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California Legislature

Senate Select Committee on Mobilehomes

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TRANSCRIPT OF HEARING ON "MOBILEHOME PARK RENTS, FEES & CHARGES"

CITY COUNCIL CHAMBERS
ESCONDIDO, CALIFORNIA
OCTOBER 29, 1990

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Joint Publications
State Capitol, Box 942849
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ON

"MOBILEHOME PARK RENTS, FEES & CHARGES"

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ESCONDIDO, CALIFORNIA

OCTOBER 29, 1990

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OCTOBER 29, 1990

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OCTOBER 29, 1990

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SECTION III

B A C K G R O U N D P A P E R

OCTOBER 29, 1990

- BACKGROUND PAPER -

HEARING ON MOBILEHOME PARK RENTS, FEES, & CHARGES

ESCONDIDO, OCTOBER 29, 1990

Historically, one of the most frequent complaints from mobilehome park residents has been increasing rents, charges, and fees for use of the space and facilities. Mobilehome parks are unique in the housing industry in that they provide the land on which the park resident or mobilehome owner's unit is installed, usually for the life of the park.

ADVANTAGES FOR HOMEOWNERS & PARK OWNERS

Mobilehome owners have found this attractive because they may be able to garner some of the benefits of home ownership, such as income tax deductions for home mortgages and property taxes, without being directly responsible for land costs. Additionally, they have enjoyed the privileges of a planned community, such as a mobilehome park, with its attributes of security and, in many cases, provisions for recreational facilities, such as a clubhouse, swimming pool, etc.

In the past, the fact that the rent in mobilehome parks was often less expensive, than renting an apartment, was an added bonus, particularly for retired citizens seeking long-term affordable housing during a period where their income would be more or less fixed.

Park owners, by the same token, have found mobilehome parks to be a good investment in most cases. Unlike the risks of stick built subdivisions or developments, park owners did not have to lay out the same kind of large initial investments to both develop the land and build the homes, with the hope that such homes could be sold relatively quickly for a return on investment. Rather, developers have traditionally looked upon parks as long-term investments. They develop the land into lots, install the streets and utilities, and build a clubhouse, not to resell it but to provide a so-called "stream of income" over the years from the rent paid by the residents, who install their homes on the respective spaces.

RENT INCREASES REFLECTED CHANGES IN INDUSTRY

While mobilehome parks were being developed and the number of park spaces met the demand, rents remained competitive. But, as the development of new mobilehome parks began to taper off in the mid 1970's, demand began to exceed supply. This resulted in increasing rents, in most parks, with park spaces, in some cases, available only at a premium. In addition, with the turnover in ownership of some parks, second generation park owners sought to cover their debt service, increased property taxes, as well as the return on their investment, by increasing rents, in some parks, to not insignificant amounts. Thus began a storm of protest in such parks, primarily by senior citizens who were afraid they would be economically evicted. Advocates of mobilehome owners began to call for rent control as a means of stabilizing rents for senior citizens and regulating the amount of annual park rent increases.

RENT CONTROL

According to information from the California Department of Housing and Community Development, the City of Vacaville was the first local jurisdiction in California to enact a mobilehome rent control ordinance in 1977. Since that time, more than 80 local jurisdictions have enacted some form of rent control or stabilization for mobilehome parks, although some communities have since repealed or sunsetted those ordinances. Today there are approximately 70 local rent control ordinances, mostly in cities with large concentrations of mobilehome parks.

Local rent control takes on a number of forms. Ordinances are not necessarily consistent from community to community, though all have the same objective of regulating rent increases in mobile parks. In some communities, the amount of rent which a park owner can charge on an annual basis is fixed in the ordinance to a certain percentage of the consumer price index, as published by the U.S. Department of Commerce for that given metropolitan area. In other jurisdictions, a rent review board or commission establishes the rent guidelines. Such boards may consist of local officials and representatives of both park owners and residents hear appeals from either park residents who are challenging rent increases, or park owners who are asking for rent increases. The board then makes a final determination on whether an increase in a given park shall be permitted on a case by case basis. In still other localities, there is really not a control of rent per se but an arbitration or mediation process, where residents and management come together to try to work out their differences with regard to rent terms. Recommendations of mediating parties are not, of course, binding.

A LOCAL ISSUE

Rent issues have traditionally been treated as local matters. Other than the attempts to regulate rent control through the use of Civil

Code Section 798.17 leases, and the 60-day written notice requirement for park owners in giving their residents warning of future increases, the state, through the Mobilehome Residency Law, does not regulate park rents. Attempts were made in 1978 and 1980 through two pieces of legislation, sponsored by mobilehome owners' groups, to enact statewide rent stabilization. These efforts died in legislative committees. Where circumstances in vacancy rates and other housing situations differ from community to community, the Legislature has preferred to let local governments deal with what they feel is a uniquely local problem.

PARK OWNER RESPONSE TO RENT CONTROL

To most park owners, rent control is an anathema. It is a direct challenge to the concept of the free market economy and private enterprise because it is a governmental regulation of the profits of the park industry. As such, due to the increasing number of rent control measures enacted by city councils, boards of supervisors, as well as by local initiative, park owners, in the mid 1980's, began a more aggressive approach to stop rent control in its tracks.

Attempts were made through state legislation in Sacramento to pre-empt or otherwise phase out local rent control. These efforts were co-sponsored by the California Association of Realtors, the Western Mobilehome Association, the California Building Industry Association, and other developer and property management groups. Generally, with the exception of legislation applied to cases of rent control on commercial property, such efforts have not been successful in the Legislature. However, the Western Mobilehome Association was partly successful in dealing with the problem through 1985 legislation, SB-1352 (L.Greene). This bill, effective January 1, 1986, authorized park owners to offer so-called 798.17 long-term leases of more than one year, which, by state policy, are exempt from local rent control. Since that time, the matter of long-term rent control-exempt leases has fostered a whole new series of issues and sub-issues. (See addendum)

Mobilehome park owners have also thwarted local rent ordinances through circulation of local initiative petitions, so-called "property rights" initiatives, in many communities. These attempts have been designed to either force repeal of existing rent control ordinances, where they exist, or to blunt attempts by residents to enact rent control in other communities through the initiative process. Their efforts have only been partially successful.

Park owners, however, have achieved their most success in the courts. Although there have been lawsuits concerning local rent control ordinances for years, the 1989 Hall vs. Santa Barbara Case is the most important. Mrs. Hall, a Santa Barbara park owner, sued Santa Barbara claiming the city rent control ordinance was an unconstitutional taking of her property because the ordinance controlled not only the rent for existing homeowners but those of prospective homeowners and mobilehome buyers as well. Mrs. Hall's attorneys asserted that comparable

mobilehomes in mobile parks in adjacent Santa Barbara communities without rent controls did not command as high a resale price as mobilehomes under the Santa Barbara ordinance. They argued that rent controlled mobilehomes, upon resale, commanded a premium price and that the difference in the price between the homes in a rent control jurisdiction and those not so protected was actually the park owner's property right - in dollar terms - which was expropriated by the rent control ordinance in question. The Federal District Court agreed and ruled the Santa Barbara ordinance unconstitutional, requiring that the City amend the ordinance to conform with the court's decision, as well as awarding damages to Mrs. Hall going back to 1986.

Basically, the Hall decision stands for vacancy de-control, meaning that, in the Santa Barbara case, the 1986 ordinance could only protect the rent of then existing home owners, not subsequent buyers of those mobilehomes. Upon resale, those spaces with mobilehomes which transfer ownership would be "de-controlled" and subject to market rates.

Although the Hall decision only applied to the City of Santa Barbara, park owner associations have since approached other rent control cities, contending that they too could be sued unless their ordinances were changed to conform to the Hall decision - that is, amended to include vacancy de-control. About half the cities with mobilehome rent ordinances without de-control have subsequently amended their ordinances; others, which have not adopted de-control, face potential litigation.

With this background in mind, and continued and renewed complaints on the part of mobilehome owners concerning even larger increases in rents, fees, and other charges, the Committee has requested representatives from both local and state governments, private consultants, attorneys, and representatives from both resident and park owner groups, to provide suggestions and recommendations for changes which the Committee might consider in dealing with the problem of increased fees and charges in mobilehome parks and the need to maintain affordable housing for mobilehome owners.

