City of Arcata

DRAFT Mobilehome Affordability Strategies Study

October 5, 2016

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City of Arcata Community Development Department

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"It is the goal of the City of Arcata to promote affordability of housing of all types to meet the present and projected needs of households of all income levels."

– City of Arcata Housing Element 2014

EXECUTIVE SUMMARY

Affordable housing is important to the City of Arcata and to the community as a whole. The City has a long history of promoting, supporting, and financing affordable housing. Its policies, including the Housing Element, support provision of affordable housing for all income levels. Affordable housing promotes neighborhood stability and strengthens the community.

In recent years, the City has added focus to affordable housing programs for mobilehome parks. For a variety of reasons, traditional housing is far easier to fund under the City's typical sources; however, the City successfully used its housing rehabilitation and new construction programs to redevelop the Arcata Mobilehome Park and the Sandpiper Mobilehome Park. City partnership in these two projects resulted in 53 rent restricted mobilehome spaces.

In 2015, the Council was asked to entertain a rent stabilization ordinance by a group of mobilehome owners concerned about consecutive rent increases. The Council ultimately directed staff to produce a study of the current affordability of mobilehome parks with an emphasis on developing a suite of strategies the City might be able to use to maintain or secure affordability. This study and seeks direction for next steps.

The study had three primary objectives: to engage stakeholders, review programs from other jurisdictions, and assess current demographics to match effectively with affordability strategies. The first objective was to engage stakeholders. Staff held several public and private meetings with park owners and managers, mobilehome owners and renters, and other stakeholders to engage them in a variety of ways to ensure everyone had access to staff and the Council. The second objective was to review current programs in other jurisdictions. Staff found several examples of mobilehome rent stabilization ordinances and MOUs, but few other mobilehome-centered solutions to affordability in other jurisdictions. Finally, the study was designed to provide the Council with demographic and programmatic information to evaluate the potential effectiveness of each strategy. Part of this analysis focuses on the current status of the parks and residents, while part focuses on the features of the available strategies. Together, the work on these objectives provides the basis for a policy decision about which mobilehome affordability strategies warrant focus.

Stakeholder engagement was robust. Staff met individually with several residents, resident groups, and other interested people, in addition to the managers and owners of each park. Staff contracted with

Plan West Partners and held a moderated outreach event to solicit feedback and provide the framework for the study. This meeting was fairly well attended with representation from each park, but some attendees cited residents' inability to travel as a reason for not attending. Staff had arranged for bus transportation to and from the meeting, but in response to the critique, we scheduled meetings at each of the parks, which were noticed by mail. In addition, we provided contact information on all of the several mailed communications sent to the residents as well as in park newsletters and extended invitations to private, one-on-one meetings to any who preferred individual engagement. The study includes the feedback received from stakeholders.

Stakeholders held diverse opinions about the right approach to obtain and maintain affordability. With the exception of universal objection to rent control ordinance among park owners, owner opinion was varied. Some owners found an MOU to be acceptable, while undesirable. Some were interested in providing a privately managed rental assistance program. Some owners would enter a regulatory program with the City if funds were available. Some residents found rent control to be the only feasible option, while other residents thought the City was wasting tax payer money by doing the study and should not be involved. And the other interested stakeholders were also of varying opinion about what tools would best fit the City. The options that were of interest to most stakeholders were the rental assistance programs.

For the purpose of discussion, the strategies are categorized here based on the market pressure used to achieve affordability and whether they come from public or private sources (Table A). In this framework, pressures that help to keep rental costs down are contrasted with pressures that assist individuals to meet their monthly housing costs. For example, a rent ordinance exerts a downward pressure on rental rates, while a section 8 voucher has an upward pressure assisting the resident to make monthly rent. These top-down and bottom-up pressures can come from the private market or the public sector. A long-term lease, for example, would provide a private market, top-down pressure on rents. In contrast, a City rental assistance program would be a public sector, bottom-up subsidy. Many of the tools could have both private and public programs, and the tools may be used in concert.

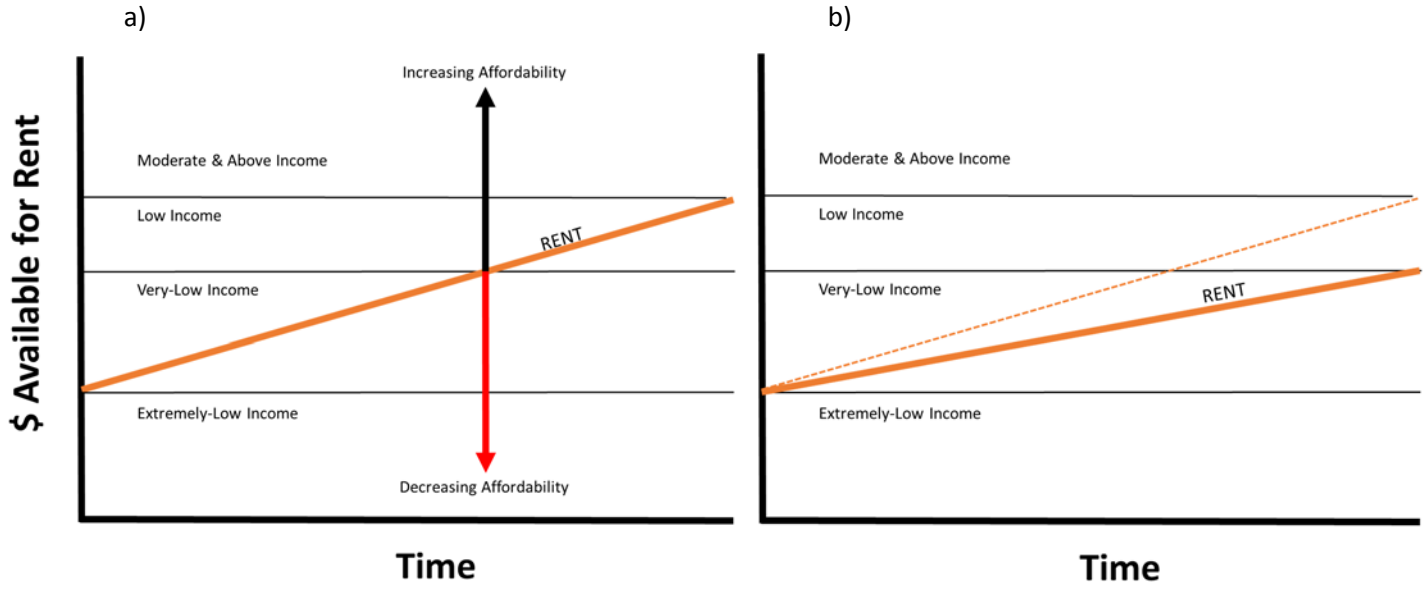
Table ES-A. Affordability Strategy Framework. Each of the various tools to achieve and maintain affordability are categorized by whether they are a private or public sector solution and by whether they are pressures limiting rents or subsidizing residents.

	Top-Down Pressure	**Bottom-Up Pressure**
Private Sphere	Long-Term Lease MOU Market Pressure Resident Owned Park	Increase Income Rental Assistance/Subsidy PG&E CARE Program
Public Sphere	MOU Rent Stabilization Ordinance Regulatory Agreement Resident Owned Park	Section 8 Housing Voucher Rent assistance program

The framework is used in this study for a number of reasons. The framework helps identify the responsible entities for the various strategies and suggests potential partnerships garnering affordability. It also helps illustrate commonalities across approaches. Importantly for the work the Council is undertaking, it frames the suite of tools that address different facets of affordability.

Understanding how each strategy affects the mobilehome market is key to determining which programs the City should support. The conceptual model shown in Figure ES1 simplifies the effect of limiting rent increases with a top-down pressure on the ability of residents of various incomes to pay rent. The Income brackets show the net income available for rent in the various income levels. Incomes in the area above the rent line have funds available for rent in excess of the actual rent. Incomes that fall on the line have exactly the right income proportion available to pay rent affordably. Rent is unaffordable for Incomes that fall below the rent line.

Figure ES-1. Effect Over Time on Rent Affordability for Various Income Levels. This oversimplification provides a working model to understand the effect of market pressures on various income levels. Residents whose funds avaialble for rent are above the rent line at any given time have sufficeint funds available to pay rent. Residents whose funds available drop below rent line over time will pay a higher proportion of their income towards housing costs or will require a subsidy to make rent. This conceptual model shows the effect of a top-down pressure. In Figure ES-1.b, a top-down presssure has limited rents relative to Figure ES-1.a over the period. Low Income earners will stay in the black over time with top-down pressure. Very-low and extremely-low income earners do not receive the same benefit over time as they eventually fall below the rent trajectory and require a subsity at some point. Extremely-low income residents are need of a subsidy regardless of what pressure is exerted from the top (i.e., extremely-low income residents need a bottom up pressure to make rent).



The model has a few facets worth noting. As rent increases over time, rent becomes less affordable for any given income bracket. Over time individual income levels may cross the rent line threshold, which has the effect of moving from the affordable to the unaffordable side. The farther above the rent line, the more funds are available for rent, the more affordable rent is. Conversely, the farther below the line

the income is, the less affordable rent is. These principals of the model help focus thinking about the various strategies.

Using this framework, residents on the higher end of the income spectrum would benefit from top-down limitations on rent, which would result in less of the funds available for rent actually being spent on rent. Moderate and higher income earners end up paying less than they otherwise would have, but either rent scenario is affordable to them. The top-down pressure makes rent affordable over the entire period for the low income bracket, whereas in the absence of the pressure, rent would have become unaffordable over time. The very-low income bracket would cross the threshold later, but for the lower end of that spectrum, and for the extremely low income bracket, the threshold doesn't change significantly.

Those with lowest income would need a subsidy to make monthly housing costs. Income earners in the middle brackets would forestall crossing the affordability threshold, but would ultimately require a subsidy to make rent. Subsidy programs would not affect higher income earners.

From the park ownership perspective, government imposed top-down pressures could affect fair return on their investment, to which case law has confirmed they are entitled, whereas subsidy programs would have a positive impact. None of the strategies have universal positive outcomes, and each program works on a different range of the income spectrum.

To assess the relative impact of various programs, it is important to understand the demographics of the population. We evaluated survey data to assess income, proportion of income dedicated to rent, and the relationship between open market rent and regulated rents in Arcata, among other metrics. Using the City's existing affordable housing programs as a basis for evaluating the mobilehome market, Staff evaluated the current affordability of mobilehome parks. Using this information, the Council may reflect on the aspects of the market in most need or where the largest impact might be achieved.

In addition to the number of people who would benefit in any given income category, the Council should weigh the relative costs of the programs. While the actual costs of any given program will vary with complexity, resistance to implementation, and funding source, the options can be generally weighed against one another to give a comparison across approaches. The relative cost to implement and the proportion of each income category receiving a benefit can be used to evaluate the efficacy of each strategy.

