



STAFF REPORT

March 6, 2024

File Number 0697-20-10293

SUBJECT

LONG-FORM RENT REVIEW BOARD HEARING FOR TOWN AND COUNTRY CLUB MOBILEHOME PARK (CASE/FILE # 0697-20-10293)

DEPARTMENT

Community Development Department, Housing and Neighborhood Services Division

RECOMMENDATION

Request the City Council conduct a public hearing, consider the Long-form rent increase application submitted by Town and Country Club Mobilehome Park as well as the Town and Country Long-Form Rent Increase Analysis provided by RSG, approve an increase in accordance with the factors set forth in the Escondido Mobilehome Rent Control Ordinance and the Mobilehome Rent Review Board Guidelines, and if approved, adopt Rent Review Board Resolution No. RRB 2024-28.

Staff Recommendation: Approval (Community Development: Chris McKinney)

Presenter: Danielle Lopez, Housing and Neighborhood Services Manager

ESSENTIAL SERVICE – No

COUNCIL PRIORITY –

FISCAL ANALYSIS

Staff time and resources were expended to process the long-form application. Staff reviewed the application, evaluated the mobilehome park for code violations and conducted public outreach with the affected park residents, park manager, and owners. Consultant fees were paid for by the mobilehome park. No additional fiscal impact was incurred by the City.

PREVIOUS ACTION

On October 25, 2017, a short-form application was received and approved, based on 75% of the change in CPI between December 2014 and December 2016 (3.339 percent and \$14.30 average increase)

BACKGROUND

On June 8, 1988, the Escondido residents voted to approve Proposition K to enact Mobilehome Rent Control in the City of Escondido ("City"). Under Proposition K, if a park owner wants to increase the rent



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on a mobilehome rent control space, they must file an application with the City and obtain approval from the Mobilehome Rent Review Board (“Board”). This Board is an independent body comprised of the City of Escondido Councilmembers.

At a public hearing, eleven nonexclusive factors are considered: (1) changes in the Consumer Price Index (“CPI”); (2) the rent charged for comparable mobilehome spaces in Escondido; (3) the length of time since the last rent increase; (4) the cost of any capital improvements related to the spaces at issue; (5) changes in property taxes; (6) changes in any rent paid by the park owner for the land; (7) changes in utility charges; (8) changes in operating and maintenance expenses; (9) the need for repairs other than for ordinary wear and tear; (10) the amount and quality of services provided to the affected tenant; and (11) any lawful existing lease. (Escondido Municipal Code section 29-104(g)). Over time, this application became known as the “Long-form” application.

In 1997, the Board adopted changes to the Mobilehome Rent Review Board Guidelines to allow for the acceptance of a “short-form” application. The short-form is an abbreviated and less administratively burdensome application process for park owners and City staff. Through a short-form application, a park owner can request a rent increase based solely on the change in CPI.

There have been very few long-form hearings in Escondido, as most park owners have taken advantage of the voluntary “short form” process provided in the City’s mobilehome park regulations. However, for previous long-form rent increase applications, the City retained a consultant to provide an expert analysis of the application and 11 factors to be considered. Prior to the last long-form application in January 2024, where the City contracted with RSG, the City retained Dr. Kenneth Baar to provide an expert analysis of each application pursuant to the criteria set forth in the Ordinance. To calculate the just, fair, and reasonable rent increases for each of those applications, Dr. Baar used the Maintenance of Net Operating Income (“MNOI”) methodology. Dr. Baar stated the following about the MNOI methodology, “Since the mid-1990’s, the Escondido Rent Board has usually used an MNOI standard in order to determine allowable rents and the courts have upheld the use of this type of standard. Under the MNOI standard, park owners have a right to rent increases that cover operating cost increases and provide growth in net operating income indexed by an inflation factor.” Additionally, Dr. Baar states, “While the Escondido ordinance does not set forth a specific fair return standard, the criteria set forth in the Escondido ordinance support the use of an MNOI standard. A prominent commonality among the criteria is that they relate to increases in park operating expenses and inflation (the Consumer Price Index), factors which are central under the MNOI standard.”

For this long-form application, City staff have again contracted with RSG, a local redevelopment and community development consulting firm, to provide an expert analysis of the park owner’s application pursuant to the criteria for evaluation of a fair return which are set forth in the Ordinance. For over 40 years, RSG has been a leading redevelopment and community development consulting firm working with well over 100 cities and counties each year to build and implement strategies around housing, economic



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development, real estate, and fiscal health. City staff requested that RSG continue the use of the MNOI methodology to calculate the just, fair, and reasonable rent increase for this Application. A detailed explanation of this methodology and the resulting recommended increase can be found in RSG's Town and Country Long-Form Rent Increase Analysis attached (Attachment "4").

This is a hearing of a long-form application for a rent increase from Town and Country Club Mobilehome Park ("Town and Country" or "Park"). The Board is asked to accept this report and attachments, hear public testimony, and make a determination concerning the rent increase request in accordance with the factors set forth in the Escondido Mobilehome Rent Control Ordinance, Article V of Chapter 29 of the Escondido Municipal Code (the "Ordinance") and the Mobilehome Rent Review Board Guidelines.

THE RENT INCREASE APPLICATION:

Town and Country ("Park"), is a senior park, located at 2280 East Valley Parkway. The Park has a total of 155 spaces with 154 spaces subject to rent control. The Park is requesting an increase for 154 rent-controlled spaces. The Applicant is not requesting a rent increase for Space 67, which is designated for the on-site manager. The Park's amenities include a clubhouse, outdoor spa and swimming pool, fitness center, saunas, billiard room, ping pong tables, laundry facility, and RV parking.

