemp), prepared and submitted a Supplement to the CIR (Attachment 13) to address the concerns expressed by the HHSC, Park residents and other interested parties regarding the adequacy of the relocation assistance package described in the draft CIR. The supplement includes a more detailed explanation of how the proposed relocation benefits can be used to obtain other housing in the area. The Supplement also describes the average assistance amounts available to residents, distinguishing between mobile home renters and mobile home owners. It provides an analysis of which available local housing options can be affordable to those households with the benefits offered through the CIR and considering the household income data obtained through the household interviews (and provided to staff in the Confidential portion of the CIR). Housing options analyzed include:

- Affordable rental housing including:
 - legacy Below Market Rate rental units
 - subsidized rental units
 - newer Affordable Rental Units (ARUs) which are coming online in recent “density bonus” rental projects
- Below Market Rate homes for sale
- Mobile homes for sale in other parks
- Other market rate rental housing

As noted in the cover letter, the Supplement does not describe each household’s particular situation and options due to privacy concerns, but rather analyzes possibilities based on typical scenarios based on the Relocation Specialist’s knowledge of actual household incomes, housing preferences and other relevant information.

Staff has updated Attachment 6 (Summary of Relocation Assistance Benefits) to correct several data entry errors that were found in the original Attachment 6 to the HHSC report shortly before the meeting. The corrected version of Attachment 6 was distributed to the HHSC and made available to the public at the meeting. The errors were not in the CIR itself or in any of the other information distributed to residents.

Regarding the comment letter submitted to the HHSC (Attachment 11), it appears that the author was confused by the Applicant’s submission of a “Preliminary Review” (PR) request in early 2016 which described a possible townhome project for the Park site. The letter confuses the Applicant’s prior PR submittal for a tentative subdivision map application and erroneously focuses on certain sections of the Subdivision Map Act that pertain to conversions of mobile home parks to resident-owned subdivided parks. Staff reached out to the author several times inviting him to a phone conference call with staff and the City Attorney’s Office, in an attempt to clear up the confusion. However, after several attempts to schedule a mutually workable time, the author ceased responding to staff’s requests to schedule the call. Nonetheless, staff, after consultation with the City Attorney, feels that the Applicant’s response letter and the Supplement to the CIR (Attachments 12 and 13) clarifies the situation with respect to the Map Act, and adequately addresses this concern and the other concerns raised in the public comment letter (Attachment 11).

January 24, 2017 Council Hearing and after

This item was originally scheduled for Council hearing and deliberation on January 24, 2017. On January 23, 2017, the City received a letter from William Constantine, an attorney representing some Park residents and other interested parties (Attachment 14). One of several concerns expressed in that letter was that the Park residents had not received the Supplemental CIR (Attachments 12 and 13) at least 15 days before the Council hearing. In order to address this concern, staff recommended that Council continue the hearing to March 7, 2017 to allow any interested parties thirty days to review the Supplemental CIR. At the January 24, 2017 hearing, Council opened the public hearing to allow interested members of the public to comment on this item, and then continued the hearing to March 7, 2017 as recommended by staff. There was no staff presentation or Council action during the January 24, 2017 hearing due to the continuance. In addition, staff asked the Applicant to deliver copies of the Supplemental CIR to all of the park residents and absentee mobile home owners, translated into the household's preferred language. The Applicant had the documents translated into Spanish, Chinese, and Vietnamese and delivered to all of the parties in their requested language in the first week of February, thirty days in advance of the new hearing date. The Applicant also transmitted the proofs of service to City staff to document that proper notice had been satisfied.

Since that time, the Applicant has provided a Response Letter (Attachment 15) rebutting a number of the assertions and arguments made in the Mr. Constantine's January 23, 2017 public comment letter. Staff has reviewed both letters (Attachments 14 and 15) and the prior public comment letters (Attachments 11 and 12) and consulted with the Office of the City Attorney (OCA) and outside counsel regarding their contents. After reviewing all of these materials and input from outside counsel, staff's recommendation on this matter remains the same as in the prior report (Alternative 1: Find that preparation, noticing, and distribution of the CIR has been done in compliance with Sunnyvale Municipal Code (SMC) Chapter 19.72, that the CIR includes adequate information and options, and that it takes adequate measures to address the adverse social and economic impacts on displaced residents and mobile home owners of a mobile home park conversion; and approve the CIR as provided in Attachments 2 and 13).

In addition to the letters received from Mr. Constantine and the Applicant, the City has also received input and inquiries from members of the public and a Council member regarding the possibility of pursuing Council actions other than the alternatives presented below. These alternatives include any combination of: attempting to acquire the Park or assist current residents to acquire the park; rezone the park to Residential Mobile Home Park (R-MH); pass a moratorium on mobile home park closures; or, similar actions intended to prevent closure of this park and to allow its current residents to remain in place. Staff has consulted in depth with OCA and outside counsel regarding these inquiries and the result of this consultation leads staff to conclude that the City may be exposed to potential legal risks if it were to attempt to rezone the park and/or impose a moratorium at this time.