Staff has provided a draft of this type of analysis based on the information obtained through the study research (Table ES-B). While there is a measure of subjectivity in determining the values across approach, this represents the staff interpretation of the information. This analytical tool was developed as a way to discuss only the cost-benefit. It does not evaluate the total impact of any given strategy, as there may be social benefits that go beyond such ranking. In addition, the tool only evaluates the impacts to the City and residents; it does not include the costs or benefits to the park owners. This analysis could be expanded to include other strategies or more categories of costs and benefits, and the relative ranking could be modified.

The relative cost-benefit analysis does not provide concrete information about the numbers of spaces that might be affected by any give approach. As a result, we tallied the total number of spaces of each type in the parks and provided an estimate of how many might be affected by various tools (Table ES-C). While the Valley West Manufactured Home Community currently has long-term leases and would not be subject to a rent control ordinance, this table includes them as a conservative estimate of the potential impact of rent control. The MOU assumes the same effect as rent control. The lease assumes all parks offer a lease to all residents. The regulatory agreement category is based on interest of park owners in such a program and current regulated parks. And the subsidy column is based on estimates of the number of residents that would qualify for a subsidy program. Each of these numbers is somewhat speculative.

Table ES-B. Cost-Benefit Analysis Table. This table ranks cost and benefit of various affordability strategies respective to each other as a means to evaluate their relative merit. The table is provided to facilitate a discussion and is not intended to be a definitive analysis. The top section of the table assigns rank within cost/benefit categories respectve to each other for each strategy. The bottom section converts the ranks to values 0-3. The sum of the values provides a cost-benefit score. The higher the score, the more beneficial, on balance, the stratgy is.

Category	Rent Stabilization	City/Park MOU	Long-Term Lease	Loan/Regulatory Agreement	Rental Assistance/ Subsidy
Costs of Implementation					
Administration Required	High	Moderate	None	Moderate	Low
Costs of Implementation	High	Moderate	None	High	Moderate
Potential for Litigation	High	Moderate	Moderate	Low	None
Benefit by Population Proportion at Income Levels					
Number of People Affected	High	Moderate	Moderate	Moderate	Low
Impact on Mod-Income Pop	High	High	High	Moderate	None
Impact on Low-Income Pop	High	High	High	High	High
Impact on Very Low-Income Pop	Low	Low	Low	High	High
Costs of Implementation					
Administration Required	0	1	3	1	2
Costs of Implementation	0	1	3	0	1
Potential for Litigation	0	1	1	2	3
Benefit by Population Proportion at Income Levels					
Number of People Affected	3	2	2	2	1
Impact on Mod-Income Pop	3	3	3	2	0
Impact on Low-Income Pop	3	3	3	3	3
Impact on Very Low-Income Pop	1	1	1	3	3
Total	10	12	16	13	13

The demographic data collected from the survey respondents were assessed for affordability using the City's affordable housing program metrics. The City has both traditional rental and ownership models in its affordable housing portfolio. These traditional models have an owner-tenant and a lender-owner relationship, respectively. The Community Land Trust and mobilehome park models are a blend between the rental and ownership models. In this third model, the resident owns improvements and

another organization owns the land. The study evaluates the demographic data using the program requirements of each of the different models. Ultimately, Staff used the regulated Sandpiper and Arcata Mobilehome Parks model as the basis for assessing affordability.

Table ES-C. Potential Total Impact of Various Affordability Strategies.

Park Name	Owner	Renter	Vacant	RV	Rent Control	MOU	Lease	Reg Agmt	Subsidy
Arcata Mobile Home Park	20	7	4	1	0	0	0	32	32
Arcata Trailer Court	0	10	4	13	0	0	23	0	23
Lazy J Ranch	219	1	0	0	219	219	219	44	88
Sandpiper Park	16	0	0	0	0	0	0	16	11
Town & Country Mobile Villa	140	16	31	6	140	140	162	48	122
Valley West MH Community	114	19	2	0	114	114	133	0	100
Total					473	473	537	140	376
% of Total Spaces					76%	76%	86%	22%	60%

The primary difference between models is the proportion of income that can be dedicated towards housing costs and still be considered affordable. Generally, rental housing is considered affordable if rent and a utility allowance is less than 30% of income. The threshold for an ownership model is 38%, with a total debt to income ratio, including all long-term debt, of 42%. These criteria are used to define affordability; however, in practice, rents are not based on the individual's income.

Affordable rents are based on proportions of area median income. High and Low HOME rents are set by the Department of Housing and Community Development (HCD) for the HOME program annually based on each counties' median incomes (Appendix A). The rents are established by HCD to target in the midrange of the Low and Very-low income categories. In this model, any individual may pay more than 30% of their income, but rent is considered affordable to the entire spectrum of incomes within the category.

This model is the basis for the City's regulatory programs, including its existing mobilehome program. The space rents for the Sandpiper project were set at low-HOME rent for a one-bedroom unit, less a utility allowance. This model sets rents low enough to allow for a small mortgage payment on the mobilehome. So, in assessing affordability, we evaluated the proportion of the population paying less than the thresholds for each model and we evaluated current and historic rents against High and Low HOME rents.

The City received 151 surveys (Appendix D). Of those, the Lazy J, Valley West Mobile Home Estates, and Town and Country accounted for 95% of the responses with 101, 26, and 18 surveys each, respectively. Since 69% of the data were collected from the Lazy J, the report is heavily weighted towards this group of residents. Most of the survey respondents' current basic housing costs are at levels consistent with the City's affordable housing programs (Table ES-D). A majority of the respondents pay less than 30% of their income towards rent, taxes, and insurance. And 78% pay less than 38% of their income towards these expenses. This, however, leaves 22% overpaying for their housing costs, and 5% paying more than

50% of income towards these expenses. Using utility allowances for 1, 2, and 3 bedrooms as published by the Eureka Housing Authority of $71, $89, and $110 monthly, respectively, only 67% pay less than 38% of their income towards their housing costs (Table ES-E).

Table ES-D. Proportion of Monthly Income Committed to Rent, Taxes, and Insurance. Each category is exclusive except the greater than 50%, which is a subset of the "greater than 42%" category.

Proportion of Income to Rent	Count	Percent of Total	Cumulative Percent
<25%	68	52%	52%
25-30%	16	12%	64%
30-38%	19	14%	78%
38-42%	12	9%	87%
>42%	17	13%	100%
>50%	7	5%	
Total	132		

Table ES-E. Proportion of Monthly Income Committed to Rent, Taxes, and Insurance, and a Utility Allowance. The utility allowance attributed to each unit was based on the number of bedrooms using the Eureka Housing Authority guidance. Each category is exclusive except the greater than 50%, which is a subset of the "greater than 42%" category.

Proportion of Income to Rent	Count	Percent of Total	Cumulative Percent
<25%	42	32%	32%
25-30%	27	20%	52%
30-38%	20	15%	67%
38-42%	4	3%	70%
>42%	39	30%	100%
>50%	18	14%	
Total	132		

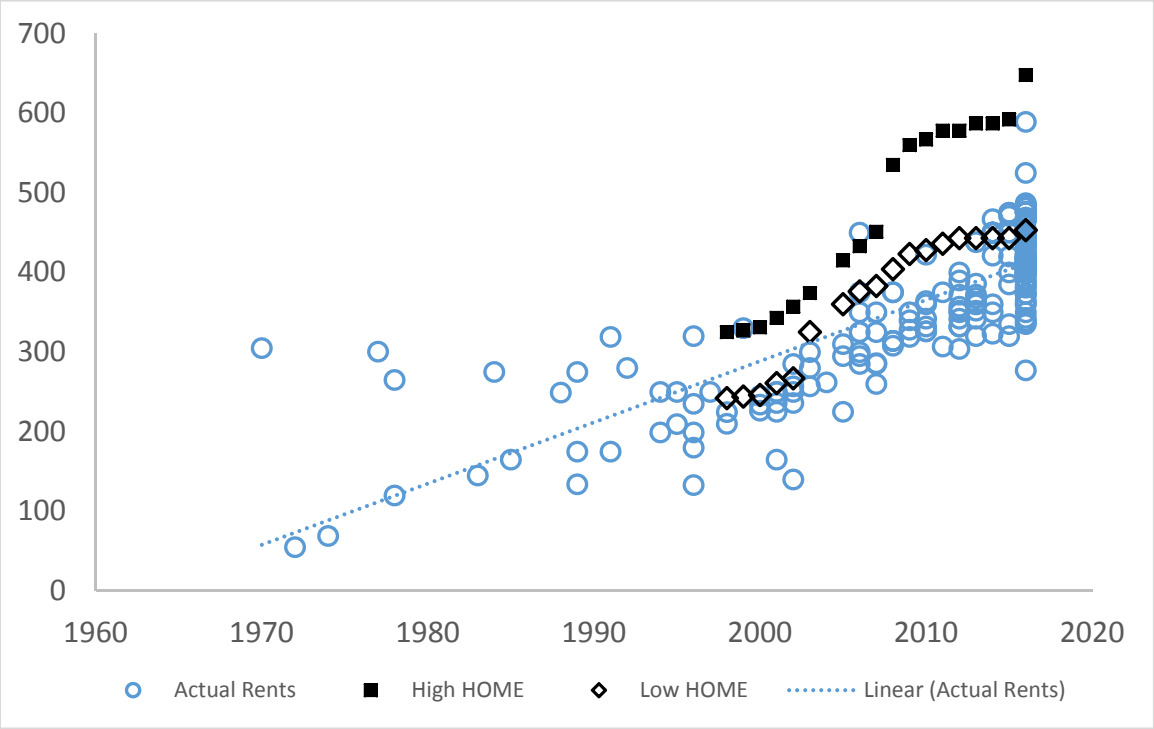
The capacity of the population to pay for current rental rates and other housing costs suggests a need for a subsidy program to assist residents to meet their monthly housing costs. These data suggest a bottom-up program that targets 25-30% of the spaces as an immediate need. The City should work with public and private partners to develop a rental assistance program to aid those in greatest need.

Using a model that evaluates individual income and rent is not feasible to implement on a programmatic level. Instead, we use individual incomes to qualify, and programmatic rent structures to administer, affordable housing programs. As mentioned previously, the City uses HOME rent structures to set rents for low and very-low income regulated rents. This structure results in rents that are more affordable to

those closer to the income threshold for any given category. No individual is guaranteed to pay 30% of their income towards rent and utilities.