Town and Country submitted a long-form application on August 8, 2022. On January 16, 2024, City staff received the final revised version of the original application. (Attachment 1) The Park is requesting a rent increase reflective of 60 percent of the increase in the Consumer Price Index ("CPI") since 2016 or 19.22 percent. A 19.22 percent increase would result in increases ranging from \$49.33 to \$146.33 per month per space.

Section 29-104(g) of the City's Mobilehome Rent Control Ordinance (City of Escondido Municipal Code Chapter 29, Article 5) ("Ordinance") requires the Mobilehome Park Rental Review Board ("Board") to consider at least 11 factors in the long-form mobilehome rent increase application process. However, the Applicant did not provide sufficient documentation for RSG to analyze 3 of the 11 factors referenced in the Ordinance. The three factors that RSG could not analyze due to insufficient documentation are (1) changes in property taxes, (2) changes in utility charges, and (3) changes in reasonable operating and maintenance expenses. The Applicant purchased the Park in May of 2022 and stated that they were not provided complete expense documentation by the previous Park owners.

The Original Application included a request for a rent increase based on the change in Park operating expenses since 2016, capital improvement expenditures, and change in CPI, but after RSG and City staff deemed the expense documentation incomplete, the Applicant ultimately amended their application to request a rent increase based only on the change in inflation since 2016 (as measured by the CPI). Regarding the capital expenditures, in December 2023, the Applicant was informed by the previous owner that all the capital improvement expenditures included in the application were funded through grants.



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Accordingly, the applicant withdrew the request for a rent increase based on capital improvement expenditures prior to submitting their final application.

Note that the Applicant's withdrawal of the request for a rent increase based on the change in Park operating expenses and capital improvements benefits the residents (i.e., results in a lower rent increase), unless Park operating expenses have decreased since 2016, which is unlikely.

If the Board is not amenable to granting the Applicant's request for a rent increase based on the change in inflation since 2016, given that the Applicant did not provide sufficient documentation for RSG to analyze 3 of the 11 factors referenced in the Ordinance, the Board may want to consider approving a lesser amount. The maximum rent increase that would be allowable under the short-form rent increase application process, would be equal to 8.00 percent per space per month for the 154 spaces included in the Application. An 8.00 percent increase would range from \$20.53 to \$60.91 per space per month, with an average of \$46.43.

TIMELINE:

As stated previously, the Applicant purchased the Park on May 6, 2022. The Applicant then submitted the Original Application on August 8, 2022, which was approximately one year and seven months (or 576 days) prior to the Board hearing on March 6, 2024. In the 576-day period, RSG issued six letters deeming the materials submitted by the Applicant incomplete and the Applicant submitted a revised application four times. A detailed breakdown of the 576 days and the issues noted in each of the six incomplete letters, is provided in RSG's Town and Country Long-Form Rent Increase Analysis attached (Attachment "4").

The Town and Country long-form application was available for review at the Park's office, Housing & Neighborhood Services Division's counter at City Hall and the City's website. City staff elected to post the application online on the Housing & Neighborhood's website to promote transparency and remove potential barriers to access.

City staff mailed a notice to residents on February 26, 2024, again informing them of the March 6, 2024 City Council Meeting (Attachment "3").

RESIDENT MEETING AND COMMENTS:

Individual notices were sent to each affected resident on February 5, 2024 notifying them of the rent increase application, the resident meeting, scheduled at the Park's clubhouse on February 12, 2024, and the hearing date (Attachment "2"). Code Compliance staff were present to answer any questions at the meeting and conducted the lighting inspection after. Seventy residents, Park management and City staff attended the resident meeting. The application, recommendation, and long-form hearing procedures were discussed with the resident in attendance. A resident representative was identified. No code issues were reported during the resident meeting. However, several residents expressed concerns that the



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amount of the increase proposed by the Park was too high and would cause financial hardship for the residents, potentially forcing them to move out or even become homeless. Other concerns included the long timeframe that was being considered (2016-2023), and the fact that the increase applied to everyone, including the residents who just recently moved in. With that said, the residents expressed that they were very happy with the new management, stating that they were very responsive to requests and maintenance needs. Management and the residents were encouraged to meet to discuss conditions at the Park and resolve any management issues regarding individual spaces.

CODE ENFORCEMENT INSPECTION:

On February 12, 2024, a lighting inspection was conducted by the Code Compliance Division; two lighting violations were identified. On February 13, 2024, an inspection of the common areas of the Park was performed by the Code Compliance Division, Housing and Neighborhood Services Manager, and Park management. There were six general Park violations identified. A copy of the Code Report (“Report”) is attached (Attachment “5”). The owner and Park manager received a copy of the Report. No rent increase may take effect until all code violations are corrected. As of February 27, 2024, all violations were corrected.

ADDITIONAL FACTORS AFFECTING THE APPLICATION:

In conformance with the Rent Review Board Guidelines, the decision of the Board will be finalized by adoption of the Resolution confirming the findings of the Public Hearing. The Notice of Determination will be mailed to the Applicant and effected residents immediately upon adoption of the Resolution. Park owners and management must give a 90-day notice of any rent increase to affected residents upon the adoption of the Resolution.

RESOLUTIONS

- a. Resolution No. RRB-2024-28

ATTACHMENTS

- a. Attachment “1” – Long-Form Mobilehome Park Application for Space Rent Increase
- b. Attachment “2” – Resident Long-Form Letter Notification
- c. Attachment “3” – Resident Notice of Public Hearing
- d. Attachment “4” – RSG’s Town and Country Club Park Long-Form Rent Increase Analysis
- e. Attachment “5” – Code Compliance Inspection and letter clearing violations