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### REPORT TO COUNCIL

#### SUBJECT

Housing Strategy Implementation: Consider Draft Mobile Home Park Memorandum of Understanding

#### BACKGROUND

On October 13, 2020, Council approved the final 2020 Housing Strategy (RTC No. 20-0809). The Housing Strategy resulted in thirteen new policy recommendations called “strategies” and the City Council prioritized the strategies by categorizing each strategy as Tier 1, Tier 2, or Tier 3. Tier 1 strategies are to begin implementation in FY 2020/21, Tier 2 in FY 2021/22, and Tier 3 strategies are to be implemented as time and funding allows.

Mobile home park policy was one of the main features throughout the Housing Strategy and resulted in the most outreach events and most feedback from the community. The Housing Strategy considered two options for rent stabilization: a formal Rent Stabilization Ordinance or a Memorandum of Understanding (MOU)/Accord; the City Council ranked the MOU/Accord Tier 1. Due to the Council and community interest, work began immediately on next steps.

On December 8, 2020, the Council approved the MOU Scope of Work and budget associated with hiring BAE Urban Economics and Goldfarb and Lipman as consultants to lead the MOU process. Official negotiations on the MOU began on January 14, 2021.

#### **Stakeholders**

The City established two stakeholder groups for the MOU discussions. Together, these two stakeholder groups make up the MOU Working Group.

- Mobile Home Park Owners and/or Representatives
  - Thirteen seats were made available for the owner or their representative of each mobile home park in Sunnyvale. As some companies own or operate multiple parks, there are a total of eleven stakeholders on the Owner Stakeholder Group.
  - On April 20, 2021, Council directed that rental mobile home parks can be excluded for the MOU; therefore, three owner stakeholders no longer participated in the final MOU discussions.
- Mobile Home Park Residents
  - Thirteen seats were made available for residents interested in representing the mobile home park they reside in. As Sunnyvale Mobile Home Park Alliance (SMHPA) is the only operating park resident group in Sunnyvale, City staff asked the SMHPA Board of Directors to lead the process in recruiting park residents. Twelve residents and the attorney advising the SMHPA Board make up the Resident Stakeholder Group. The twelve residents represent eight of Sunnyvale’s thirteen parks. All mobile home park

residents were invited to participate; the group is essentially self-selected by interested residents.

- The Resident Stakeholders Group also communicates with the greater mobile home park resident population through social media, the SMHPA website, and general membership meetings. To date, nearly all stakeholders have attended all their designated meetings. While there has been lesser involvement from residents of a couple of parks, the progress being made is still substantial.

### **MOU Meetings**

A total of thirteen private meetings have taken place since the kick-off meeting on January 14, 2021; seven MOU Working Group meetings and three meetings each with the Resident Stakeholders and Owner Stakeholders individually.

### **Final Term List**

Below are the terms identified by the stakeholders and the City Council. The positions to each term are available to review in Attachment 2.

*\*Note that the starred items below were mandated to be in the MOU by the Council in October 2020.*

- Annual Rent Increase\*
  - Includes Minimum and Maximum
- Rent Increase on Unit Turnover\*
- Capital Projects/Investments
  - Provisions for Capital Replacements
  - Provisions for Capital Expenses Already Underway
  - Provisions for New Capital Investments/Projects\*
  - Disappearing Amenities/Services
- Other Pass Throughs
  - Property Tax\*
  - Disaster-Related Costs
  - Government Mandated Costs
- Retroactivity of Agreement\*
- Continued Communication and Updates
- Dispute Resolution
- Safety Net Program
- MOU Effect on Subsequent Park Owners (i.e. Land Recordation)
- Duration of MOU
- Exclusions
  - Mobile Home Units Owned by Park (i.e. renter occupied, rental units)
    - Excluded by Council on April 20.
  - Mobile Home Units Not Primary Residence (i.e. second home)

### **Public Hearings to Date**

Staff presented an update on the MOU to the Council on April 20 (RTC No. 21-0066) to comply with the six-month check in requirement of the MOU. During that meeting, the Council confirmed sufficient progress had been made (to date) and directed staff to finalize the MOU rather than changing course

to a Rent Stabilization Ordinance (RSO). In addition, Council also provided direction for staff to remove rental occupied parks (i.e., Aloha, Rancho, and Thunderbird) from the MOU.