The City has developed its affordable mobilehome program around the HOME rent structure. By comparing rents reported by respondents against the low and high HOME rent, one can gauge the current affordability of the mobilehome market. Staff compared move-in and current rents reported by respondents against historic and current high and low HOME rents (Figure ES-2). These data show that market rents are, with very few exceptions, at or below low HOME rent for a one-bedroom apartment, less a utility allowance. In all cases, current rents are less than high HOME rent in the same category. This is a highly conservative approach since many of the units are 2- and 3-bedroom units, and because the utility allowance used was for a 3-bedroom unit. In sum, the current market rents are at or much below the rents that would be required by the City's regulatory agreement.

Figure ES-2. Actual Rents Compared to High and Low HOME Rents. A total of 151 survey respondents' move-in and current rents were plotted along with California Department of Housing and Community Development HOME program regulated rents for a one-bedroom, reduced by $100 to account for a utility allowance. Actual rents date back to 1970, whereas, HOME rents are provided from 1998 forward. Rents have historically been less than regulated rents would have been. Recent rents are higher than low HOME rent.



Though the market has historically lagged HOME rents, the concern that future rents will outpace inflation, and the current private market sourced affordable housing option will be lost, drives the call for a rent control ordinance or other top-down regulatory measure. Rent ordinances have been effective in jurisdictions where rents have significantly outpaced market-wide inflation. And while some

ordinances have been litigated more than others, several jurisdictions have adequately balanced residents' desire for long-term rent predictability with owners' right to return on investment.

INTRODUCTION

Arcata has a long history of supporting affordable housing for its citizens. Both in its policy commitments and in its partnerships through the affordable housing programs, the City of Arcata has concentrated on establishing the framework for affordable housing production and the implementation tools necessary to actually develop affordable housing. This commitment has resulted in the production of more than 600 units of housing with agreements restricting occupancy to lower income tenants. The city's affordable housing program is robust.

The City of Arcata's affordable housing program has not traditionally focused on mobilehome parks. While two parks, totaling 44 units, are bound by affordable housing regulatory agreements with the City, the majority of mobilehomes are sold and their spaces are leased at market rate. The City of Arcata's lack of mobilehome parks in its affordable housing portfolio is due in part to the limited funding sources for mobilehome projects and the lack land suitable for creating new parks. In addition, mobilehome parks are generally considered market rate affordable housing. Instead, the City's program has focused on single- and multifamily projects that result in affordability restrictions for occupancy.

The purpose of this study is to evaluate the current affordability of mobilehomes and mobilehome parks, to consider policies and programs to address gaps in affordability, and to summarize information from and encourage continued discussions with stakeholders around mobilehomes as an ongoing market solution affordable housing. Central to these questions is whether mobilehome parks in fact represent an alternative market based source of affordable housing in Arcata. And the affordability strategies discussed here will ultimately balance the needs of mobilehome owner/tenants, with the interests of park owners, and the feasibility of administration.

BACKGROUND

Project History – In early July 2015, a group of Arcata mobilehome residents expressed concerns over rising rents in the Arcata mobilehome market. The sale of the Lazy J mobilehome park triggered concern over a series of successive rent increases. Initially, the seller raised space rents in the park to raise the appraised value of the park prior to sale. Property tax increases were assessed upon sale of the park to the new owners. In order to recoup the costs of the increased property taxes, the new owners instituted a space rent increase in their first and second year of ownership. The series of consecutive rent increases sparked fears among resident groups who approached the City Council in November 2015 to seek redress of their concerns. In turn, the Council directed staff to study the conditions and context of mobilehome space rents in the City of Arcata. The City Council began looking into policy options that would not interfere with existing state laws (California Mobilehome Residency Law) regulating mobilehome parks and spaces. In December 2015, the City Council directed staff to develop a mobilehome affordability strategy.

Staff prepared this study in response to the City Council's direction. The study provides information necessary on policies may help create and sustain mobilehome affordability. The information was collected from a review of existing law, literature, and practice; a stakeholder outreach program; and evaluation of survey data.

Nature of Mobilehomes – Referring to manufactured homes as "mobile" homes is somewhat of a misnomer. The costs and regulations associated with relocating a mobilehome from one park to another generally make transfer infeasible. Some homes are so large that they must be shipped in separate sections and reassembled once they arrive at their final destination. In addition, some parks place restrictions on the age of mobilehomes which they will allow to be placed in their parks. Taken together, these two hurdles to relocation cause some critics to refer to manufactured homes as "immobilehomes."[1]

In some ways the ownership model existing in the mobilehome market is similar to the community land trust model. In the community land trust model the owner of the home, or improvement, does not own the ground to which the unit is affixed. In the land trust, the major monthly housing cost is principal, interest, taxes, and insurance on the unit with land costs being a minor component. Land trusts provide access to land and housing for people who are otherwise priced out of the housing market. Similarly, mobilehome ownership provides access to home ownership to a segment of the population who would otherwise have difficulty securing financing for a traditional single family home.

Purchasing mobilehomes requires less of an investment than traditional home ownership. In most cases mobilehome owners purchase their homes outright, or manage to pay off their mortgages completely in a timespan much less than typical homeowner. In the mobilehome model, the major monthly housing cost is the space rent, and the units are typically owned outright with only taxes and insurance as ongoing monthly costs associated with the unit. As opposed to the traditional home ownership model which requires purchasers to carry mortgages typically spanning 30 years, the mobilehome ownership model represents a lower threshold for ownership. When the mortgage balance is paid off in a typical home ownership model the owner is then only required to satisfy annual property tax payments in order to secure their ownership into the future. Conversely, in the mobilehome ownership model owners must continue to pay space rents in perpetuity in order to maintain residency in their respective parks. Therefore, increases in space rent are a source of concern for mobilehome owners because space rents account for a majority of the monthly housing cost associated with mobilehome ownership once the mortgage balance has been satisfied.

Park Profiles - Currently there are six privately owned parks in the City of Arcata, with a total of 587 occupied mobilehome spaces. The parks range in capacity from 16 to 220 spaces. The current cost of space rents in these parks for unity owners ranges in price from $277 to $484 a month. These parks differ in the level of amenities offered to residents, and in the level of care taken to maintain aesthetic appeal. While one park restricts tenancy to residents over a certain age, creating affordable housing opportunities for independent seniors, other parks maintain no such restrictions, creating inclusive family communities. The range in size, rent, and occupancy restrictions creates a diverse spectrum of options in this small community. The City recently added 16 manufactured homes in the Sandpiper Park constructed in 2012. These homes offer low-income buyers with an affordable avenue toward home ownership. Park property profiles are described in more detail in Appendix B.

[1] Kenneth Baar, "*Right to Sell the "*Im"Mobile *Home," The Urban Lawyer 24:1 (Winter 1992)* 170-172

Aging infrastructure in older mobilehome parks represents a key expense for mobilehome park owners. Keeping up with maintenance and repairs proves costly for mobilehome park owners who provide this affordable housing option to our community. Costs associated with landscaping, street resurfacing, maintenance of signage, community centers, laundry facilities, and perimeter fencing are examples of mobilehome park owner's expenses. Park owners complain that any ordinance restricting the amount they could charge for space rents would inhibit their ability to keep up with these costly repairs and maintenance. Finding a balance between the concerns of park owners and mobilehome residents is a challenge many jurisdictions throughout the state have faced. Our study attempts to bring together a host of options aimed at providing a sensible solution to a complex issue.

METHODOLOGY

Staff used three primary approaches to accomplish the goals of the study. First, we conducted a thorough review of the literature, law, and practice in other jurisdictions around mobilehome affordability. Second, we engaged stakeholders to learn from the individuals affected, obtain qualitative data, and to open a dialog. And third, we analyzed survey data of the park owners and residents. Each of these approaches is discussed individually below along with the methods used to capture and assess the information.

FRAMEWORK

The framework is the working model used in the study for assessing affordability and the market understanding. In addition, the study's underlying assumptions are addressed here. In general, staff adopted the framework consistent with existing City programs and market principles.

Affordability Defined - Central to the study is the concept of affordability. One objective of this study is to assess whether mobilehomes are an alternative source of affordable housing in our area. Another seeks to determine gaps in current and future affordability. The study culminates in an assessment of tools to maintain or achieve affordability. Critical to all of the methods and analysis is the definition of "affordability" in the context of mobilehomes in our area. But affordability may mean different things to different readers. Simplistically speaking, affordable housing means an individual can afford it. In light of all other expenses, the individual has enough cash flow to cover the expenses of space rent, taxes, insurance, and other housing costs. But it is unrealistic to build a program tailored to each individual.

This study adopts the affordability metrics used in the City of Arcata's housing program. Since the late 1980's the City has been assisting with the development and maintenance of affordable housing projects using Redevelopment Agency, HOME, and CDBG funding. These projects achieve the city's goal of providing affordable housing to our community through the use of regulatory agreements limiting housing costs so lower income residents can afford the assisted housing. The regulatory agreements are based on existing law and regulation, such as the Uniform Multifamily Regulations, the Health and Safety Code, the HOME program regulations, and the City's programmatic guidelines for its various programs.

The rental model is based on the Housing and Urban Development (HUD) model implemented by the City of Arcata's multifamily new construction and rehabilitation programs. When assessing the city's stock of affordable housing options in the mobilehome context we consider the HOME rent limitations

published each year by HUD.[2] The HOME Investment Partnership Program (HOME) is the largest Federal block grant to state and local governments designed to create affordable housing for low-income households. The HOME program provides formula grants to states and localities to fund a wide range of activities including "building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people."[3] The rent limitations provided by HUD are reached through a calculation considering percentages of area median income (adjusted for household size), and bedroom size of the rental unit. When applying these standards in the context of mobilehome space rents, we adjust for mortgage payments (principal + interest), insurance payments (home, fire, hazard, etc.) and an additional cost of utility allowance provided by HUD.[4] Typically, the participating low-income household is expected to pay no more than 30% of their monthly income toward their rent. The remainder of rent is paid to the landlord directly by the public housing authority on behalf of the participating family in the form of a housing subsidy. This 30% threshold is a commonly accepted metric of affordability which represents the portion of income a household is expected to commit to their housing costs.

The standard ownership model is based on generally accepted underwriting practices and are codified in our Homeownership Program Guidelines. In practice, a borrower's total housing costs, including principal, interest, taxes, and insurance (PITI), should not exceed 38% of that borrower's income. In addition, a borrower's total debt including all other payments (i.e. credit card payments, PITI, etc.) must not exceed 42% of that borrower's income to qualify for the city's home ownership assistance program. The standard ownership model provides us with a framework for analyzing market affordability in our area.

Finally, the City of Arcata has previously established what it considers affordable for mobilehome parks in the Sandpiper and Arcata Mobilehome projects. Affordable rents in these two projects were arrived at through a calculation based on existing HUD programs. City staff calculated affordable rents by deducting a utility allowance from the Low HOME rent limits issued by HUD annually. The HOME rent limits issued by HUD calculate a rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit.[5] These rent limits are meant to convey what the federal government considers affordable to low-income households based on a region-specific analysis of area-median-income.

