

RESOLUTION NO. 3830

A RESOLUTION OF THE MOBILE HOME RENT REVIEW COMMISSION OF THE CITY OF SANTA PAULA APPROVING A RENT INCREASE BASED ON THE COST OF COMPLETED CAPITAL IMPROVEMENTS AT THE OAKS MOBILE ESTATES.

BE IT RESOLVED by the Santa Paula Mobile Home Rent Review Commission ("Commission") as follows:

SECTION 1: The Commission declares as follows:

- A. The purpose of the City's Rent Stabilization Ordinance ("RSO") is twofold: to protect residents of mobile home parks from excessive rent increases while at the same time providing a just and reasonable return to park owners. A part of ensuring a just and reasonable return includes the recovery costs associated with the completion of permissible capital improvements. (SPMC section 152.01).
- B. A park owner cannot charge, demand, accept or retain rent exceeding the lawful rent in effect on December 31, 1991, except as provided otherwise within the RSO. (SPMC section 152.04).
- C. One way in which a park owner can adjust the rent is by filing an application based on the cost of completed capital improvements. Capital improvements are defined as "the installation of new improvements and facilities and/or the replacement or reconstruction of existing improvements and facilities which consist of more than ordinary maintenance or repairs and have a useful life of at least five years. Keeping the streets and common areas in good repair and/or replacing them shall not be considered capital improvement." (SPMC section 152.02).
- D. If an application for a rent increase based upon completed capital improvements satisfies the definition of capital improvements in the RSO and any criteria for capital improvements adopted pursuant to regulations, then it must be approved. (SPMC section 152.07). Any increase granted shall be amortized over the useful life of the improvement and apportioned equally among all rental spaces in the mobile home park. (SPMC section 152.07).
- E. The Commission has the power to review and determine rent adjustment applications, to adjust maximum rents, or to maintain rents upon completion of its hearing and investigations. (SPMC section 152.06).
- F. On June 27, 2019, Oaks Santa Paula, LLC ("Owner"), ownership

for The Oaks Mobile Estates (the “Park”), filed an application for a rent increase based upon completed capital improvements made to the Park’s various utility systems (gas, water, electric) and common areas such as the clubhouse (the “Application”).

- G. The Park consists of 92 spaces, 14 of which are Park-owned or on long term leases and therefore exempt from the RSO. 78 spaces are governed by the RSO and were therefore subject to the rent increase (“Residents”).
- H. The Park is “master metered” where utility services, such as electric, natural gas, and water, are delivered by the applicable utility service to a single meter in the Park. That service is then delivered by the Owner to the Residents through a private distribution system, which is sub-metered. Effectively, the Owner is stepping into the shoes of the utility. Because of this utility set up, the Owner receives what is called a “discount” as recognition for the elimination of the utility provider (discussed in more detail below). The California Public Utilities Commission (“CPUC”) establishes the utility rates that can be charged to the Owner and what rates the Owner can charge the residents. The difference between the rates charged results in a “discount” that is intended to compensate the Owner for the costs of servicing the sub metered tenants.
- I. The City evaluated the Application and all documents submitted by Owner. The City determined that the Application met the definition of a capital improvement and met the requirements of SPMC section 152.07. On November 26, 2019, the City approved the Application and awarded a \$220.98 Per space rent increase based on the cost of completed capital improvements. (“Determination”). Therefore, the City issued a Notice of Determination for Rent Increase to the residents and provided notice of the appeal procedure and requirements in conformance with the RSO.
- J. On December 11, 2019, Barry Cooper (“Appellant”) submitted a timely appeal of the Notice of Determination for Rent Increase (“Appeal”). The appeal sets forth two challenges to the Determination: (1) that the City improperly permitted the pass-through of sub-metered gas and electric repair costs prohibited by law; and, (2) that clubhouse related repair costs were not properly identified or amortized.
- K. On November 24, 2020, Owner submitted a revised application (“Revised Application” and the Application and Revised Application shall be referred to collectively as the “Operative Application”). In relevant part, this revised application eliminated various costs related to electrical and gas infrastructure and infrastructure-related

costs, which were ultimately covered by the discount. The Revised Application ultimately decreased the total amount sought by Owner by \$289,452.93. The original amount sought was \$2,036,676.11 (\$220.98 per space, per month) and the new amount sought \$1,747,223.18 (\$218.83 per space, per month). Appellant contended the revised application did not cure all of the issues in the appeal.

- L. Starting in January 2020, the parties agreed to toll the hearing procedure and timeline in order to engage in settlement discussions. Ultimately, the Owner and Appellant reached a settlement regarding this subject appeal of the Operative Application.
- M. On or about July 30, 2021, each Resident was given a notice of change in terms of tenancy. The notices were approved by the City on or about July 29, 2021, pursuant to Section 152.04 of the RSO.
- N. On December 7, 2021, the Mobile Home Rent Review Commission conducted a public hearing in accordance with the Santa Paula Municipal Code §152.09 and the Commission's Procedural Rules, Resolution 98-1.