The Housing and Human Services Commission received an update on the MOU at their June 23 meeting (Report No. 21-0073). While the draft MOU was not ready in time for the Commission to make a formal recommendation to Council, the Commission provided general feedback to staff and the Council; meeting minutes can be found in Attachment 3. Note that in the report to the Housing and Human Services Commission staff incorrectly stated the residents' proposal.

## **EXISTING POLICY**

### **General Plan: 2015-2023 Housing Element**

**GOAL HE-1 ADEQUATE HOUSING** - Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's households of all income levels.

**GOAL HE-2 ENHANCED HOUSING CONDITIONS AND AFFORDABILITY** - Maintain and enhance the conditions and affordability of existing housing in Sunnyvale.

- **Policy HE-2.6** Preserve Sunnyvale's mobile home parks as an affordable housing option. Maintain at least 400 acres of mobile home park zoning

## **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

## **DISCUSSION**

Since the April 20 MOU update to the City Council, staff has worked closely with the stakeholders to identify the outstanding terms that the parties were still not in agreement on and worked to bring them closer to agreement. Main conversations in the past months have occurred around Annual Rent Increases and Rent at Turnover ("Vacancy Control"). Significant work and progress have been made to date with both stakeholders carefully analyzing impacts of these terms and presenting best and final offers to staff.

The Council exempted the three parks from participation in the MOU where the mobile homes are 100% owned by the owners of the mobile home park and the occupants of the mobile home have no ownership interest in the mobile home park or residence. Both the Owner and Resident stakeholder groups agreed that these three parks should not be included in the MOU. It should be noted that statewide rent control laws do not apply to mobile homes that are rented.

A MOU Committee consisting of two representatives from the Resident Stakeholder group and two representatives from the Owner Stakeholder group have participated with staff and legal counsel in the drafting and review of the MOU.

## **Draft MOU and Final Proposals**

With considerable progress made, and numerous compromises made by both stakeholder groups, the Draft MOU, seen in Attachment 1, identifies the ability for the two stakeholder groups to find

majority agreement in the fifteen overall terms. There are however, minor remaining items where no agreement was made. For this reason, the MOU has been drafted with a staff recommended compromise between the Resident and Owner final positions; staff finds this compromise to be appropriate for the final MOU and is outlined below. During the preparation of this staff report the Residents and Owners continued to discuss potential terms and provisions of the MOU.

The most recent proposals for these terms and staff's recommended compromise are as follows:

- Majority Owners' Proposal
  - **Annual Rent:** 75% CPI-U for SF Bay Area with a 3% floor and no ceiling.
  - **Rent at Turnover:**
    - 5% increase during the first year of the MOU;
    - 10% increase during the second year of the MOU; and
    - 15% increase during the third year of the MOU and beyond.
      - Plaza Del Rey agrees to cap rent increase to \$2,250/mo. indexed to annual rent increases
    - Increase allowable once every 24 months
  - **Term:** 20 years
- Residents' Proposal
  - **Annual Rent:** 75% of CPI-U for SF Bay Area; 3% Floor, No Ceiling.
  - **Rent at Turnover:**
    - **Option 1:**
      - 5% increase during the first year of the MOU;
      - 10% increase during the second year of the MOU; and
      - 15% increase during the third year of the MOU and beyond.
      - *If Plaza Del Rey agrees to cap rent increase to \$2,250/mo.*
    - **Option 2:**
      - 5% increase during the first year of the MOU; 10% increase during the second year of the MOU; and 12% increase during the third year of the MOU and beyond.
      - Increase allowable once every 24 months
  - **Term:** 10 years
- Staff Compromise Recommendation
  - **Annual Rent:** 75% CPI-U for SF Bay Area with a 3% floor and no ceiling.
  - **Rent at Turnover:**
    - 5% increase during the first year of the MOU;
    - 10% increase during the second year of the MOU; and
    - 15% increase during the third year of the MOU and beyond.
      - Plaza Del Rey agrees to cap rent increase to \$2,250/mo. indexed to annual rent increases
  - **Term:** 20 years

As the Resident Stakeholders are not a formal signing party to the MOU, Council has the authority to approve the MOU with the final terms proposed by the Owner Stakeholders, rather than staff's compromise to ensure all owners will sign the MOU.