For the purposes of our analysis we applied these same standards to the context of mobilehome space rents in our area. These programs and standards provide us with a framework for analyzing the affordability of mobilehome space rents by creating a range around the threshold of acceptable housing costs. This range, housing costs equal to or less than 30% - 42% of a household's income, can be used to evaluate the affordability of Arcata mobilehome space rents both at the individual level, and the

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[2] U.S. Department of Housing and Urban Development, HUD Exchange, "HOME Rent Limits," (Appendix A)

[3] U.S. Department of Housing and Urban Development, "Home Program Summary," http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/programs/home (Aug. 8, 2016)

[4] U.S. Department of Housing and Urban Development, Office of Policy Development and Research (PD&R), "HUD Utility Allowance Schedule,," https://www.huduser.gov/portal/resources/utilallowance.html (Aug. 8, 2016)

[5] https://www.hudexchange.info/manage-a-program/home-rent-limits/

average housing costs of Arcata mobilehome residents in relation to the income levels of the population under study. Through this lens, which takes into account the rent, mortgage, and utility costs of a household in relation to their income, we are able to determine how affordability would be measured under traditional city programs and projects which have successfully achieved the goal of creating and sustaining affordable housing options throughout Arcata in the present, past, and into the future.

As discussed above, the mobilehome to land relationship is somewhere between the single family ownership rental models, and it is most similar to the community land trust model. As a result, we evaluate whether housing costs are affordable using both rental and ownership underwriting standards used in the City of Arcata's affordable housing programs. In addition, housing costs were evaluated using the method applied to the Sandpiper and Arcata Mobilehome Parks, both of which are under regulatory agreement with the city.

Market Understanding – This market framework used in this study is based on the following principals. Mobilehome parks and the manufactured homes within them are complementary goods; their independent values are dependent on and connected to each other. That is, a park space only has value when a unit is sitting on it, and a unit's value is related to the space is sits on. To the extent one value is overvalued relative to the market, the other is undervalued, and vice versa. If a space rent is offered at less than market value, the mobilehome has added value relative to other units on the market. Mobilehomes are generally affordable on a monthly basis since the cost of the home is paid in a short period of time and monthly costs are limited to the space rent and ongoing expenses that are minimal compared with a mortgage. As a result of their affordability, mobilehomes disproportionately house lower income families, which have higher housing instability. Finally, rent is maximally what the market will bear.

Strategy Framework – For the purpose of discussion, the strategies are categorized here based on the market pressure used to achieve affordability and whether they come from public or private sources (Table 1). In this framework, pressures that help to keep rental costs down are contrasted with pressures that assist individuals to meet their monthly housing costs. For example, a rent ordinance exerts a downward pressure on rental rates, while a Section 8 voucher has an upward pressure assisting the resident to make monthly rent. These top-down and bottom-up pressures can come from the private market or the public sector. A long-term lease, for example, would provide a private market, top-down pressure on rents. In contrast, a City rental assistance program would be a public sector, bottom-up subsidy. Many of the tools could have both private and public programs, and the tools may be used in concert.

The framework is used in this study for a number of reasons. The framework helps identify the responsible entities for the various strategies and suggests potential partnerships garnering affordability. The simplification also aids interpretation of the macroeconomic interpretation of the approaches and helps illustrate commonalities across approaches. More importantly, the framework describes the suite of tools that address different facets of affordability.

Table 1. Affordability Strategy Framework. Each of the various tools to achieve and maintain affordability are categorized by whether they are a private or public sector solution and by whether they are pressures limiting rents or subsidizing residents.

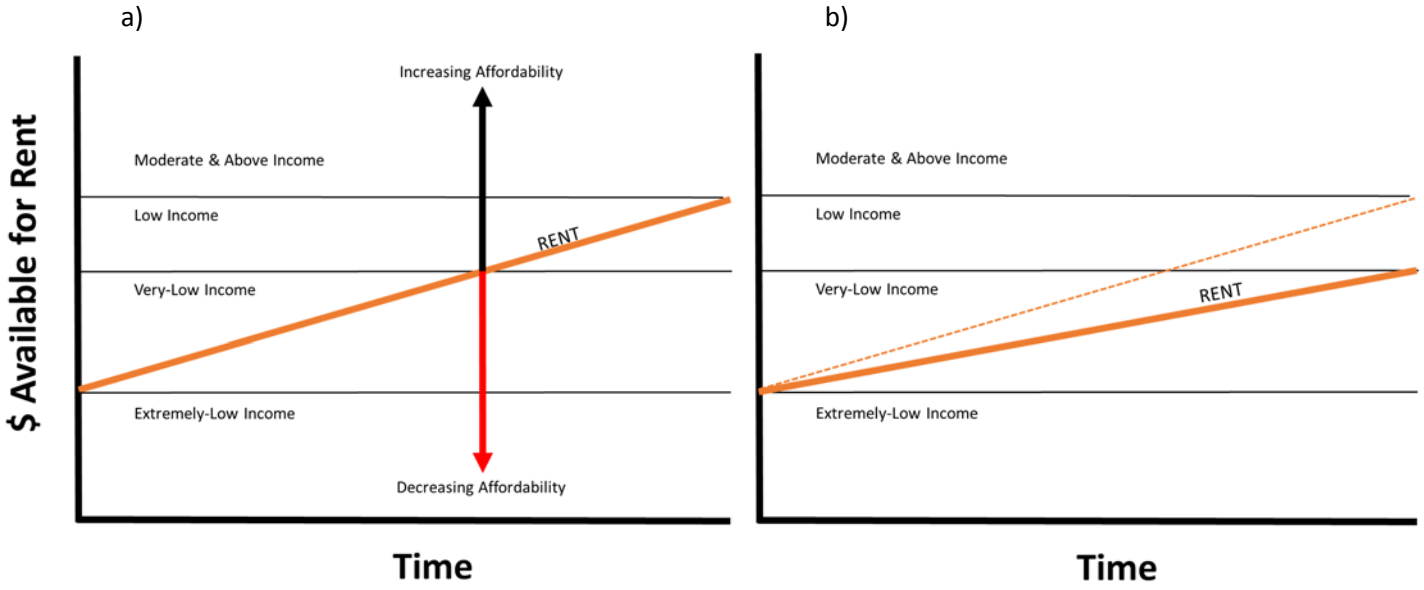
	Top-Down Pressure	Bottom-Up Pressure
Private Sphere	Long-Term Lease MOU Market Pressure Resident Owned Park	Increase Income Rental Assistance/Subsidy PG&E CARE Program
Public Sphere	MOU Rent Stabilization Ordinance Regulatory Agreement Resident Owned Park	Section 8 Housing Voucher Rent assistance program

Top-down and bottom-up pressures will effect different segments of the income spectrum differently. Over time, rents are anticipated to increase. The steeper the increase trajectory, the sooner any given income category will impacted. Lower income residents will eventually find the funds they have available for rent are insufficient to pay their rent.

Plotting the trajectory of rent over time against the funds available for rent in various income brackets provides a conceptual model for the impact of top-down and bottom-up pressures across the income spectrum (Figure 1). Comparing the impact of rents in the absence of a top-down pressure (Figure 1.a) and in the presence of a pressure that limits the rate of increase over time (Figure 1.b), it is clear that some benefit more than others. Higher income residents spend less of their income on rent than would otherwise be committed in the absence of a top-down pressure. In the absence of pressure, low income residents' funds available for rent eventually fall below the rent line, and the rent becomes unaffordable given their budget. For very-low income residents, the pressure results in a delay crossing the rent affordability threshold. And in the presence of pressure, extremely-low income residents do not cross the affordable threshold, but they do experience some reduction in their overpayment.

Incomes that result in funds available for rent that lie below the rent line would benefit form a bottom-up pressure. This conceptual model assumes a fixed proportion of a person's income is budgeted for housing expenses. If actual expenses are greater than the budgeted amount, the resident is overpaying. Overpaying residents would benefit from rent reductions, but reductions will not likely capture the lowest end of the spectrum. Those on the very low end of the income spectrum will need assistance meeting basic housing costs.

Figure 1. Effect Over Time on Rent Affordability for Various Income Levels. This oversimplification provides a working model to understand the effect of market pressures on various income levels. Residents whose funds avaialble for rent are above the rent line at any given time have sufficeint funds available to pay rent. Residents whose funds available drop below rent line over time will pay a higher proportion of their income towards housing costs or will require a subsidy to make rent. This conceptual model shows the effect of a top-down pressure. In Figure 1.b, a top-down presssure has limited rents relative to Figure 1.a over the period. Low Income earners will stay in the black over time with top-down pressure. Very-low and extremely-low income earners do not receive the same benefit over time as they eventually fall below the rent trajectory and require a subsity at some point. Extremely-low income residents are need of a subsidy regardless of what pressure is exerted from the top (i.e., extremely-low income residents need a bottom up pressure to make rent).



LITERATURE, LAW, AND PRACTICE

Staff reviewed and summarized the body of information on mobilehome rent stabilization. We read the two principle authors on the subject, attorney Kenneth Baar and economist Michael St. John. We reviewed the Mobilehome Residency Law. And we compiled information on several jurisdictions' actual practice implementing various top down approaches to mobilehome affordability.

Barr and St. John are generally considered experts on the subject and are frequently called on by cities and jurisdictions throughout the state that are considering taking action to address mobilehome affordability. Seminal works by each author were closely read by staff prior to beginning this study.[6] In addition, staff communicated directly with Baar and St. John through email and phone communications respectively. These sources fall on opposing sides of the "rent control" debate, therefore providing a balance of counter points to questions that arose during our initial phase of research. While Baar primarily advocates for rent control/stabilization in mobilehome markets throughout the state, Michael

[6] See Appendix C

St. John counters that both park owner's as well as resident's interests must be balanced in order to sustain mobilehomes as an affordable housing option.[7]

Following a thorough reading of current literature on the subject, staff began a review of pertinent state law in relation to mobilehome residency and affordability. The primary state law governing the tenancy between the park owner and the home owner is the Mobilehome Residency Law (MRL). The MRL must be read in context of other state laws that govern, for example, the construction and operation of mobilehome parks (*e.g*., the Mobilehome Parks Act, MPA); the subdivision conversion of mobilehome rental parks into resident ownership (*e.g*., Government Code §66427.5); and recreational vehicles located in mobilehome parks (Health and Safety Code §§ 18010, 18009.3; *Griffith v. County of Santa Cruz* (2000) 19 Cal.App.4th 1318). A city government may regulate certain components of mobilehome tenancy only in a manner consistent with the patchwork of relevant state laws. This is the landscape upon which local jurisdictions must navigate when attempting to create affordability in their respective mobilehome markets.