At least one member of the public (not a resident of the Park) has suggested that the City might pursue acquiring the Park from its current owner. While the City has not obtained an appraisal of the Park land, based on recent transactions and proxy data staff estimates that the property's fair market value is likely in the range of \$20 million or possibly much more. That would equal an acquisition cost of \$500,000 per occupied space in the Park, just for the land, assuming the Park owner were willing to sell for that price. It is unclear how the rented mobile homes would be handled to allow the current tenants to remain in them under that scenario. If only the remaining Homeowners were interested in pursuing an acquisition concept, it would equal a cost of \$800,000 per homeowner (there are fewer

homeowners than occupied spaces; therefore, the total cost would need to be distributed between fewer people). This cost is just for the land, without any allowances for related transaction costs, legal fees to establish a homeowners' association, property management expenses, and any common area or infrastructure improvements required. For that price those mobile home owners could opt alternatively to buy a home elsewhere. In addition, SMC Section 19.72.045 affords residents, through a designated resident organization, the right to negotiate a purchase of a mobile home park from a park owner within 90 days of the postmark date of the notice to convert, or issuance of a notice to determination of conversion due to reduced occupancy. The Blue Bonnet residents chose not to pursue negotiations to purchase the Park as authorized by SMC Section 19.72.045 and the right to purchase has expired.

Unlike the situation in Palo Alto with the Buena Vista Mobile Home Park, the City does not have access to the Stanford Housing Fund, which was the source of approximately \$14.5 million of the funding committed by San Mateo County to assist Palo Alto to acquire that park. The Stanford Housing Fund is only available for projects within six miles of Stanford University. Sunnyvale falls outside of that range and is thus ineligible to use funds from that source. Also, there are 13 other mobile home parks in Sunnyvale, not including Blue Bonnet Mobile Home Park, with a total of nearly 3,900 mobile home spaces; Palo Alto has no other mobile home parks.

Pursuing acquisition of the site would divert the City's resources (both funds and staff time) from multiple ongoing and potential affordable housing projects

ALTERNATIVES

1. Find that preparation, noticing, and distribution of the CIR has been done in compliance with SMC Chapter 19.72, that the CIR includes adequate information and options, and that it takes adequate measures to address the adverse social and economic impacts on displaced residents and mobile home owners of a mobile home park conversion; and approve the CIR as provided in Attachments 2 and 13.
2. Find that preparation, noticing, and distribution of the CIR has been done in compliance with SMC Chapter 19.72, that the CIR includes adequate information and options, and that it takes adequate measures to address the adverse social and economic impacts on displaced residents and mobile home owners of a mobile home park conversion; and conditionally approve the CIR (Attachments 2 and 13) with modifications.

RECOMMENDATION

Alternative 1: Find that preparation, noticing, and distribution of the Conversion Impact Report has been done in compliance with Sunnyvale Municipal Code Chapter 19.72, that the Conversion Impact Report includes adequate information and options, and that it takes adequate measures to address the adverse social and economic impacts on displaced residents and mobile home owners of a mobile home park conversion; and approve the Conversion Impact Report as provided in Attachments 2 and 13 in the report.

Closure of a mobile home park, like any residential relocation undertaking, is always difficult for residents, public officials, and other involved parties. The concerns expressed by the HHSC, Park residents and other interested parties at the HHSC meeting are understandable, particularly given the highly competitive nature of the regional housing market at this time. The Relocation Specialist and Applicant have prepared an adequate CIR addressing the requirements of SMC Chapter 19.72 and have made additional efforts to make this process less difficult for those impacted. As noted in

the HHSC report, state law constrains the extent to which local governments can impose mitigation requirements on park owners in response to a proposed closure or conversion. Staff feels that SMC Chapter 19.72, as amended in 2012, meets and exceeds the minimum requirements established by state law to mitigate impacts on park residents, without overstepping its limits in regards to property rights.

Staff, in consultation with the City Attorney's Office, reviewed the CIR, including the Supplement, as well as the confidential report, which provides details on each household and/or mobile home owner, the estimated relocation benefits available to them, the appraisals, and correspondence from legal counsel representing the Park residents as well as the Applicant's responses, and finds that the CIR complies with SMC Chapter 19.72 and that the required findings can be made. Staff understands the concerns expressed at the HHSC hearing, as noted above. If Council determines that any part of the CIR is not adequate, staff recommends that it adopt Alternative 2 and provide specific direction to the Applicant regarding what modifications are needed, and authorize the CDD Director to review the modifications to verify that the required modifications have been made per Council direction.

Prepared by: Shila Behzadiaria, Assistant Planner

Reviewed by: Suzanne Isé, Housing Officer

Reviewed by: Trudi Ryan, Director, Community Development Department

Reviewed by: Kent Steffens, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. **November 16, 2016 Report to HHSC** (*without attachments*)
2. Conversion Impact Report
3. Summary of Chapter 19.72
4. February 10, 2016 Notice to Residents
5. Summary of Blue Bonnet Characteristics
6. Summary of Relocation Assistance Benefits (**Updated**)
7. Conversion Process Timeline
8. Sunnyvale Average Rent Data
9. October 13, 2016 Resident Meeting Summary

Additional Attachments for Report to Council

10. November 16, 2016 HHSC Meeting Minutes (Excerpt)
11. November 15, 2016 Public Comment Letter
12. November 16, 2016 Applicant Response Letter
13. Supplement to the CIR
14. January 23, 2017 Residents' Committee Letter
15. February 24, 2017 Applicant's Response Letter