With the proposed draft MOU as seen in Attachment 1, it is important to note that only the majority of mobile home park Owners have agreed to sign and participate in the MOU with these terms. However, should any owners decide to no longer sign the MOU based on these final terms, staff can proceed with an RSO that would be more restrictive than the MOU would be. An RSO would be prepared in the immediate future and could be applied only to parks that were not covered by an MOU.

### **Rent Stabilization Ordinance**

Should the Council find that the draft MOU does not achieve the Council's policy goals, or find that the lack of agreement on the final term cannot be resolved, the Council has the ability to direct staff to abandon discussions to finalize the MOU and instead prepare a Rent Stabilization Ordinance (RSO) for its consideration. This option was outlined in the Housing Strategy.

### **FISCAL IMPACT**

Currently, long-term costs associated with a MOU are not expected to be significant. Staff time will be required at the beginning to support the outreach and education after signing of the MOU and to participate in the Continued Communication and Updates (See Section 8 of the MOU). In subsequent years staff would be available for questions; however, any major disagreement would be sent to mediation (a service paid for by the City) or if not resolved to the City Manager's designee for final dispute resolution. Exact costs are still to be finalized, likely much less than \$20,000 annually, and can be absorbed by existing budget and staffing. Should an additional RSO be required if not all owners sign the MOU, this cost would be absorbed in the Housing Division's legal expense operating budget.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at Office of the City Clerk, and on the City's website.

### **ALTERNATIVES**

1. Authorize the City Manager to Execute the Sunnyvale Mobile Home Park Memorandum of Understanding, in substantially the same form as Attachment 1 to the report, accepting the Majority of Owner Stakeholder final positions.
2. Authorize the City Manager to Execute the Sunnyvale Mobile Home Park Memorandum of Understanding, in substantially the same form as Attachment 1 to the report, accepting the Resident Stakeholder final positions.
3. Authorize the City Manager to Execute the Sunnyvale Mobile Home Park Memorandum of Understanding, in substantially the same form as Attachment 1 to the report incorporating staff's compromise terms; and authorize staff to prepare a Rent Stabilization Ordinance for any Owner who does not sign the final MOU.
4. Take no action on the Sunnyvale Mobile Home Park Memorandum of Understanding and direct staff to continue discussions for a specified length of time to attempt to reach agreement on the outstanding terms by the stakeholder groups.
5. Direct staff to abandon discussions related to the Sunnyvale Mobile Home Park Memorandum of Understanding and direct staff to begin drafting a Rent Stabilization Ordinance.

### **STAFF RECOMMENDATION**

Alternative 3: Authorize the City Manager to Execute the Sunnyvale Mobile Home Park Memorandum of Understanding, in substantially the same form as Attachment 1 to the report, incorporating staff's compromise terms; and authorize staff to prepare a Rent Stabilization Ordinance for any Owner who does not sign the final MOU.

The Sunnyvale Mobile Home Park Accord (MOU) has been drafted with a compromise by staff between the Resident's and Owner's most recent proposals. Both stakeholder groups have made numerous concessions over the past several months and have come to agreement on most key items. While staff excluded two aspects of the Resident position requesting turnover increases once every 24-months and a 20-year term, the turnover circumstance is rare. It is staff's understanding that the compromised terms will allow the majority of owners to sign the MOU and allow residents to start receiving benefits immediately upon execution of the MOU.

Due to the unknown amount of owners who will execute an MOU with staff's compromised terms, staff is further recommending that Council authorize staff to establish a rent stabilization ordinance (RSO) in the near future to provide rent protection for mobile home residents (who own their mobile home) in any park whose owner does not sign the MOU.

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Reviewed by: Teri Silva, Assistant City Manager  
Approved by: Kent Steffens, City Manager

#### **ATTACHMENTS**

1. Draft Sunnyvale Mobile Home Park Memorandum of Understanding (MOU)
2. Final MOU Term Sheet
3. Excerpt Draft Minutes from the June 23, 2021 Meeting of the Housing and Human Services Commission (HHSC)