Throughout the research process staff reached out to other city employees throughout the state who had direct experience either drafting, administering, or repealing rent control/stabilization ordinances, Memorandums of Understanding (MOU's), and other alternative programs aimed at creating and sustaining mobilehome affordability in their respective jurisdictions. These conversations provided a wealth of knowledge derived from local government employee's direct experience with affordability programs. Through conversations with city staff members throughout the state, we were able to go beyond purely academic analyses of the programs and strategies under review. Taken together, our review of literature, law, and person-to-person interviews provided us with a multi-layered and dynamic model of the various factors that must be taken into account when crafting policies intended to increase housing affordability in the context of mobilehomes in California.

STAKEHOLDER ENGAGEMENT

It was critical to engage the residents and owners. In addition to the City Council meetings in late 2015 and early 2016, a public stakeholders meeting was held on June 24th, 2016, at the Arcata D St. Neighborhood Center. The meeting was broadly noticed and fairly well attended. Participants reviewed the study framework described in the methods and provided feedback on the affordability strategies identified. Participants broke into groups and circulated through a series of three information tables with a list of policy options and descriptions of different affordability strategies. Participants were encouraged to converse with each other and to share their concerns and questions with city staff.

One critique of the June meeting was we hadn't reached individuals that couldn't leave the park. In response, we engaged in further community outreach to attempt to make contact with individuals who were unable to attend the June meeting. A Community Development Specialist visited each park and spent hours speaking with groups of residents to encourage further survey participation as well as conducting interviews with residents who provided vita documentation of trends in rental increases. The quantitative data, along with face-to-face interviews with long-time Arcata mobilehome residents, provided our staff with the context necessary to further develop this study.

[7] Michael St. John, "Balanced Space Rent Guidelines" (Jan. 2010) 21

SURVEY DATA COLLECTION AND ANALYSIS

Staff surveyed the stakeholders. A resident survey was created and mailed to all Arcata mobilehome residents. In addition, a park owner/manager survey was administered to all Arcata mobilehome park owners and managers. The results of these surveys along with an online survey which was made available to Arcata mobilehome residents, are discussed in detail in the study below. Analysis of survey results constitute the quantitative portion of this study, providing demographic information about the population under consideration. The survey forms are included in Appendix D.

Following recommendations to improve survey response, a resident survey, and cover letter with simple instructions for properly completing the survey, was mailed to each address on our mailing list. A raffle for a $50.00 gift certificate to Wildberries Marketplace was used to incentive responses to the survey. The surveys were sent with pre-paid postage, self-addressed envelopes. City staff created an online survey and repeatedly encouraged the public to take part in our surveys, both mail and online, through a series of radio public service announcements, reminders mailed out to mobilehome residents, notices on our Facebook and City of Arcata website, and through face-to-face conversations at each of our community meetings and private park visits.

Returned surveys were collected and processed using Excel to code and collate respondent's answers. Each survey question and possible responses were coded using a simple numerical system. Once collected, coded, and collated, staff analyzed the responses using summary statistics, comparative graphs, and expense analysis using the housing programs described in the framework as the basis for comparison.

RESULTS AND DISCUSSION

The discussion mirrors the organization of the methods. First we discuss our review of the literature, law, and practice. Then, we report on the stakeholder engagement. Finally, we consider the survey results and provide detail on the various strategies.

LITERATURE, LAW, AND PRACTICE

The literature review focused on a limited range of top down approaches. The Barr and St. John discussion focuses on rent stabilization ordinances and MOUs. The policy differences in approach outlined in the literature pivot on the degree to which deference is given to concerns of park owners or residents. Ultimately, the policy must balance residents' desire for low rents, park owners' need to maintain operating costs and desire to make profit, and the jurisdictions' administrative and fiscal nexus to these objectives. None of the articles evaluated other approaches to affordability.

The following summarize the economic and policy implications of rent control ordinances and MOUs discussed in the literature. There is general agreement on many of these principals; however, there are differences of opinion about implementation.

- Rent increases that outpace inflation cause economic eviction and are cause for concern;
- Park owners are entitled to fair return on their investment;
- Reasonable increases in space rent, consistent with inflation, are acceptable in practice;
- Regulatory control of rents affects the value equation between park owner and resident;

The Mobilehome Residency Law limits the effectiveness of a stabilization ordinance to spaces with a lease that is less than 12 months long (Civil Code 798 et. seq.). The Mobile Home Residency Law (MRL) is the primary state law governing tenancy between park owner and home owner. The MRL must be read in context of other state laws governing the construction, operation, subdivision, and conversion of mobilehome parks (MPA Civil Code 18200 et seq.). Under the MRL, a rental agreement (lease) that is longer than 12 months is exempt from any rent control/stabilization ordinance which a jurisdiction may adopt. Therefore, a city-adopted rent control/stabilization ordinance may only regulate month-to-month tenancies, or one year leases. However, the MRL also prohibits park owners from requiring a homeowner to enter into a long-term lease to avoid local rent control. If a homeowner rejects a long-term lease offered by a park owner, the homeowner/tenant is entitled to a 12-month or shorter lease (rent control exempt) with rent for the first 12 months fixed at the same amount as that in the offered and rejected long-term lease. The MRL and related laws are discussed in depth in the City Council staff report of December 16, 2015 (Appendix E).

In practice, there are approximately 90 jurisdictions with some form of jurisdiction-wide form of regulatory rent limitation (Appendix F).[8] The majority of these regulatory programs were initiated prior to 1998, with five jurisdictions adopting some form of rent control since then. Staff consulted with 6 cities and counties throughout the state who have dealt closely with their respective jurisdictions rent stabilization ordinances. There is a diversity of opinions among these staff members concerning the efficacy and costs related with such ordinances. A majority of these concerns revolve around the cost of litigation which jurisdictions have had to contend with stemming from disputes with park owners. These disputes arise from rent stabilization ordinance's limitations on space rent increases. Park owners who feel these limitations have prohibited them from earning a just and fair return on their investment have typically filed suit against the jurisdictions that have adopted such ordinances. For cities that do not have "in-house counsel," such as Arcata, the cost of litigation has been tremendous. However, some of these same jurisdictions have been successful in reaching compromises with resident and park owner groups through formal mediation resulting in favorable terms for all parties. Although these processes may be time consuming and costly, they have succeeded in providing a path to home ownership for low-income residents in these jurisdictions.

STAKEHOLDER ENGAGEMENT

Feedback from residents who attended our June 24th Stakeholder's Meeting helped staff to better understand the concerns of these residents in relation to the affordability strategies we had identified. Residents appreciated the long-term assurance which they associated with rent stabilization ordinances. This assurance, residents indicated, allowed households to budget housing costs well into the future. Residents reacted positively to the control over capital improvements which rent stabilization ordinances offer mobilehome owners. However, concerns over the limitations of rent stabilization ordinances, leases over 12 months being exempt, were also raised. Residents raised additional concerns over the administration fees associated with rent stabilization ordinances which may be passed on to residents resulting in rent increases. Some residents expressed apprehension at creating an adversarial relationship between mobilehome owners and park owners. Residents in attendance articulated appreciation and concern over additional affordability strategies which the city presented at the June 24th meeting. Model leases, consisting of a Memorandum of Understanding (MOU) and long-term lease,

[8] http://www.gsmol.org/wp-content/uploads/2014/11/*CA-Jurisdictions-Rent-Stabilization*.pdf

received favorable comments from residents with some reservations. Residents questioned the efficacy and enforceability of such voluntary agreements, but appreciated the mechanisms promise of rent stabilization without the costs associated with rent stabilization ordinances. Many residents expressed interest in the tenant-based rental assistance programs identified by the City. These programs, residents indicated, could be used to assist households who find difficulty affording rent even under a strict rent stabilization ordinance. However, residents raised concerns over the potential long waitlists associated with rental assistance programs. One overarching concern of residents was a perceived lack of communication between residents and park owners. Whatever affordability strategy is ultimately decided upon, addressing this concern should be a priority for the City. Residents spoke to the unease of not knowing what potential plans park owners might have for their respective parks. This communication lag could be resolved under any affordability strategy. A compilation of stakeholder feedback can be found in Appendix G.

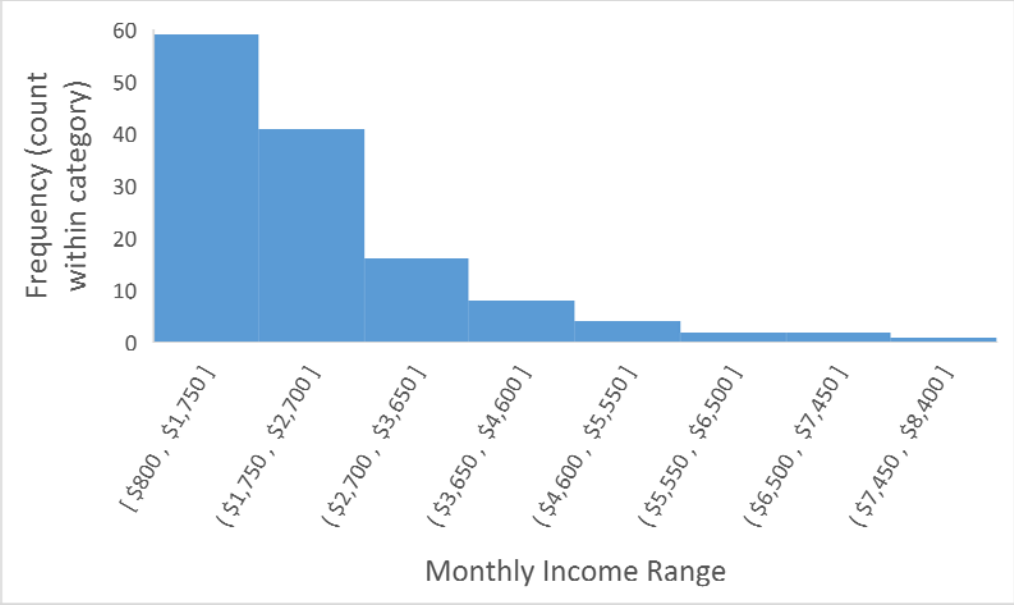
SURVEY RESULTS

Survey response rate was very good. Out of an estimated 587 occupied mobilehome spaces within Arcata city limits, 151 survey responses were collected. While a higher response rate is desirable, 25% is generally a good rate for direct mail surveys.

The Lazy J, Valley West Mobile Home Estates, and Town and Country Mobilehome Park accounted for 95% of the responses with 101, 26, and 18 surveys each, respectively. Since 69% of the data were collected from the Lazy J, the report is heavily weighted towards this group of residents.