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- ADDENDUM TO 10/29/90 ESCONDIDO HEARING BACKGROUND PAPER -

RENT CONTROL-EXEMPT LEASES - A CONTINUING CONTROVERSY

In addition to the traditional month-to-month or one year rental agreements, which park owners are obligated by law to provide their residents under 798.18 of the Civil Code, Senate Bill 1352 (Leroy Greene), was enacted in 1985, as Civil Code Section 798.17, to authorize park owners to offer long-term rental agreements of more than one year which are exempt from local rent control.

When park owners began offering these long-term agreements or leases in 1986, problems cropped up almost immediately. There were numerous claims by park residents that park owners were trying to force homeowners to sign the leases, were refusing to let homeowners review the leases before signing them, and were threatening to raise the rent to much higher levels if the residents refused to sign the leases and continued to insist on their right to rent on a month-to-month or year-to-year basis.

As such SB 2141 (Greene & Craven) was enacted in 1986, which made a number of reforms in the 798.17 leases by providing that homeowners had the right of 30 days to review such a lease, a 72 hour cooling off period to back out of the lease and the right to reject the lease without incurring an increase in rent, over and above what was offered in the long-term lease, for a period of 12 months thereafter, among other provisions.

However, even with SB 2141, legislators continued to receive frequent complaints about practices in some parks regarding long-term rent control-exempt leases. Many of the leases were so worded as to permit park owners to require homeowners to renew the leases at the end of the first term, as a condition of the homeowner's continued tenancy, for multiple terms, up to 25 and 30 years in some cases. Most leases permitted park owners to pass through, in addition to the rent increases called for in the leases, various costs of operating the park, such as taxes, maintenance, insurance, legal costs, etc. Most park owners prohibited buyers from moving into a mobilehome which they had purchased in the park without signing a 798.17 lease by denying those prospective homeowners the right to a one year or month-to-month tenancy.

Legislation stemming from hearings of the Select Committee was introduced three years in a row by Senator Craven to deal with the so-called "prospective homeowner" problem - to extend parity to prospective homeowners - giving them equal treatment with homeowners in terms of their specific right to a one year or month to month rental agreement, rather than being forced to sign a long-term lease as a condition of tenancy in the park.

The first such bill, SB-1886 (1988), passed the Senate but failed passage in the Assembly Housing Committee. The second, SB-440 (1989), also passed the Senate but was bottled up in the Assembly Housing Committee by disabling amendments forced into the bill against the author's wishes by Assemblyman Ferguson (R-Newport Beach). The bill was later gutted and used for other purposes not related to this issue.

The last such measure, SB-2009 (1990), again attempted to change the law to give prospective homeowners the right to sign a one year or month-to-month rental agreement, rather than the 798.17 lease. After extensive debate, however, the Senate Judiciary Committee amended SB-2009 - by striking the parity provisions and addressing some of the resident complaints in another fashion. Although Judiciary amendments clarify the existing state law, which does not provide for the right of prospective homeowners to a one year or month-to-month tenancy, the amended and chaptered version of SB-2009 does provide that such leases signed after January 1, 1991 are limited to a maximum five year term, restricts mandatory assignment of such leases to the balance of such a five year term, and prohibits automatic, unilateral extension of such leases at the end of the term by the park management without the consent of the mobilehome owner.

Some park owner attorneys, however, have construed SB-2009 to deny local governments as of January 1, 1991, the power, under their local rent ordinances, to protect prospective homeowners from having to sign these 798.17 long-term leases as a condition of tenancy. This issue did not come up in the Senate Judiciary or Assembly Housing committee hearings on SB-2009 and was not considered by the Legislature, nor has the issue of local control of 798.17 leases been referenced in Select Committee hearings on lease issues in the past.

Due to inquiries by several cities concerning the issue of whether SB-2009 limits the authority of local governments in this regard, the Select Committee has requested a Legislative Counsel's opinion. Depending on the outcome of the opinion, to the extent that local regulation of long-term leases becomes yet another in a series of issues involving these controversial leases, clarifying legislation may again be required in 1991.

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SECTION IV

T R A N S C R I P T O F T E S T I M O N Y

OCTOBER 29, 1990

SENATE SELECT COMMITTEE ON MOBILEHOMES HEARING TRANSCRIPT

MOBILEHOME PARK RENTS, FEES, & CHARGES

ESCONDIDO CITY COUNCIL CHAMBERS

MONDAY, OCTOBER 29, 1990

SENATOR CRAVEN: Thank you very much for being with us today for this hearing of the Senate Select Committee on Mobilehomes. I have with me today one of my very valued colleagues, Senator Bob Presley, who represents Riverside County and who may very well have the greatest mobilehome constituency within the State of California. He is to my left, and Dave Olivieri, one of our Sergeant-at-Arms, is seated next to him, and to my right, someone I think most of you are familiar with, John Tennyson, who is the Consultant for the Select Committee.

Today, we are very pleased to be here in the City of Escondido and equally pleased to have with us the Honorable Mayor of the City of Escondido, the Honorable Jerry Harmon... Jerry. Thank you very much, Jerry. You're very kind.

We have an agenda which we will try to follow and, as we always do, we ask you to try to keep your comments to 5 minutes, aside from questions which you might be asked - that doesn't count in the 5 minutes time, and we will try to move along as quickly as we can. Hopefully, we can provide you some information that will be advantageous to you.

Let's begin this morning with Mr. Gerald Lenhard. Good morning, Jerry.

JERRY LENHARD: Good morning, Senator Craven. (applause)

SENATOR CRAVEN: I want to tell you, Jerry, it's very unusual - and Bob can tell you this - that people who testify before committees get applause. Bob heads the important finance operation in the Senate, so most of the time, people get up and testify for him, they get booed, don't they? Go ahead, Jerry.

JERRY LENHARD: Most of the time they boo after you talk! I'm going to be real brief, Senator. I was going to speak for an elderly woman who can't be here, and I have given up my time to a gentleman here, Mr. Phil Colombo, because he has a story to tell that I think should be heard and made part of these minutes, so I'd like to give this time to Mr. Colombo.

SENATOR CRAVEN: Very well, Jerry. Good morning, Mr. Colombo.

PHIL COLOMBO: Good morning. My name is Phil Colombo, and I live at 225 Riley Place in Escondido. In August of 1989, I purchased a mobilehome and moved to a mobilehome park. I signed a five-year lease at a 20 percent increase which, at the time we signed the lease, I figured that's all there was, so we took it as an alternate home for our daughter. Three or four weeks later, by reading the local paper and learning of rent control and ordinance 88-50, I came to the conclusion that this was offered to us illegally and falsified. So I contacted the city, and they told me to bring in my evidence, which I did, after which I was contacted by the City Attorney's office. I was encouraged to file a lawsuit, which

I did. And, then, I was contacted after the hearings were held by the judge - instead of a civil suit, they felt there was enough evidence to file a criminal charge, which I said I would pursue. What it boils down to is, I guess with this new bill - this SB 2009, which is not due to take effect until January 1991 - I was informed last week that my charges were going to be dropped, which I feel was a little unfair because it happened back in 1990, and the bill doesn't take effect until 1991, and I feel the gentleman has broken the law. Otherwise, I don't feel the man hours and the time would have been spent on this, if he hadn't. I'm concerned and I want to present this as a taxpayer and a citizen of this city, and, as far as I'm concerned, I'm left holding the bag again, which at the beginning of this lease deal, we didn't know what our rights were, or what the law was clearly, because of the changes in what we're supposed to do and not do as far as rent. So, I thank Jerry for this time, and I thank you.

SENATOR CRAVEN: Next is Don Olmsted, of the Vista Mobilehome Task Force.

DON OLMSTED: Good morning. On only one issue, in the 14 years in my active participation in mobilehome issues, have I seen the homeowners so concerned about the future of their lifestyle and the investment they have in their homes. This was previous to the seventeen-year bill. During most of those years, I was helping to draft a Golden State Mobilehome Owners League in San Diego and Imperial Counties. In the last six months, I have been literally inundated with telephone calls and letters from colleagues all over the state asking for any ideas I might have that could restore the value of our homes. My comments are a

condensation of those concerns from other parts of the state, as most cannot be here.