SECTION 2: The Commission finds as follows:

- A. The Owner and the Residents request that the Commission implement the following rent increase based on the agreements made regarding the Operative Application as follows:
 - 1. The Residents have been divided into three categories: "(a)" those Residents who are on the Southern California Edison and/or SoCalGas CARE Programs; "(b)" those Residents who are not on the Southern California Edison and/or SoCalGas CARE Programs; and "(c)" those persons who were Residents as of May 2021, who cannot pay the CARE or non-CARE rent increase, or any rent increase, and who apply for and are approved for need-based rental assistance from Owner.
 - 2. Owner will provide a list of the spaces that fall into Category (a) to the City in Years 2 through 15, at the same time as it provides its rent roll under the RSO. Any Resident who wishes to confirm whether his or her space is on the list may obtain that information from the City.
 - 3. Whether a given Resident applies and is approved for rental assistance is a confidential matter between the Resident and Owner, and approval or denial of such application is at the sole discretion of Owner.

4. The rent increases for the Residents who fall into Category (a), not including annual CPI increases per Section 152.07 of the RSO, are as follows:

Year	Annual Increase	Cumulative Increase
1	\$30/month	\$30/month
2	\$30/month	\$60/month
3	\$20/month	\$80/month
4	\$20/month	\$100/month
5-15	\$0/month	\$100/month

5. The rent increases for the Residents who fall into Category (b), not including annual CPI increases per Section 152.07 of the RSO, are as follows:

Year	Annual Increase	Cumulative Increase
1	\$45/month	\$45/month
2	\$45/month	\$90/month
3	\$35/month	\$125/month
4	\$0/month	\$125/month
5-15	\$0/month	\$125/month

6. The rent increases, if any, for any Resident who falls into Category (c) will be determined by Owner and the Resident on a case-by-case basis.
7. The monthly statements for each person who was a Resident as of May 2021 will show the rent for his or her space, minus a "settlement credit" equal to the difference between \$155 and the rent increases to date. Any person who is a Resident as of May 2021 will not be required to repay his or her settlement credits upon sale or transfer of his or her mobilehome, or at any time, but the rent on his or her space will increase upon sale or transfer as follows:
- a. Upon any sale or transfer of a mobilehome where a person who was a Resident as of May 2021 does not remain on title to the mobilehome, the rent for the new resident will increase by \$155 minus the rent increases to date.

SECTION 3: Based on the evidence, both oral and written, the Commission finds:

- A. The above rent increases identified in Section 2 comply with SPMC section 152.07(B), as follows: (1) they are based upon permissible improvements which qualify as capital improvements as defined in SPMC section 152.02; (2) they are amortized over the useful life of

the improvements; and, (3) they are apportioned equally among all qualifying rental spaces in the Park.

- B. The above rent increases identified in Section 2 meet the purpose of the RSO, to protect residents of mobile home parks from excessive rent increases, to regulate the size of an allowable space rent increase upon the vacation, either by sale or otherwise, of a resident from a mobile home space in a park, while at the same time providing a just and reasonable return to park owners.
- C. The above rent increases identified in Section 2 do not result in any charge, demand, acceptance or retention of any rent exceeding the lawful rent in effect on December 31, 1991, except as provided otherwise within the RSO. Additionally, the rent increases do not result in an increase in excess of 12% during a twelve month period.
- D. Owner has demonstrated each capital improvement cost approved herein properly falls within the permissible cost categories of the law.
- E. The capital improvement costs approved herein may be passed through to the Resident rents and are not prohibited by any law or regulation.
- F. The rent increases in Section 2 above will remain in effect during the fifteen (15) year useful life of the improvements as to those persons who were Residents as of May 2021 and who are Residents as of Year 15.

SECTION 4: Decision.

Based upon the evidence and testimony submitted during the December 7, 2021 public hearing, the Commission finds that the Owner is entitled to a rent increase based on the cost of completed capital improvements, as set forth in Section 2, above.

SECTION 5: This Resolution will become effective immediately upon adoption and will remain effective unless repealed or superseded.

SECTION 6: Persons who are dissatisfied with a decision of the Commission may have the right to seek review of that decision by a court. Code of Civil Procedure § 1094.6 generally limits to ninety (90) days the time within which the decision of City boards and agencies may be judicially challenged.

PASSED AND ADOPTED this ____ day of ____ 2021

Chair,
Mobile Home Rent Review Commission

ATTEST:

Julie Latshaw,
City Clerk

APPROVED AS TO FORM:

John C. Cotti,
City Attorney