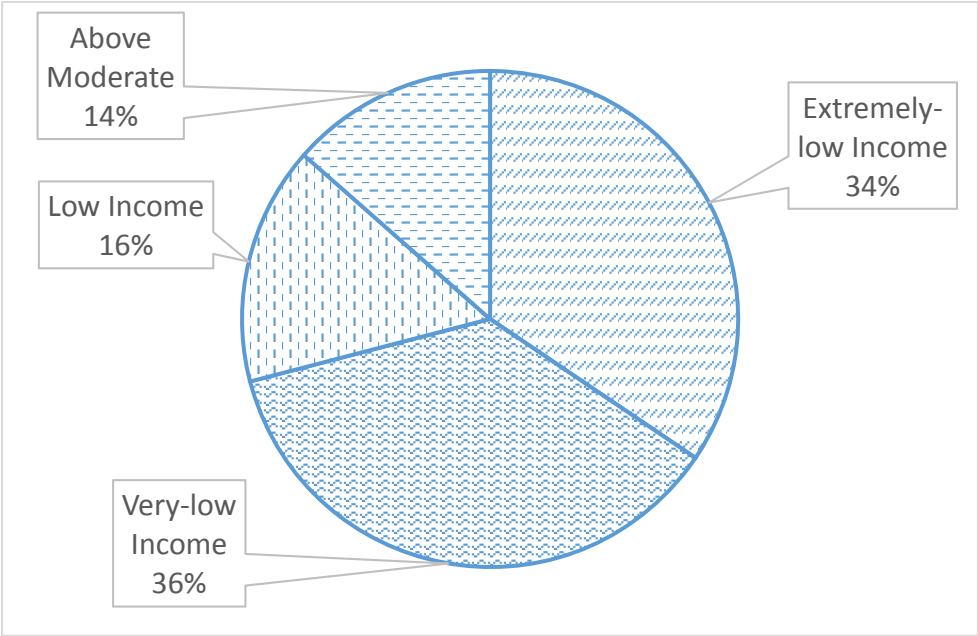
Survey respondents' incomes were skewed towards low income (Figure 2). The majority of respondents were extremely-low and very-low income based on the State CDBG and HOME 2016 Income Limits (Figure 3; Appendix H). The average income was $2,227, and the median income was $1,900. The 2016, one-person household, low income threshold for Humboldt County is $2,750. Three quarters of respondents earn less than the low income threshold. Fifty-nine respondents earn less than the very-low income threshold of $1,720.

Figure 2. Monthly Income of Respondents. Respondents income data were skewed.



Because the responses are largely from the Lazy J, and because the data are skewed, we cannot generalize the income results to the entire population. As a result, the conclusions drawn related to data analysis are limited to the respondents. Notwithstanding, the study assumes many mobilehome residents have lower incomes. So policy conclusions may conservatively consider the data as representative of the whole.

Figure 3. Proportion of Respondents' within Income Categories as Defined by the Department of Housing and Urban Development for Humboldt County in 2016 for One-person Households.



Though the majority of respondents' incomes are low, we need to know what proportion of their income is dedicated to rent to determine whether their rent is affordable. Two of the three models consider a proportion of income. The basic rental model uses 30% as a threshold. The homeownership model uses 38%. We have also used 42%, which is used to accommodate all long-term debt in the ownership model, and 50% as an outside threshold.

Most of the survey respondents' current basic housing costs are at levels consistent with the City's affordable housing programs (Table 2). A majority of the respondents pay less than 30% of their income towards rent, taxes, and insurance, and most pay less than 38% of their income towards these expenses. This, however, leaves 22% overpaying for their housing costs, and 5% paying more than 50% of income towards these expenses. These data suggest that though the majority of respondents are low income earners, the majority also have basic housing expenses consistent with an affordable housing model.

Table 2. Proportion of Monthly Income Committed to Rent, Taxes, and Insurance. Each category is exclusive except the greater than 50%, which is a subset of the "greater than 42%" category.

Proportion of Income to Rent	Count	Percent of Total	Cumulative Percent
<25%	68	52%	52%
25-30%	16	12%	64%
30-38%	19	14%	78%
38-42%	12	9%	87%
>42%	17	13%	100%
>50%	7	5%	
Total	132		

To evaluate the impact of other basic housing expenses on low income residents, we did the same analysis using a utility allowance. The utility allowances for 1, 2, and 3 bedrooms as published by the Eureka Housing Authority of $71, $89, and $110 monthly, respectively, were added to the housing costs of residents. When the utility allowance is provided, only 67% pay less than 38% of their income towards their housing costs, and 43% are overpaying (Table 3).

Table 3. Proportion of Monthly Income Committed to Rent, Taxes, and Insurance, and a Utility Allowance. The utility allowance attributed to each unit was based on the number of bedrooms using the Eureka Housing Authority guidance. Each category is exclusive except the greater than 50%, which is a subset of the "greater than 42%" category.

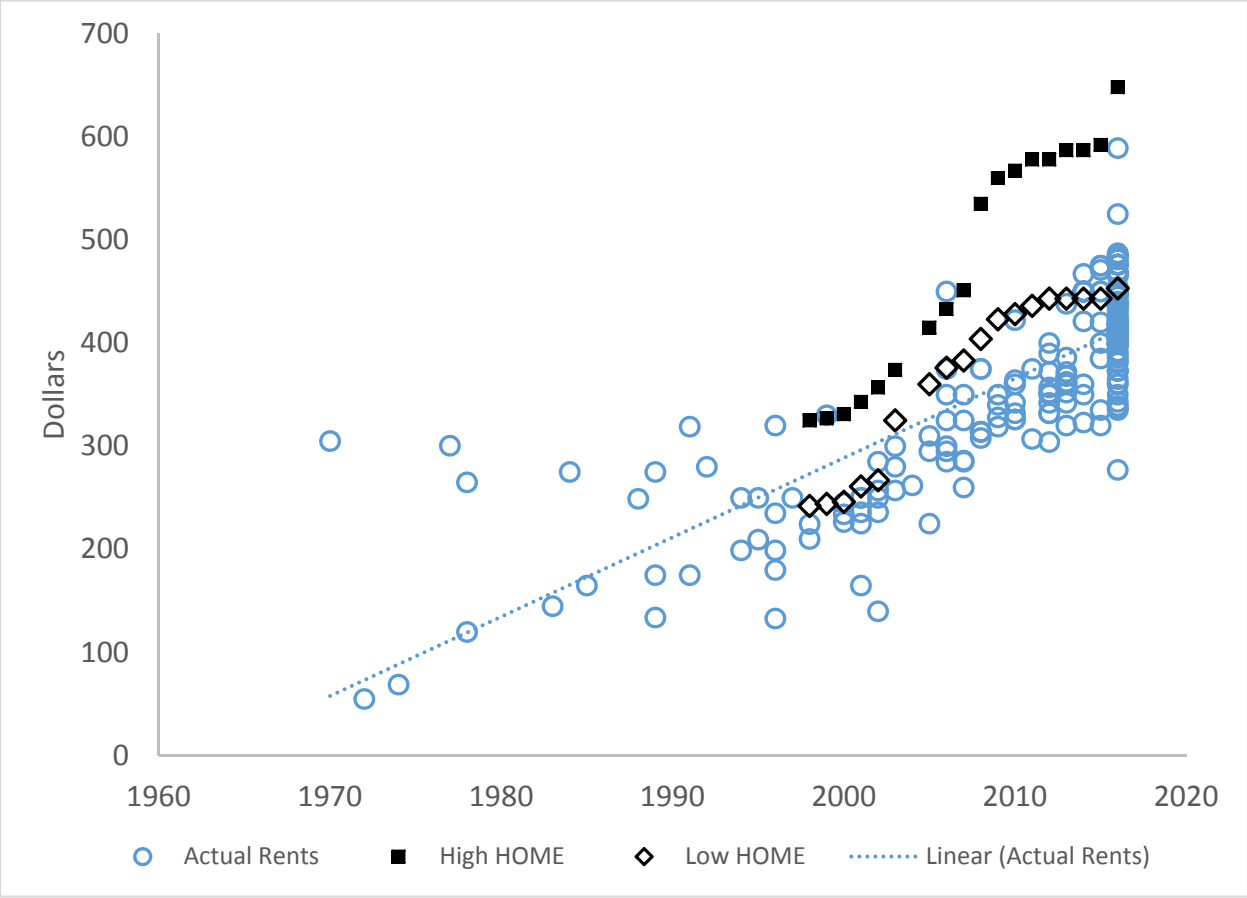
Proportion of Income to Rent	Count	Percent of Total	Cumulative Percent
<25%	42	32%	32%
25-30%	27	20%	52%
30-38%	20	15%	67%
38-42%	4	3%	70%
>42%	39	30%	100%
>50%	18	14%	
Total	132		

Using a model that evaluates individual income and rent is not feasible to implement on a programmatic level. Instead, we use individual incomes to qualify, and programmatic rent structures to administer, affordable housing programs. As mentioned previously, the City uses HOME rent structures to set rents for low and very-low income regulated rents. This structure results in rents that are more affordable to

those closer to the income threshold for any given category. No individual is guaranteed to pay 30% of their income towards rent and utilities.