All the sections and articles of the Civil Code relate mostly to "tenant" or "homeowner". If, however, Article 7, Section 798.74 is carefully read, you see that this limits the ability of the park owner to reject "the purchaser". If he can pay the rent and reasonably be expected to obey the rules, he cannot be rejected by the park owner. No other reasons can be used to reject him. That was the code until 1987. At that time, the Legislature recognized that many other reasons were being used to turn down our customers. Then they amended 798.74 and added the last sentence to 798.74(a), "If the approval of a purchaser is withheld for any reason other than those stated in this article, the management or owner may be held liable for all damages proximately resulting therefrom". That should do it. Right? False. That Section is being ignored. Now, even more reasons are being used to reject our customers. If they don't completely remodel the home with thousands of dollars of costs, if they don't accept a rental agreement with massive increases, if they don't buy a lease for \$100 a year, \$500 for 5 years - that's what they said, buy a lease - that's become a reason to reject our customers.

798.17(d) of the Mobilehome Residency Law adds the right for park owners to offer gifts to pay for our accepting his lease instead of the option he is required by law to offer if we reject his lease. Because of this closed and diminishing market place, some are refused the purchase of our homes unless they buy the lease. Now the Hall decision seemed to imply that park owners have always been right. Our homes, upon resale, have

only a salvage value. The park owner can recapture the percentage of our homes that we are selling, that he feels is his to sell, in increased rent to our buyers with decontrol. Again, rents are taking the value of our homes. The higher the rent increase, the lower the value of our homes. And now, although SB 2009 does restrict the length of leases, which we needed, it also sets up all the resale homes for elimination from existing or future rent control with leases as a prerequisite. We would be foolish to think that any park owner will allow anyone to buy our homes without requiring a hefty increase, because of the Hall decision, and, to boot, sign a lease that is exempt from any fair rent formula. Now, all the park owner needs is the right of first refusal, and he would be able to purchase our homes at these inhibited prices.

He now can own 100 percent of these housing complexes instead of the 35 percent he now has invested. We used to have 65 percent of the entire investment in our collective investments in our homes and landscaping. I guess that's the only answer. He owns it all or we own it all. We must all recognize that the homeowner park acquisition is the viable answer but, also, that will not happen, in most cases, over the long haul. Most homeowners will not, for one reason or another, be able to acquire this protection. Hundreds of parks will be acquired but thousands will not. Park purchases must be encouraged and supported but most homeowner investors will still be victimized in the end with the resale of our homes. We can now sell high rent and salvage value homes. I believe we can and will solve this problem but I haven't a clue as to how right now.

SENATOR CRAVEN: Thank you, Don. (applause) Next is Rudy Sweet.

RUDELL SWEET: Good morning and thanks for inviting me to come before you. I'm Rudell Sweet, 1380 Oakhill Drive, Space 37, Escondido, 92027. I just want to give you a quick synopsis of our 6 years of mobilehome prices in Escondido Terrace Mobilehome Park. We bought a mobilehome in October, 1984, with the hope of living a happy, peaceful, serene and independent life. We had worked hard and saved for our retirement. We were a healthy 64-year-old couple and, also, very naive and trusting. We were told Escondido Terrace was a 55 and over park and quiet; that our home had been inspected by a licensed contractor and was in good condition. We also were told, just before close of escrow, that we had to sign a ten-year lease. Two weeks after move-in, we found that the fire box in our furnace was cracked, two burners on the stove were burned out, and the roof leaked. This was the beginning of our hell on earth. It makes me sad to think about it. We bought a mobilehome from Burt Caster, CMC Homes; our park property manager here is Caster Management Corporation; the park is owned by (inaudible) Financial Corporation.

This all boils down to greed for money. Just before HR-1158 went into effect, we got new rules and regulations, making our park a family park, after the fact. They had already sold to families. Mr. Caster's sold to and accepted families in 1988. New rules were revised in Escondido Terrace Mobilehome Park July, 1989, and, two days later, I noticed the sign, "families welcome". They breached their own coercive ten-year lease. Escondido Terrace Mobilehome Park also has moved in 7 new, very large, double mobilehomes which would be fine - but, upon very small

lots. Residents are losing part of their spaces to new mobiles - they are fire traps. Mr. Sweet's and my health are gone from the stress, intimidation, and harassment from the park and management. Our money is gone and so is our peace and serenity. All I ever wanted was to be treated fairly, honestly, and be self-sufficient. Please, Senator Craven, do everything you possibly can to stop this blatant rape upon us mobilehome residents, of our health, money, prestige, our dignity, and serenity. This is all true and I can document it - it's all documented...

I don't know - I didn't put this in where I was supposed to, so I'll just add it - I'm talking about coercive leases. Everyone in our park has signed a lease through coercion. When you fill out a resident application, you have to have a signed lease to go with it before you ever are accepted in the park. Every new resident gets \$50-\$100 plus yearly increases and... then, pass-throughs and other yearly increases. Our homes will be swallowed up by park owners for salvage and, then, rented out and paid for in a very few months, and we're seeing this happen in Escondido every day... it's really sad.

SENATOR CRAVEN: Thank you. (applause) Next is Lucille Collier.

LUCILLE COLLIER: Senator Craven, Mayor Harmon, and ladies and gentlemen, thank you. I'm an 80-year old woman and, in '88, I had a hip replacement and a knee replacement, since we've had this conversion. When I moved into Lawrence Welk Park, we paid \$104.50. Since the conversion, my first raise was \$69 a month, my second year, 1988, was \$29 a month, in 1989, I

was raised \$75 a month, which I have paid them, but, this last August, I had to start paying an 80 percent raise which was \$335 more, which made my rent fee... let's see. I was paying \$550, then I was raised to \$750, with the \$135 makes me pay \$835. So, I did go to the office and I thought it was a mistake - that anybody could be raised 80 percent. And she said, no others had, and it was not a mistake, and she would see what she could do. So I suggested that she tell Mr. Holland that I had had this surgery, just a year and a half before, and that it was just more than I felt I could pay, and, also, that I knew others that did not get that same kind of a raise, and they were leasing by the year as I had done.

When they first started the conversion, I talked to a young gentleman - we were asked to go to the village hall - and I explained my circumstances and he felt that I was right just to continue renting by the year. And I have that letter - the next day, he wrote me a letter and, if you want it, I'd be glad to make you a copy and send it to you. Since they could do nothing about it, they offered me - that I could pay the \$550 a month and, then, the \$335 would accrue and then if I sold it or died, then that money would be collected at 12 percent interest. I said I was not interested in anything like that. So what could I do? I finally put my mobilehome up for sale. Before the conversion, I had paid \$28,000 for this mobilehome, and I had put over \$27,000 in improvements on this mobilehome, with the new roof, siding, porch, and different things. I have the papers to prove it. So what could I do but put it up for sale? At the beginning, it was priced at \$47,900. So, when I go to find out the price of the lot, it was raised to \$100,100 and with the

price of \$885 a month rent, I could not sell my coach. So, after two months now, I'm getting ready now to move my coach to New Mexico where my son is, because I think 80 percent is too high to raise anyone, and I thank you very much.

SENATOR CRAVEN: Next is Lorraine Ammerman and Polly Kemper.

JERRY LENHARD: Senator Craven, Jerry Lenhard. Mrs. Ammerman was called to work and she couldn't come, and I'm going to speak for the other lady.

SENATOR CRAVEN: Okay, very well.

JERRY LENHARD: First of all, before I get into her specifics here, I'd like to comment that I was at the hearings last year in Carlsbad, and I'd like to thank you and Senator Presley and John Tennyson for coming down last year and for coming again this year. We really need these kind of hearings to make this information known. Last night, I was going through the report from the hearing last year, and one of the problems - minor problems, I guess - with these hearings is there's no back and forth, and maybe that's a good thing, but, sometimes, we get up and say things and present evidence, and 90 percent of the time, I think, when the residents do come up here, we are prepared and do document everything we say.

But I noticed at the hearing last year, after most of us were through talking, Mr. Swanson got up and spoke for WMA, the park owners, and then some park owners got up and spoke. Mainly, they all said the same thing, that they don't understand these problems - they don't have these

problems in the areas where they came from, and they don't believe that this is going on in other areas of the state. I think Swanson says in here that this might be one percent of the problem or something, which I think is just not true. If I could, I'd like to quote one of the things that Mr. Swanson said, and we don't ever have a chance - like I said, there's no back and forth - so we don't have a chance to say something back if they say something that's misleading. He said this in speaking about new buyers, "The Legislature has always recognized that there's a difference in a prospective homeowner and an existing homeowner. As Mr. Doney indicated, the prospective resident has the ability to go elsewhere to another mobilehome park where no leases are required or to another form of housing. He is not a captive of that park owner." And that is true, but, we - the homeowners - are the captives, because we can't sell our homes. So, if a prospective homeowner comes to buy, and he doesn't want to sign these ridiculous leases, and - like Mrs. Collier who just spoke - the owner doesn't really care if she sells her home, because he's going to get her \$885 a month rent as long as she stays on that space. Luckily, for her, her son came here from New Mexico to help her move back East, so she made it out of this horrible situation she's in, but it's going to cost her thousands of dollars to move. I'm sure you understand.