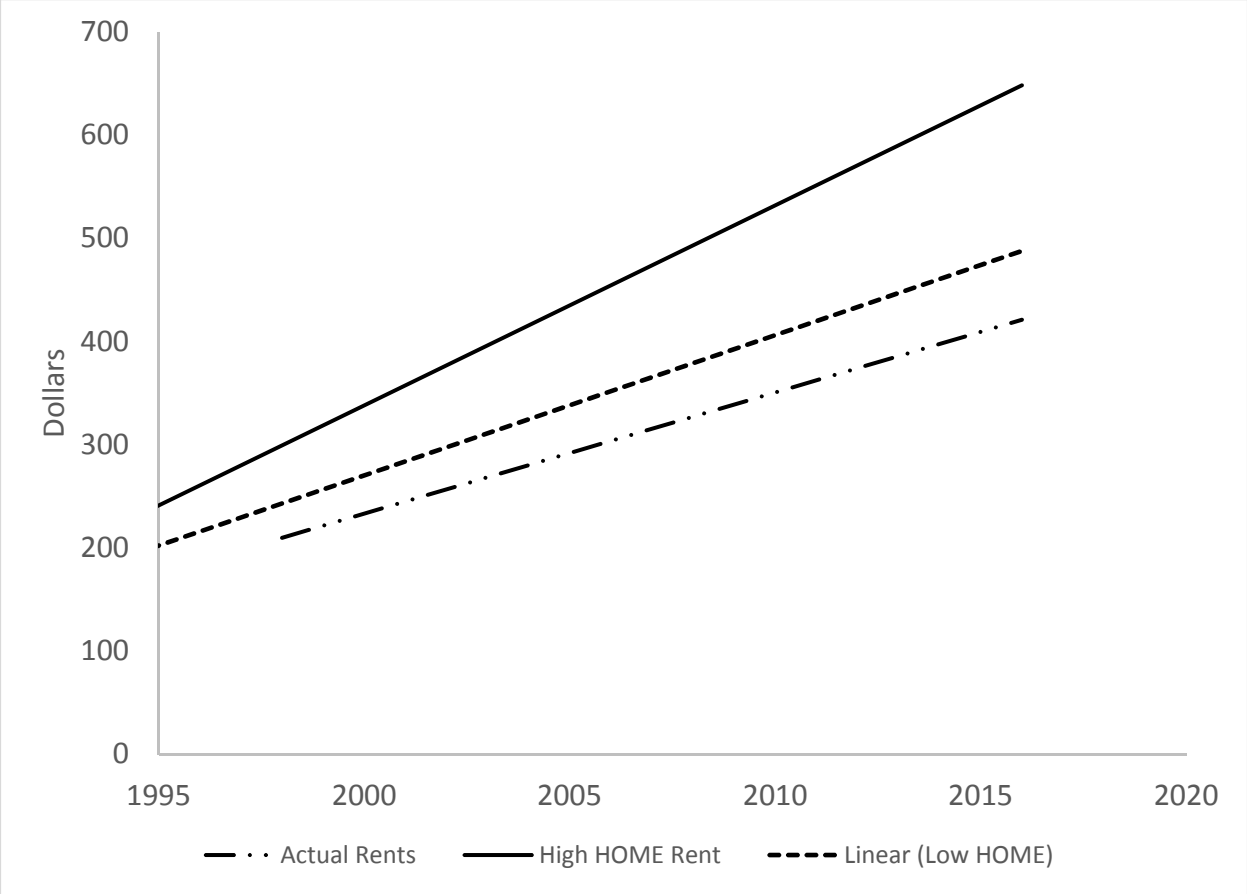
The City has developed its affordable mobilehome program around the HOME rent structure. By comparing rents reported by respondents against the low and high HOME rent, one can gauge the current affordability of the mobilehome market. Staff compared move-in and current rents reported by respondents against historic and current high and low HOME rents (Figure 4). These data show that market rents are, with very few exceptions, at or below low HOME rent for a one-bedroom apartment, less a utility allowance. In all cases, current rents are less than high HOME rent in the same category. This is a highly conservative approach since many of the units are 2- and 3-bedroom units, and because the utility allowance used was for a 3-bedroom unit. In sum, the current market rents are at or much below the rents that would be required by the City's regulatory agreement.

Figure 4. Actual Rents Compared to High and Low HOME Rents. A total of 151 survey respondents' move-in and current rents were plotted along with California Department of Housing and Community Development HOME program regulated rents for a one-bedroom, reduced by $100 to account for a utility allowance. Actual rents date back to 1970, whereas, HOME rents are provided from 1998 forward. Rents have historically been less than regulated rents would have been. Recent rents are higher than low HOME rent.



The data collected from residents show that the market is historically and currently at or below the rent levels that would be implemented under a City regulatory agreement. In practical terms, this means that most tenants would see a rent increase if the City made a loan to the park for improvements, as it did with the Sandpiper and Arcata Mobilehome Parks. The private market has maintained rents consistent with or below inflation. Rent increases have also on average lagged behind HOME rent increases (Figure 5). In short, the local market is currently providing a more affordable option that would a City regulated program.

Figure 5. Actual Rent Trend Line Compared to High and Low HOME Rent Less a Utility Allowance Trend Lines. The slope of actual rents is less than the slope of High and Low HOME rents, suggesting actual rents are lagging behind the market.



Because private-market, top-down pressures have maintained rents at highly affordable rates relative to City regulated programs, the City should make policy that supports continued affordability. Despite this affordability, many individuals are still overpaying for housing costs. For this reason, the City should support bottom-up programs that will assist the lower income residents.

STRATEGIES DISCUSSION

Staff has reviewed the literature, law, and practice of the various strategies. In addition, many of the stakeholders have conducted independent research and have provided the City with the results of their work (Appendix G). This summary of the costs-benefit analysis and compilation of the public input provides a background for policy discussion. This assessment considers the framework outlined in Table 1.

TOP-DOWN STRATEGIES – Top-down market pressure can be private or government sourced, and many of the strategies share key features (Table 4). A primary difference between the strategies is the strength of the mechanism and the entity responsible for enforcing the mechanism.

Table 4. Comparison of Key Features of Top-Down Strategies.

	Top-Down Pressure	Mechanism to Limit Rent Increases	Fair Return Required	Vacancy Control	Pass throughs
Private Sphere	Long-Term Lease	Annual by contract	No	No	Optional
	MOU	Annual per Agreement	No	Optional	Optional
	Market Pressure	No Limitation	No	No	Optional
	Resident Owned Park	Regulatory Agreement	No	Optional	Optional
Public Sphere	MOU	Annual per Agreement	No	Optional	Optional
	Rent Stabilization Ordinance	Annual per law	Yes	Optional	Optional
	Regulatory Agreement	Regulatory Agreement	No	Optional	Optional
	Resident Owned Park	Regulatory Agreement	No	Optional	Optional

Mobilehome Space Rent Stabilization Ordinance

The City Attorney provided a detailed report on December 16, 2015, on the MRL and related laws, including the requirements for frequency of increases, the concept of fair return, the range of amounts of increase, vacancy control, and the limitations to rent control (Appendix E). In short, a rent stabilization ordinance would cap rents at their current rates and allow automatic annual increases tied to the rate of change in CPI.

Currently there are 93 California Jurisdictions with active mobilehome space rent stabilization ordinances in effect[9] (Appendix F). At one time there were as many 110 cities and counties that had initiated some form of rent stabilization ordinance, a reaction to the rapid inflation of the 1980's. However, the last two decades have witnessed a decline as many jurisdictions have chosen to repeal those ordinances in jurisdictions such as Capitola, Delano, Hollister, and Napa. The ordinances which remain in place differ in the context of their surroundings and the content of their mechanisms of

[9] CA JURISDICTIONS with Mobilehome Park Rent Stabilization Ordinances, http://slomap.org/CA%20Jurisdictions%20Rent-Stabilization.pdf

control. However, all ordinances provide the following basic protections for mobilehome owners. Space rent stabilization ordinances typically control the frequency and amount of mobilehome space rent increases. Under a space rent stabilization ordinance automatic annual increases are limited by frequency to one per year, and by amount to some measure of CPI (typically 100% of CPI).

The main argument against rent stabilization ordinances is that they do not help the neediest among us. Rent stabilization ordinances are not "means-tested", meaning that all Mobilehome owners benefit regardless of economic need. Folks living closest to the margins of our local economic index cannot afford the slight increases tied to CPI which rent stabilization ordinances allow. Very-low and extremely-low income individuals would benefit more from a rental assistance program, long-term lease, MOU, or government rental subsidy which aims to support those who are paying more than 30% of their monthly income on housing costs.

Memorandum of Understanding (MOU)

An MOU is a mutual agreement entered into by the City and local mobilehome park owners. Park owners who enter into an MOU with the City would be exempt from any subsequent rent stabilization ordinance. An MOU provides affordable housing opportunities by limiting the amount and number of rent increases per year that a park owner can instate. Similar to a rent stabilization ordinance, an MOU would freeze rents to a predetermined "Base Year," and only allow annual increases in rent to be equal to changes in CPI. Most MOU's include a minimum floor and maximum ceiling to limit rent increases, e.g. 3% - 9%. This means that in years when there is no increase in CPI, park owners may still implement a 3% rent increase. Conversely, in a year where the CPI exceeds the ceiling of 9%, park owners may not implement a rent increase in excess of that amount. The minimum and maximum rent increase parameters shall be agreed upon by representatives of the City and participating park owners.

An MOU may allow for the pass through of certain expenses including taxes and other governmental fee increases. In addition, an MOU may allow rents to be increased to pay for capital projects, when approved by 51% of residents, or when ordered by a government agency. Expenses related to capital improvements shall be amortized over a period agreed upon by the negotiating parties. Park owners may pass on 50% of costs related to capital projects, as per the Rancho Cucamonga MOU, unless the Resident Committee deems the project to be unnecessary as it would have been avoidable by regular maintenance and upkeep. In the case of a dispute arising from a rent increases tied to capital projects, the parties shall submit to third party binding arbitration. The costs of arbitration shall be shared equally by park residents and park owner.

Some MOU's control increases upon voluntary vacancy of a park space, i.e. vacancy control. In the Rancho Cucamonga example, the park owner "shall be permitted to increase the Base Rent applicable to a Mobilehome Space upon voluntary vacancy of the space by an amount not greater that to fifteen percent (15%) of the Base Rent for the Mobilehome Space applicable at the time of the voluntary vacancy."

The MOU may be binding upon transfer of the park to a new owner through the inclusion of a "Transfer Clause." The Rancho Cucamonga MOU provides the following example: "The provisions of this Agreement shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of each Owner.

The Model Lease

Recently many jurisdictions considering a government remedy for increasing mobilehome space rent have opted for a cooperative alternative – model leases negotiated among residents, park owners, and local government. Aiming to balance the concerns of residents, the fiscal needs of park owners, and the affordable housing goals of local jurisdictions, these leases provide a way forward for governments seeking to stabilize rents without unduly burdening administrative budgets. By providing protections to residents similar to those provided by rent stabilization without succumbing to rent stabilization's propensity to become gradually more restrictive, model leases achieve a careful balance between the interests of park owners and mobilehome owners.[10] In such scenarios, park owners have difficulty keeping up with costs associated with park maintenance and capital project improvements.[11] These circumstances may lead to litigation over fair return on investment. A legal victory for park owners in fair return adjudication manifest in skyrocketing rent increases for mobilehome owners. Where park owners are unsuccessful in litigation, local governments resources are drained fighting costly court battles over fair return and hardship rent increase claims. Seeking to avoid these encumbrances while still achieving the goal of stabilized rents, many California jurisdictions have begun looking into model leases as a cooperative alternative to rent stabilization /stabilization. Because model leases are crafted with respect to the input of all stakeholders, they have the potential to be fair, stable, and long-lasting.[12]

A model lease is a combination of a "Memorandum of Understanding" (MOU) made and entered into by and between the local jurisdiction and the owners of certain mobilehome parks, and a long-term lease offered by those park owners to the mobilehome owners who reside in their parks. Some jurisdictions that have been successful in adopting such agreements include; Rancho Cucamonga, Marina, Modesto, Ontario, and others.

Long-Term Lease

Like a rent stabilization ordinance, a long-term lease would freeze the rents of signees to the lease, and limit annual rent increases to changes in CPI. Most likely, the monthly Base Rent shall be increased annually by multiplying the Base Rent by the percentage increase in CPI. Similar to an MOU, a floor and ceiling adjustment rate is prefixed. The long term lease offered by Lazy J Ranch states that "in no event shall the Base RENT adjustment… be less than three percent (3%) or more than six percent (6%). The Lazy J Ranch Long-Term Lease allows "Formula Adjustments to Base RENT" to include: increases in Property Taxes, and costs related to Capital Projects (amortized over a 5-year period).

Residents who sign on to the long term lease are exempt, for the term of their lease agreement, from any rent stabilization ordinance that the city may adopt in the future. If an ordinance is adopted, the last rent charged under the lease would be the initial rent charged under the ordinance. Pursuant to § 798.17 (c) of the MRL, if the homeowner refuses the terms of the long term lease, the park owner is required to offer, and the homeowner shall be entitled to accept a rental agreement for a term of 12 months or less from the date the offered rental agreement was to have begun. In the event the homeowner elects to have a rental agreement for a term of 12 months or less, including a month-to-

[10] Michael St. John, *Balanced Space Rent Guidelines* (Jan. 2010) 21
http://www.stjohnandassociates.net/propertyManagementArticles/SJA-GuidelinesDocument.pdf
[11] St. John, 22
[12] St. John, 21

month rental agreement, the rental agreement shall contain the same rental charges, terms, and conditions as the rental agreement offered during the first 12 months.

Resident Owned Park

The overall purpose of resident ownership program is to encourage and facilitate the conversion of mobilehome parks to protect low-income mobilehome park residents from both physical and economic displacement, to obtain a high level of private and other public financing for mobilehome park conversions, and to help establish acceptance for resident-owned, and government-owned mobilehome parks in the private market. The program provides financing to mobilehome park residents' organizations, qualified nonprofit housing sponsors or to local public entities that wish to purchase a mobilehome park in order to preserve it as a source of affordable housing. Approximately $15 million is currently available for new loans, of which 20% is reserved for rural projects (as defined in Health and Safety Code Section 50101). The program provides financing to mobilehome park resident organizations, qualified nonprofit housing sponsors, and local public entities who wish to purchase mobilehome parks and convert them to either resident ownership or ownership by a nonprofit corporation. MPPROP also provides loans to mobilehome park resident organizations and qualified nonprofit housing sponsors to assist park residents with needed repairs or accessibility upgrades to the mobilehomes if specified criteria are met.

The maximum amount available to each eligible project is $3,500,000. However, if this funding is inadequate to complete the proposed project, applicants may have the opportunity to request an increase of the requested loan amount. The California Department of Housing and Community Development warn that "the process of purchasing a mobilehome park is complex and requires a high level of expertise."

The resident owned park strategy may be a private market or a public sector solution to affordability. The State Department of Housing and Community Development offers loans to assist the purchase mobilehome parks to preserve affordability. The program allows for the purchase of a mobilehome park by a resident organization, nonprofit entity or local public agency. In addition to program loans to purchase the park, individuals may take long term loans to purchase a share in the resident ownership. In exchange for the loan, the resident group would enter a regulatory agreement to ensure long-term affordability.

The regulatory agreement would provide provisions for residents who are ineligible for ownership or who do not have income sufficient to become resident owners. Rents would be set through the regulatory agreement based on long-term pro forma demonstrating the project would be fiscally sound under the rent structure.

BOTTOM-UP STRATEGIES – Bottom-up strategies either add to funds available for rent or provide assistance to another monthly expense, thereby increasing the cash flow for rent. In general, these programs are government subsidy programs. While it is true that earning more income is a bottom-up solution, this is not analyzed as an affordability strategy.

HUD Section 8 Housing Choice Vouchers Program

The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, ant the disabled to afford decent, safe, and sanitary housing in the private market. The participant is free to choose any housing that meets the requirements of the program and is

not limited to units located in subsidized housing projects. Housing choice vouchers are administered locally by public housing agencies (PHAs) which receive and administer federal funds from the U.S. Department of Housing and Urban Development (HUD). A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family is responsible for paying the landlord the difference between the actual rent and the amount subsidized by the program.

Eligibility is determined by the PHA based on the total annual gross income and family size and is limited to US citizens and specified categories of non-citizens who have eligible immigration status. In general, the family's income may not exceed 50% of the median income for the county or metropolitan area. By law, a PHA must allocate 75% of its vouchers to applicants whose incomes do not exceed 30% of the area median income.

Housing Choice Vouchers are difficult to obtain because they are oversubscribed.

HUD Tenant Based Rental Assistance Program

The Tenant Based Rental Assistance (TBRA) Program is a rental subsidy that helps make up the difference between what a renter can afford to pay and the actual rent for a home. Using HOME funds for TBRA is ideal for jurisdictions with residents with special housing needs who need financial assistance to afford rent. Participating jurisdictions have the ability to tailor the TBRA program meet the needs of their own community either by choosing the population to be served, such as elderly tenants living on SSI, or by choosing the type of assistance provided, such as grants or loans. In addition, TBRA funds can supplement other program funds to enhance the services provided by other programs. For instance, a participating jurisdiction can form a partnership with the local housing authority to use HOME TBRA to assist those on the Section 8 waiting list.

The City ran a TBRA program in the past. It was administratively intensive. The City does not currently have the administrative capacity to run a TBRA program. However, the Eureka Housing Authority has indicated it may be willing to operate a program for the City.

Private Rental Subsidy Program

Some park owners have expressed an interest in adopting or initiating a private rent subsidy program. Staff is not at liberty to discuss the program currently in place, but it contributes to affordability. This program is partially evidenced by the current rent levels shown in Figure 4. Another park owner has offered to reduce rent on a monthly basis to a limited number of qualifying residents. In exchange, a lien would be placed against the property to recoup the loss in rents upon sale. There may be other models for this approach. The City should encourage creative, privately-sourced affordability strategies.

EVALUATION OF STRATEGIES

The evaluation of the strategies should consider social benefit, need, cost to implement, demographic affected, and fairness to owners and residents, to name a few. This evaluation focuses on a cost-benefit approach to cost to implement and demographic affected. However, in addition to the number of people who would benefit in any given income category and the relative costs of the programs, the Council must consider how and to what extent social benefit or fairness weigh in.

While the actual costs of any given program will vary with complexity, resistance to implementation, and funding source, the options can be generally weighed against one another to give a comparison

across approaches. The relative cost to implement and the proportion of each income category receiving a benefit can be used to evaluate each strategy.

Staff has provided a draft of this type of analysis based on the information obtained through the study research (Table 5). While there is a measure of subjectivity in determining the values across approach, this represents the staff interpretation of the information. This analytical tool was developed as a way to discuss only the cost-benefit. It does not evaluate the total impact of any given strategy, as there may be social benefits that go beyond such ranking. In addition, the tool only evaluates the impacts to the City and residents; it does not include the costs or benefits to the park owners. This analysis could be expanded to include other strategies or more categories of costs and benefits, and the relative ranking could be modified.

Table 5. Cost-Benefit Analysis Table. This table ranks cost and benefit of various affordability strategies respective to each other as a means to evaluate their relative merit. The table is provided to facilitate a discussion and is not intended to be a definitive analysis. The top section of the table assigns rank within cost/benefit categories respectve to each other for each strategy. The bottom section converts the ranks to values 0-3. The sum of the values provides a cost-benefit score. The higher the score, the more beneficial, on balance, the stratgy is.

Category	Rent Stabilization	City/Park MOU	Long-Term Lease	Loan/Regulatory Agreement	Rental Assistance/ Subsidy
Costs of Implementation					
Administration Required	High	Moderate	None	Moderate	Low
Costs of Implementation	High	Moderate	None	High	Moderate
Potential for Litigation	High	Moderate	Moderate	Low	None
Benefit by Population Proportion at Income Levels					
Number of People Affected	High	Moderate	Moderate	Moderate	Low
Impact on Mod-Income Pop	High	High	High	Moderate	None
Impact on Low-Income Pop	High	High	High	High	High
Impact on Very Low-Income Pop	Low	Low	Low	High	High
Costs of Implementation					
Administration Required	0	1	3	1	2
Costs of Implementation	0	1	3	0	1
Potential for Litigation	0	1	1	2	3
Benefit by Population Proportion at Income Levels					
Number of People Affected	3	2	2	2	1
Impact on Mod-Income Pop	3	3	3	2	0
Impact on Low-Income Pop	3	3	3	3	3
Impact on Very Low-Income Pop	1	1	1	3	3
Total	10	12	16	13	13

The relative cost-benefit analysis does not provide concrete information about the numbers of spaces that might be affected by any give approach. As a result, we tallied the total number of spaces of each type in the parks and provided an estimate of how many might be affected by various tools (Table 6). While the Valley West Manufactured Home Community currently has long-term leases and would not be

subject to a rent control ordinance, this table includes them as a conservative estimate of the potential impact of rent control. The MOU assumes the same effect as rent control. The lease assumes all parks offer a lease to all residents. The regulatory agreement category is based on interest of park owners in such a program and current regulated parks. And the subsidy column is based on estimates of the number of residents that would qualify for a subsidy program. Each of these numbers is somewhat speculative.

Table 6. Potential Total Impact of Various Affordability Strategies.

Park Name	Owner	Renter	Vacant	RV	Rent Control	MOU	Lease	Reg Agmt	Subsidy
Arcata Mobile Home Park	20	7	4	1	0	0	0	32	32
Arcata Trailer Court	0	10	4	13	0	0	23	0	23
Lazy J Ranch	219	1	0	0	219	219	219	44	88
Sandpiper Park	16	0	0	0	0	0	0	16	11
Town & Country Mobile Villa	140	16	31	6	140	140	162	48	122
Valley West MH Community	114	19	2	0	114	114	133	0	100
Total					473	473	537	140	376
% of Total Spaces					76%	76%	86%	22%	60%

APPENDICES

A. U.S. Department of Housing and Urban Development 2016 HOME Program Rents (Low and High Rent Limits)

B. City of Arcata Mobilehome Park Property Report Profiles

C. Kenneth K. Baar's *Mobilehome Parks and Mobilehome Space Tenancies in Marina*, and Michael St. John's *Marina Mobilehome Report*

D. Mobilehome Park Resident Surveys, and Mobilhome Park Owner/Manager Surveys

E. City Council December 16, 2015 Meeting Staff Report, *Discussion of Mobilehome Park Rent Control*

F. CA Jusrisdictions with Mobilehome Park Rent Stabilization Ordinances (Revised 2015)

G. Compilation of Stakeholder Feedback

H. State CDBG's and HOME's Table of 2016 Income Limits