Speaking about this case here - that I'm going to turn in all the documents on - this woman is typical, I think - she's a widow, she's over 65, she moved into a mobilehome park in August... in June of 1990 - three or four months ago. Through whatever means you can imagine, she ended up signing two 5-year leases, which tells me that the park owners - probably, through their attorneys are already aware of 2009 coming down

and its implications, and they're already getting around it - they're having people sign two 5-year leases already. This lease was offered to her in this manner - if you buy this home - which the park owner is selling, and he sells most of them in there - if you buy this home, the price of the home is \$52,000, if you sign a month-to-month lease; if you sign two 5-year leases, the price of the home is \$32,000. I will give you \$20,000 if you sign these two 5-year leases, which will also protect you and guarantee your rent increases will be reasonable and things like that. Very obviously, she signed this. When I asked her why she signed it, she said, "I couldn't afford \$50,000 for a home but I could afford \$30,000."

Now, on the same park - Ms. Ammerman was going to testify today but she's not here. Ms. Ammerman was going to testify because she also signed a 5-year lease a year ago, and she believed a lot of things she was told, and, on her anniversary date 4 months ago, she got a \$35 rent increase. Of course the first stage of this 20 or 30-page lease says that the rent will go up like 5 or 6 percent a year, CPI, or whichever is higher, ... those kinds of things. Well, when her rent increase was much higher than that, she went down to see the park owner, and he said, "Well, you know I had to fix the streets, and I had to do several things around here, and that's here in the lease - you know you agreed to pay your fair share of these things - we're not talking about capital improvements - we're talking about maintenance." Anyway, as the conversation went on, she realized what was transpiring, and she told the park owner that, in her opinion, he had lied to her several times when she had sat down with him and bought the home and signed this lease. And the upshot of it was that

he told her that he could set the rent for any amount he wanted to by that lease. Since then, he has told the same thing to several other people in the park when they have come down and complained about their high rent increases. So, what I am saying is that these leases which are written, I am sure, by the park owners' attorneys - there's no reason for a lease to be like this. I owned a condominium and I had paid \$50,000 for it, which is not a lot of money today, but it's a lot more money than any park owner has spent on any space in any park in Escondido, I'll tell you that - it's probably 10 times as much - and when I rent my condominium out, I have a one page rental agreement that the people sign, and I've got \$50,000 invested in there. I've got drapes and carpets, and, if the roof leaks, I've got all those kinds of things, furniture to fix and all that. The park owner has nothing. The people that live in a space take care of 100 percent of it. They have to take care of 100 percent of their homes. The average cost for a space in Escondido - and we think we can document this, too - we'd be glad to sit down with anybody that would like us to document it - the average cost to maintain a space in a mobilehome park in Escondido is about \$50 a month. So, seeing as how that's true, then the people are paying \$400 and \$500 a month, and the park owners are obviously making \$300, \$400, \$500 a month net profit per space, and this has been born out of rent hearings here in Escondido.

One of the most recent rent hearings we had was where a park owner was shown a staff report where the park owner was making 81 percent profit, which turned out to be about \$60,000 per month. Another thing on this lease, she was charged a \$3,000 lease fee - a \$3,000 lease fee. Now previously, this particular park owner was charging \$1,000 - 2 years ago

- he was charging a \$1,000 lease fee, and, then, he waived the lease fee if you agreed to give him the right of first refusal. This new gimmick here is a \$3,000 lease fee, and he waives \$700 if you give him the right of first refusal. She also paid this lease fee at the rate of \$170 a month. So on this lease here, where it says base rent, it says \$219.50, meaning the park owner can tell the city, if they ever ask him how much rent he's charging per space, well this particular space is \$219 - but you've got to add \$170 on that and to prove that this isn't really a lease fee, it's really rent, he wrote in there in his handwriting that, after the lease fee is paid, the rent immediately goes up to \$414 a month. So, if you take the \$219 she's paying plus the \$170 lease fees, she's starting out at \$389. When she finishes paying the lease fee, she immediately goes to \$414, which tells me that the \$170 a month is really rent, right from the start, it never was a lease fee. Also... okay, this mobilehome that he sold her was a 24-year old mobilehome that he sold her for \$52,000 and this \$32,000 business.

I think, if you listened to Mrs. Collier and what happened in her case, and read this information that I'm going to give you - and there are other people here, I know, that could come forward with information, and I understand that a Sergeant-at-Arms is here for that purpose and it will be incorporated into the record, so, at this time, I'd like to turn these in and answer any questions you might have.

JOHN TENNYSON: Mr. Lenhard, you made a statement that some park owners are requiring people to sign two 5-year leases? Could you elaborate on that, please?

JERRY LENHARD: Well, it's in the back of the first year lease, you know, says it's a five-year lease and gives the terms - the second one, the only difference is, on the front it says this lease becomes effective upon completion of lease number one - it's marked at the top as lease number two.

JOHN TENNYSON: In other words, they're signing one lease with a period commencing that day until 5 years from now and the second lease is being signed commencing 5 years from now until a period of time 5 years after that.

JERRY LENHARD: They're both being signed today, so the lease that goes into effect 5 years from now is being signed today. Also, there's even one in there that says that if this lease is found illegal, she agreed to immediately sell the home back to the park owner, so the guy's got all kinds of addendums to cover him for any kind of thing. And for park owners, or WMA representatives, or people like Mr. Swanson that come up here, as he did last year, and he made statement like these people aren't - people in mobilehomes aren't intimidated and threatened - my God, most of them are on leases and that proves they are intimidated or threatened. He also made the statement that they have very good legal representation. They have no legal representation. They have GSMOL, which the park owners are quick to point out they got GSMOL to protect them, but GSMOL no longer has any legal advice for anybody in the state. These people, like Mrs. Collier, have no recourse. They can move, or they can go hire an attorney and Rudy Sweet - one thing Rudy Sweet forgot to tell you -

she got so disgusted and fed up, and nobody in the park would help her, so she went on her own and got an attorney, and she went to court and she had a 5-day trial and her lease was declared an adhesion lease - which, in my personal opinion, all of these leases are - it was declared an adhesion lease and illegal, which is great for Rudy. Now, she's the only one in the park that isn't under the lease; however, park owners, as usual, keep appealing these cases, until people like Rudy Sweet die, for then the case would be over, and they would never have to pay anything. She now has a \$50,000 legal bill because there was no protection from the state and no protection from the city attorney or anybody - she had to go out and hire her own attorney and she now has a \$50,000 legal bill.

SENATOR CRAVEN: Thank you, Jerry. Mrs. K. L. Carrington. All right, she evidently is not here. Oh, I'm sorry, you're Mrs. Carrington.

MRS. K. L. CARRINGTON: I'm sorry I'm late. I didn't think I would be coming up this soon as they told me when I called in that there were so many on the list that I would be way down. Okay, I live in a mobile-home park in Oceanside. Can everybody hear me? A little bit better now? Okay. We have an ordinance called the Mobilehome Fair Practice Ordinance, which allows for an annual rent increase and also allows the park owners to pass on increases and governmental assessments and utility rates where such utilities are included in the space rent. We received a notice from the park management on September 5, 1990 - this was mailed August 31, 1990 - stating that the park was seeking a utility pass-through, and this was our 60-day notice pursuant to state and local law. The letter went on to state that the pass-through will be

retroactive back to July 1, 1990, per the city ordinance. The amount of the increase - this is still the letter that we received - the amount of the increase is not yet known, but it is not expected to exceed \$10. The Mobilehome Home Fair Practice Commission in Oceanside, that administers the ordinance, met on the 19th of September and approved the pass-through be effective as of July 1, 1990, with the retroactive amount be paid for the months of July, August, and September, plus the amount for October, up until the 1st, which was approximately one month after they even notified us that we were being given a pass-through. The Mobilehome Residency Law states, "The management shall give a homeowner written notice of any increase in his or her rent at least 60 days before the date of the increase." This would be about November 5th. Does this mean that the park management company can give a notice for 60 days and, then, increase the rent retroactively or does, the city commission and housing director violate the state's law in this respect by ordering a lump-sum payment from the renters for 4 months' charges before the increase was legal - or, in other words, before the notice? The whole concept of making raises to rents retroactive seems to contradict the Residency Law in this respect. The City Housing Director has also issued a report on why retroactive payments are necessary. In this case, however, renters do receive a notice of 60 days of the intent to increase. They do not know how much at that time, but that the increases are to be made retroactive. Isn't this a violation of this part of the Residency Law?

Another thing that bothers us in Oceanside, is the way the rent increases are compounded. Just last like your savings account, this increases the rent much more rapidly and, depending on the percentage of the increase,

the rent can almost double in 10 to 12 years. Instead of having a base rent and multiplying that figure by the CPI increase each year and adding that amount to the rent, they use the last paid rent which includes all previous increases, thus compounding each increase. They also allow the pass-through to the rent and then this is included in the rent and also gives another cost of living increase on that as well this way. We think the Residency Law really does cover the first problem, but who do we turn to to ask to enforce it or do something about it? I have a copy of a couple of the staff reports and the letter we received for you.

SENATOR CRAVEN: Very well. You can give them to the Sergeant, and I should tell you - all of you - that we record these meetings, and, then, we make a transcript of it, so everything that you have said will be contained in that transcript. All right? Thank you. Is Sue Loftin here? There she is. Good morning, Ms. Loftin.

SUE LOFTIN: Good morning and thank you for taking me out of order. I appreciate it as I have a hearing in Paso Robles. My name is Sue Loftin. I am an attorney, and I'm President of Continental Associates. I am a principal in a company called California Park Properties, Inc., and I'm Corporate Counsel for Mobilehome Park Conversion Consultants. Over the last 9 years, I've worked with resident groups in attempting to resolve the issues arising from dual ownership. They own the homes, the improvements on the spaces and someone else owns the land. I concur with Don Olmsted that one solution is the conversion of mobilehome parks. That does not take care of many of the parks that will not be converted, and I'd like to address that in a moment.

I've been requested this morning to address, specifically, the issue of condominium conversions - in other words, where the residents will ultimately own their park in a condominium format where they will have a grant deed to their space and a percentage interest in the common areas and facilities. I would respectfully request consideration by this committee on changes in 5 specific code sections. One of the problems that we have dealt with in condominium conversions has to do with processing the conversion or the subdivision in a timely manner. At this point in time, unfortunately, there's only one city in the entire state that I can, with any degree of comfort, predict a time frame. Fortunately, that's been in this county, the City of San Marcos.

The 5 Code Sections - I'd like to run through those very briefly. The first pertains to the Revenue & Taxation Code, Provision 62.1(a) - in the previous language in this Code Section, condominium mobilehome parks were included - it was deleted in the rewrite. We have one County assessor in the County of San Luis Obispo who was saying that if the park was purchased by the residents and converted to a condominium park, that that park would not be able to take advantage of the exemption provided under the Code Section. Revenue & Taxation Code 62.2 provides if there's an intermediary which can assist in the financing and take title to the property, while it is being subdivided, that that must be completed within 270 days - 270 days is adequate time for a co-op or corporation purchase, for a condominium subdivision, and most jurisdictions that cannot be completed in 9 months. We would respectfully request that be extended to 12 months.

With regard to the processing, Government Code 66432(b) - this is a section which provides for an expedited processing with 4 provisions. The first requires that the residents sign a petition indicating their intent to purchase the mobilehome park for the purpose of converting it to a tenant-owned "condo". That provision assumes that the resident association will purchase the park as a rental mobilehome park and, then, be the applicant and subdivider. That is only one mode of condominium conversion. Secondly, the phrase, "intent to purchase" - the residents cannot individually bind themselves - they do not know as individuals whether or not they can economically participate at that point. In order to conform this section with other pertinent sections, such as the Mobilehome Park Assistance Program, we respectfully request that that phrase be amended to read, "support of resident ownership."

Secondly, within the same Code Section, Subsection b, Subsection 2 and 3 thereof, which requires field surveys of the exterior boundaries - a lot of lots are not created by recorded parcel or final maps. Then, they cannot utilize this Code Section. This exempts all but 20 percent of the mobilehome parks, and we would request that those too be deleted. Under Government Code Section 66427.4 and 65863.7, where it deals with the preparation of the tenant impact report, in the event the park is converted to another use, many cities are utilizing this to inappropriately bind resident conversions. At the same time, I'm very concerned about this Section for rental mobilehome parks - park owners are giving notices of intent to close parks, but, without triggering the subdivision requirements. The result is that homes are being purchased

at \$1 on every \$10 by the park owner, thereby, over a period of time, closing the park without the park ever having to comply with this specific Code Section.

JOHN TENNYSON: Yes, Ms. Loftin, two points - first of all, I assume that you have your proposals for legislation in writing, and that you'll submit them to the Committee. I'm afraid some of them are a bit esoteric for this particular hearing, in terms of the technical aspects of them. The second point I wanted to make is - not to put you on the spot - but, with regard to the issue of this hearing, that is rent increases, fee increases, and what have you - this Committee has been told in the past - and I'm sure we're going to hear more about it today - that conversion of rental mobilehome parks to resident ownership is, perhaps, one of the solutions or partial solutions to the problem of rent increases in rental mobilehome parks - the diminishing affordability of rental mobilehome parks - to get residents into the driver's seat, so to speak. Is that correct?

SUE LOFTIN: Yes, that's correct.

JOHN TENNYSON: That is the intention of many of the consultants and promoters. I understand that one of the earlier speakers, Mrs. Collier, I believe, lives in a condominium mobilehome park, and she is the one that has incurred a 300 and some dollar increase. How can we say that the conversion of a mobilehome park to resident ownership is an answer to the problems of rent increases when we have these kinds of tremendous rent increases on tenants in converted parks?

SUE LOFTIN: You did give me a tough question, but I want to thank you for the opportunity to answer that question, because I was amazed myself at her testimony. The last code sections, when I cut myself short, pertain to the preparation of the tenant impact report. The tenant impact report is designed - and the purpose is to explain to the city or the local jurisdiction - what relocation benefits are going to be required. If there's no relocation, then relocation should be looked at also as economic eviction. The code sections that would need to be amended to protect residents, such as Mrs. Collier, would be in those last stated ones. In the condominium conversions that I've been involved in, all of the rent structures have been set forth in that document, so people could anticipate what their rent increases would be. For a condominium purchase to be successful, it has to combine two elements. The first element, which another speaker is going to address, is the ability for all residents, regardless of income level, to be able to participate in the purchase if they so desire. That is something that can be accomplished - we've done it to date in eleven condominium conversions - funded people with as low income as \$427 a month. With regard to those people who do not wish to purchase - and you have to be prepared that in all parks, with the exception of two, that I'm aware of, that have not been a hundred percent purchase - the tenant impact report, which becomes a condition of the map, should address those issues to protect people from the outrageous rent increases that she has experienced. I have not heard of that kind of situation in any other park, so I was quite taken aback myself this morning, and I think that is an issue that should be addressed because the conversion - there are two

purposes. First of all, the most important is the economic stabilization, and they have to be designed to stabilize the economic life of the people who wish to participate... (inaudible)... and the local jurisdictions should implement the tools. It is their responsibility by statute to do so. Thank you very much.

SENATOR CRAVEN: Is Marguerite Ferrante here? All right, let's go to Susan Rey, an Associate Director of GSMOL... I see... Okay, next on our agenda is Elodia Gonzales.

ELODIA GONZALES: Thank you, Senator. My name is Elodia Gonzales and I reside Silver Wing Mobilehome Park, 2970 Coronado Avenue, San Diego, California, 92154. I am an Assistant Manager, under Marguerite Ferrante, for the Golden State Mobilehome Owners League. I am also the Vice President of my Chapter in our park. I don't know if you remember me, but I am the one that gets very nervous in front of a microphone. I cannot talk into microphones - they make me very nervous...

SENATOR CRAVEN: You're doing very well...

ELODIA GONZALES: That's what you said the last time but I'm still nervous. So please excuse me if I goof up. Getting back to the leases, as I said the last time I came before you in our meeting in Carlsbad, in our park, there is nothing mutually agreed upon. You are only offered a 5 or a 10-year lease, and, if you don't sign one or the other, you can't move in. They charge you... the new buyers, they charge about \$250 for the 10-year lease and \$300 for the 5-year lease. So, everyone takes the

10-year lease because it's more affordable. Now, that is what we need to know. Most of the old homeowners have not signed a lease, and our rents are raised from \$50 to \$75 each year. And now, most of the homeowners that did sign leases, didn't get their leases until the first raise that put them up to from \$170 to \$236, and then they were told, if you sign the lease, your rents won't go up much more. I think homeowners that signed the leases only went up \$10 this year, and the ones like myself, that didn't sign their lease, their rent went up \$45 this year, so it seems that the park owners are trying to force us to sign the leases. I have told my people, my members from GSMOL, not to sign, and I've been pretty successful, but our rents keep going up a lot more than the people that have signed, so I think what they are trying to do is punish us so that we will sign the leases that we do not want to sign.

Now the park has nothing to show for the \$350 a month that most of the newcomers are paying - we have no recreation room, no swimming pool, no carport, no playgrounds for our children. Now we didn't mind doing without all these things when we were paying \$167 a month, and that's why we moved to this park to begin with. But \$300 just for nothing, we don't think it's fair - and \$250 for the leases on top of that now for the past 4 months, we have been living in the worst of conditions. Our landlord has made a mess of the park. Now, we understand that this had to be done - by that, I mean he put in new electricity, fixings, and new pipes, and new sewers, and everything that he should put, say in a shopping center, not in our old park - and he seems to tell us, every time he does something, he gives us a price of what he is spending, because I guess, when he gets through, he's going to stick it to us on our rent. So he

wants to ease his conscience of what he's going to do after he gets through. Now this has been going on for the last 4 months. The park is all torn up, we have ditches, trenches all over the place, and it's very dangerous. We have been without any lights for some time, for about 8 hours, we've been with no phones, and the reason for all this is because he hired Mexican labor to do most of his work - except for electric, he hired professionals - and then he did not contract, and he just used them when he needed them, and that's why it's taking so long for us to live the way we are. I have pictures to show you that our park looks like they're just building the park - not the people that are living in it but, the way it's torn up, that's the way you tear up a place when you're just putting everything in. And, for people to have to live like this, everybody has complained to me about it, and there's nothing we can do. He says that he's doing his best but, like I say, it has taken him 4 months for something that he could have done if he had hired the right people to do the job. And I think that for what he's using the rent for that he can afford to give us better work, you know, so that we wouldn't have to go through all this for this length of time. And he's still not through. He's messed up our yards, we have no lawn, and I don't know if he will put them in. We were told, when he started, that he was going to do a section at a time, but he hasn't done that. Since the men that were doing the labor did not know what they were doing, they kept digging, and coming back and digging, and it's a mess. Like I say, I have a Cerebral Palsy daughter, and I have pictures that she's having a very hard time getting... if she would fall there, she would be a lot worse off than she is right now. Like I say, sometimes when we're taking a bath, the water would go out and we're all full of soap, and they didn't have to

notify us, because they would tear up a pipe or something, and all he does is apologize. So, I don't know if we should sign our leases, so that we won't get that, but I've heard so much about them now that I don't even think that the leases could protect us. I think that it's just something to cover up for what they want to charge, and I don't know if you would advise people to sign the lease - Mr. Olmsted said mostly what every one of us is going through and the other gentleman, so living in a trailer park is not what we thought it was before. I have here... my landlord gives us a letter every week of what he's doing in the park, and he has some incriminating speeches about me that he doesn't like, even though he said that he didn't think it was me that was sending out the GSMOL letters, but he knows me because I'm the only bilingual. I have a copy here so that I would like you to look into it. Thank you.

SENATOR CRAVEN: Next is Robert Gould, Chapter President of GSMOL. Not here? Okay. Walt Wilson, Assistant Manager, Region 9, Riverside County. All right. Len Wehrman, National Foundation of Manufactured Home Owners.

LEN WEHRMAN: Good morning Senator Craven, Senator Presley...

SENATOR CRAVEN: (inaudible)... during the last few minutes we have been joined by Assemblywoman Tricia Hunter who is not a member of this committee, but whose interest has earned her attendance here today. She has a mobilehome constituency probably as large as anybody in the Legislature. Her district goes up into Riverside county as well as parts of Escondido you are familiar with. I want to thank you for being with us today and want to thank you for the support you have given all along.

LEN WEHRMAN: Thank you. Good morning again, Senator Craven, Senator Presley, Assemblywoman Hunter, Mayor Harmon, John Tennyson, if I may. My name is Leonard Wehrman. I serve in many capacities in this - mobilehome affairs. First of all, I serve on the GSMOL legislative committee and have been around GSMOL for twenty-plus years. I also wear a rather significant hat, that I serve as the national coordinator for all mobilehome associations in the United States, of which there are twenty-one. I have been asked by Dave Hennessy, the President of GSMOL, to stand in for him here today and to make certain comments for this public hearing. Dave wanted to be here in person, but his work schedule simply wouldn't permit it.

Senators Presley, Craven, and Ms. Hunter, on behalf of GSMOL and 150,000 mobilehome owners and members of the league we thank you for holding this public hearing and for the major topic that's up today, "rent, fees and charges in mobilehome parks." We also want to convey our most sincere appreciation to each of you for your leadership, your legislative skills, and for your deep concern for the mobilehome owners in the state of California. President Hennessy wanted me to specifically thank you, Senator Craven, for offering much of the legislation for GSMOL during the past year and in fact, years in the past. We also know that these are trying times for state legislators, both in the Senate and in the Assembly. But your perseverance and your patience has led to much success for homeowners and GSMOL members all across the state, and for that, we thank each of you very much.

SENATOR CRAVEN: Thank you for recognizing the effort. (applause)

LEN WERHMAN: In addition to the Senators and Assemblywoman Hunter, GSMOL is very fortunate to have John Tennyson as the Senate Select Committee Consultant. Besides being a storehouse of knowledge, John is most generous and gracious with sharing his vast array of expertise in working with the homeowners. You need only to phone Sacramento and the Senate Select Committee to find out John's dedication and vast array of knowledge, and, frankly, on behalf of GSMOL, we sincerely appreciate that.

JOHN TENNYSON: Thank you, Len.

LEN WEHRMAN: Perhaps, Senator, some of you are not aware of this, but your outstanding reputation and legislative accomplishments are well known nationwide through the National Foundation of Manufactured Homeowners. As I said previously, in the twenty-one state associations all across the United States, are most interested in the legislation that you offer, and particularly in the legislative summary. I can assure you, that they get most of this material many of them copy or try to emulate what California does.

Senator, if we may, we'd like to make some general comments directly to the theme of this public hearing. The park owners and management, and specifically their attorneys and legal counselors, have placed mobilehome ownership in California and all across the nation in serious peril. At a time when we are all seeking and need good affordable housing and a stable mobilehome community environment, as we've had in the past, they

have through greed and arrogance, and frankly, using millions of dollars of homeowner rent money, put this form of housing on an economic collision course. The four letter word, "rent", has become a battleground. It is a word that even the Two Live Crew albums do not include anymore. No one seems to understand what rent includes, or excludes. Senator, we do need new legislation in 1991 to clearly define and clarify what is rent, what it includes, what it excludes. The term "rent" has become void of any meaning anymore. The park managements are always trying to include anything and everything, even normal repairs, routine maintenance, minor expenses incurred by the management, and just about anything they think that they can pass on to residents. Many times, these are presented to the homeowners just prior to the sale of a mobilehome park, in fact, most of the repairs and maintenance are done as a result of anticipated sales. Specifically, pass-throughs for electricity and natural gas utility distribution system in a mobilehome park that are not under the jurisdiction of the California Public Utility Commission, and this represents a very serious breach of agreement. Public Utilities Code 739.5 and 739, and specifically 739 as it relates to customer service charges, allow for a very generous dollar amount called a differential, a discount if you prefer, to compensate the management for the upkeep of the system, just as though the providing utility corporation was doing it on an average cost basis. According to documentation developed by the Western Mobilehome Association and on each rate application by the utility companies, this differential plus its customer service charges, in certain areas in Southern California, particularly, includes monies for such things as, professional management, that is off-site management, resident management, on-site

management, the reading of meters, replacement of meters, calculation of bills, payment of federal and state taxes on utility systems, interest on utility debts, return on investment, which is allowed on about a 10% rate profit margin, granted to them through the discount, interest on utility debts, maintenance and upkeep on systems, write-off on uncollectible bills, purchase and installation of transformers and such equipment. And frankly, Senators and Assemblywoman Hunter, anything that a utility company would have to do to maintain the system is included in differential that goes to the customer. And when you consider the diversity factor, which are also included, the management is well compensated for the system between the master meter and submeter, which is obviously to the home. GSMOL further believes that this entire issue needs to be further clarified. Legislation for 1991 is highly recommended. In short, except in very unusual circumstances, utility systems are already being paid for by the homeowners, and by the ratepayers, and through the discount the park operators get. We need to clarify and define the term "capital improvements." The IRS Code, the Franchise Tax Code are not... (inaudible)... cost for passing these along to the residents.

Senator Craven, and Members of this Committee, we will leave other comments to those on the agenda wishing to testify. However, we pledge our support to work with you, John Tennyson, and members of the various committees, and others to achieve our goal and objectives. Thank you for being there, each of you, when we needed you. On behalf of GSMOL, and the membership, we are also looking forward to a most productive year in 1991. And, if you have any questions, I will be glad to respond to them.

SENATOR CRAVEN: Thank you, Len. (applause) Next we have Maurice Priest, legislative advocate for GSMOL.

MAURICE PRIEST: Good morning Senator Craven, Senator Presley, Assemblywoman Hunter, John Tennyson and members and GSMOL residents of Escondido. I know that there are many of you here from other areas of Southern California as well. On behalf of GSMOL I want to thank you for having this hearing and for your interest in what we consider to be the number one issue facing mobilehome owners throughout California. As you may know, Senator Presley held a hearing, just over a week ago, in Riverside County, where hundreds of residents of Riverside County echoed the same comments that we've heard this morning about rent, about leases that have been used by park owners to exempt mobilehome spaces from the benefit of local rent control, and so we are well aware of the problem that is facing mobilehome owners in this area and throughout the state. Approximately four years ago when it appeared that mobilehome residents in California had turned the corner in terms of gaining passage of mobilehome rent control ordinances, GSMOL as well as other aspects of the mobilehome industry considered what alternatives we had for escalating rents. Mobilehome rent control ordinances have not been embraced by all cities throughout California. Many cities have been unwilling to do what the City of Escondido has done, what the City of San Marcos has done, and other areas of California.

We've spearheaded, through GSMOL, a legislative program and, through former President Marie Malone, the resident purchase of mobilehome parks,

as one permanent solution to the escalating rent problems, with the single exception of Mrs. Collier's testimony that I also heard this morning about escalating rents. I'm very sorry that she has experienced that and that is, as Ms. Loftin said, the only example that I have heard of something that drastic happening to anyone who was unable to participate in a resident purchase of a park. I'm sorry for her story and what she has experienced, but I'm glad to say that, in terms of a statewide view, that is the exception to the rule. Most residents have been able to benefit when the residents within a mobilehome park have been able to collectively purchase the ground from the park owner.

But in pursuing and exploring alternatives to rent control ordinances when cities no longer seemed enamored with passing rent control ordinances, GSMOL did give serious consideration to the use of leases and rental agreements that would be negotiated between mobilehome owners as well as park owners. At that time, we were looking at the normal business situation, where people in an equal bargaining position are able to negotiate or to hammer out a lease agreement or a rental agreement that may be beneficial to both parties. Not only the mobilehome owner, who has the investment, but also the park owner who is interested in getting rent for that space. You'll recall that, approximately four years ago, GSMOL formulated a GSMOL model lease, that we recommended to be used by GSMOL Chapters and our members. We cautioned against the provisions in many park owner leases that hampered mobilehome owners who were offered those leases and assigned them. And I would say that the level of awareness concerning negative aspects of leases reached an all time high because of the focus that GSMOL gave us. When Civil Code

798.17 passed, authored by Senator Leroy Greene, and it said that, if a lease agreement was entered between a mobilehome owner and the park owner, that space would become exempt from rent control, we totally underestimated the ability of park owners to coerce signatures on those documents. In the ideal business world, given normal arms length negotiations and back and forth discussions, the concept and the theory was a good one, but we underestimated the effect and motivation that park owners would have to gain your signature on those documents at any cost. It was the willingness of cities, such as Escondido and San Marcos to regulate these rents that even caused even greater motivation on the park owners to get your signature. I mean, if some cities were unwilling to give you an ordinance, and they didn't have to bother with a lease agreement, right? Because they could, on a month-to-month basis, increase it to whatever they wanted. But, if your cities were willing to give you rent a control ordinance, then the park owners were more motivated than ever to get your signature on a lease, so that your space would become exempt from the rent control ordinance.

Now, recently, there's been a lot of discussion, and there has been this morning, and I've seen the bulletins that have been prepared by Escondido Mobilehome Positive Action Committee and by Mr. Lenhard, who has spoken, and Mr. Olmsted, and I've seen many of these comments with regard to the passage of SB-2009. And GSMOL worked on SB-2009. It was not what we originally set out to obtain. We wanted to provide far more protections for prospective homeowners than they've ever had under existing law. We could not obtain passage of the original wording of the bill as it went through the legislative process. Certain amendments were made to the

bill, but what we ended up with was a bill that limited the term of leases that gave prospective homeowners the right to review leases and to give them other protections under the lease.

I think, and the comment that I would like to leave with you this morning, particularly those who have been recently insensed or enraged regarding the bill, is that, if I've heard the testimony correctly, most of you within the City of Escondido and many of you in mobilehome parks today have already signed leases with those park owners and that, after you've lived with those leases a number of years, you found out they are terrible leases, that they cost you money and they, basically, guarantee rental increases every year - substantial rental increases. So that, at the time you go to sell your mobilehome, even if the City of Escondido's ordinance applies, and there could be no increase to your prospective homeowner, what I've heard this morning is that the rent has already reached such a level that, in effect, the damage has been done in many cases. It's going to be difficult to sell those mobilehomes whether SB-2009 existed or not. Whether the City of Escondido was willing to protect your prospective homeowner from further increases, the fact that your rents have reached this level has caused the damage. If that is true, and that's what you're experiencing, the answer to that problem that I know exists, is the repeal of Civil Code Section 798.17... a repeal of the Section that says if a park owner somehow finds a way to obtain your signature on a lease, you're exempt from a rent control ordinance. That is at least part of the solution to the problem. The other part would be to continue programs that can encourage and enable you to purchase the parks where you live.

With regard to SB-2009 this year, I was not personally familiar with the specific provisions of the Escondido ordinance, at the time we worked on that. There are, as you know, hundreds of cities throughout the state. We worked closely with the League of Cities on many issues and attempt to brief ourselves in every single aspect of the law that we can. And it's difficult, and I'm not making any excuses for it, but it's difficult to be personally familiar and have expertise in every single ordinance in every single city in the state when you're working on certain aspects of an industry. And I have had a chance since the passage of 2009 to review specific provisions of the ordinance. And because of the rent levels that exist in Escondido anyway, for those of you who have signed leases, I don't know, and I can't conclude yet what an impact it will have on ability to resell if the rents have already reached that level. Because the Escondido ordinance that applies to prospective homeowners does not guarantee a rollback for your buyers, it just enabled them to review the leases that were offered, so that there would be some protection, at least some check upon that. And that's good control. I want you to know that, Senator Craven, and for those of you who are here, GSMOL appreciates the help that cities are willing to give. I wish that there were more cities like Escondido who were willing to adopt ordinances. And we would never, ever, knowingly do anything that would undercut or jeopardize a local ordinance that is willing to help mobilehome owners. We would just never do that. And what we need to focus our attention on now, and the GSMOL legislative committee has already stated that, is the repeal of Civil Code 798.17 that exempts spaces from rent control. It is our number one legislative priority. It's going to be a difficult step

to obtain. It's not going to be easy. What we don't need is mobilehome owners fragmented throughout the state. We don't need groups that are so displeased at what GSMOL may have done in Sacramento, on one particular bill, that you don't help us when we try to go forward and find a solution to the remaining problems. It's going to be a lot of work.

One thing that we did, that was mentioned, I believe, by Ms. Loftin this morning, there was an attempt this year by park owners to take away a city's right to use eminent domain to assist mobilehome owners who want to buy their parks. GSMOL went all out and, with the assistance of Assemblywoman Tricia Hunter, we were able to defeat that bill. Now, what that means is that, if rents take on runaway proportions as they have in many parts of the state, if there is no help in sight for the economic eviction of mobilehome owners, and, if park owners announced the closure of existing mobilehome parks, as Ms. Loftin said, what they were doing in many parts of the state, not because they really intend to close them but because that's another way to put pressure on the mobilehome park residents, and when cities see that the amount of affordable housing is dwindling within their cities, and they want to do something about it, one right they have is to preserve affordable housing through the use of eminent domain, as long as that's not taken away legislatively. We stopped the park owners' bill that would have taken away the rights of cities to use eminent domain to preserve affordable housing and assist mobilehome owners who are interested in purchasing their parks, so that's another thing for which we have to be on guard. But I would ask for your help this year, and I want to thank the Committee for the opportunity to address the issue. But I would sincerely ask for the help of everyone in

this room in our efforts to repeal Civil Code 798.17, to continue assisting with the resident purchase of mobilehome parks, and to make sure that the authority that cities have to adopt favorable ordinances is not further whittled down through legislation at the state level. Thank you very much.

ASSEMBLYWOMAN HUNTER: Maury, just a couple of questions. In my experience, when I rented an apartment, the purpose of signing a lease was to assure that my rent never went up. What's going on with the leases in the mobilehome parks where this is having just the opposite effect, and why would anyone lease in the first place?

MR. PRIEST: Most people who have signed leases and never... and I'll just assume this, okay. I won't try to burden anyone else with this. I'm going to assume it, and I'm going to state it. Most of the park owners or managers, I suspect, have said "Here is our lease. You sign it. Take it or leave it" or words to that effect. Most people when they see a percentage increase written in their lease do not fully appreciate the mathematics and the multiples that take effect over a three or four-year period. That's why we believe that SB 2009 was a significant step when we limited leases to five-years. Because most people don't know until the third or fourth year of the lease how damaging it's going to become. But the other part of the escalating rent is the pass-through clauses that are contained in leases. When the property tax goes up that's passed through. Your utilities are separately billed and in some cases separately metered so you pay your utilities directly. Back in the good old days, when they quoted rent the rent included utilities and

everything else, there were no separate costs. The times have changed, and there are separate meters for conservation, for whatever reason. But, the pass-through on capital improvements - virtually, what used to be described as maintenance and the landlords would use part of their income to do maintenance in the park - many of those things are now portrayed or described as capital improvements, for which you are suppose to be liable. So it's not just the rent figure, it's the pass-through, it's the cost, it's the insurance rates - if there's any increase in that, they can pass that through. Basically, you know, if anything happens in that park that increases it above a certain level that's not rent, that's part of the pass-through, so they get it. And many of them, included on the leases that people have signed, are not 2009 problems. When they sell their mobilehome, there's an automatic increase at the time they sell to the buyer of their mobilehomes. It doesn't take effect, because there's some new state law. It takes effect because there's a transfer of their home to a new buyer, and many of your leases enable the park owner to get another 10 or 15 percent from that prospective homeowner.

SENATOR CRAVEN: I'm going to call a recess for ten minutes. Why don't you use some of that time? Can you do that? All right, let's recess.

(TEN MINUTE RECESS)...

SENATOR CRAVEN: Let us reconvene. First of all, I want to recognize Mayor Harmon here, who has a great interest in the mobilehome community and has worked to help establish city interest in rent and other

problems. He continues to support you and I'm pleased to introduce Mayor Jerry Harmon for a few remarks.

MAYOR HARMON: Senator Craven, thank you. Ladies and gentlemen, I'll try to keep my remarks very brief, because I wanted to use my time to introduce our Assistant City Attorney, Jeffrey Epp, who's going to make some comments on behalf of the City of Escondido. But, I've asked Senator Craven if I could simply make some introductory remarks. I know that the primary purpose of this hearing has to do with park rents, fees, and charges. But I think I would be remiss, and I think many of the residents of Escondido and, perhaps, other communities as well, would like to at least ask that the Select Committee take into consideration the issue of Title 25, when that is appropriate, having to do with the basic concept of whether or not local municipalities should be given more authority in terms of regulating setback requirements and other safety and health issues within mobilehome parks that are in existence in many of our communities already. And, I would simply urge the Select Committee to take a serious look at that, and I know, Senator, that you have, and that there has been legislation proposed on that. It is my hope that we in the cities will be given more opportunities in the future to have greater control over setback requirements for mobilehome coaches and for other specific issues that now we are pre-empted from having authority over by the state. Having said that, I apologize for deviating from the agenda. I would like to introduce again, Jeffrey Epp, who has some comments, especially as it relates to the latest legislation that has been adopted, SB 2009, and the concern that this city shares that we may lose some opportunities to help protect existing residents and future

residents of mobilehome parks as it relates to the issue of this Select Subcommittee Hearing on rent control. With that, I give you Mr. Epp.

JEFFREY EPP: Thank you, Senator Craven and Assemblywoman Hunter. It is a pleasure to be here in front of the committee this morning. I have a handout which I'm going to ask Mayor Harmon to... if you would just take a look at that... it is a mobilehome litigation status report which I've prepared. The League of California Cities and Mobilehome Rent Committee has seen fit to distribute this as part of their materials. My comments today will be centered around that report, and also I would like to talk about the particular ramifications of SB-2009 on the City of Escondido.

First of all, if you will take a look at the mobilehome litigation status report. This is a report that I've prepared and has been kept by our office ever since the passage of mobilehome rent control by Escondido in 1988. You will observe that there are no less than 24 superior court cases on this mobilehome litigation status report. The first twelve are, primarily, Hall-type cases, and I am pleased to say that, at least, the City of Escondido, thus far, has been successful in winning every one of those lawsuits. A lot of people may preach all this from a very gloomy standpoint. We have not had such bad luck here in Escondido. We have prevailed in the state courts, and we are, even at this moment, awaiting a decision from the Fourth District Court of Appeal on a consolidating case involving the first 12 items on your list. The federal courts have, also, been the forum for park owners litigating against Escondido's ordinance. The federal courts, so far, have cooperated in either staying or dismissing the park owner challenges until the state litigation has

concluded. Although I say that we have been successful, the downside is that there are 24 cases that the City of Escondido has had to defend, which represents a frontal assault that park owners have brought against the city and its citizens after the passing of their mobilehome rent control initiative. So, I give that to you for your information and as a way of helping you understand the type of battles that this city has had to face with mobilehome rent control litigation.

The second area that I would like to talk about is the particular effect of SB-2009 on the City of Escondido. There have been some other comments, including some important ones by Maury Priest, just a moment ago, that set the stage for that. And, I would like to suggest some ways in which 2009 can be worked on next year to further the protections that it already provides to prospective purchasers. What has happened in Escondido? In July of 1988 the citizens passed their initiative enacting rent control legislation. Immediately, thereafter, park owners attempted to take advantage of Civil Code Section 798.17 to put people on long-term leases. The Council, through reports from citizens, heard about a lot of abuses of prospective homeowners being forced to sign long-term leases. The park owners quickly took the legal position that prospective homeowners were not covered by the Mobilehome Residency Law. So, the City Council passed Escondido Ordinance 88-50 which extends protection to prospective homeowners - the same protection as the Mobilehome Residency Law. Escondido Ordinance 88-50 not only defines prospective residents in such a way that they would be covered by the Mobilehome Residency Law for purposes of our rent control law but, also, required certifications to be attached to the leases and required that the leases be reviewed by the

City Attorney's Office or the Rent Review Board to determine whether or not all of the protections that are in state law are found somewhere on the face of the leases.

Over the last couple of years we've had extreme resistance from park owners to compliance with that law. At first, the main area was that they didn't want to have their leases reviewed, and the review was conducted solely to make sure that, on their faces, the leases contained the protections set forth in the Mobilehome Residency Law. However, we have now reviewed a lot of those leases, and that seems to be something at least that park owners are accepting, and that's the city review of the leases. I was always struck by the fact that, even though the Mobilehome Residency Law had specific protection for homeowners, the park owners didn't want to put them on the face of the lease, which makes me suspect there is, at least, a problem out there in terms of applying those protections. The next step for us was enforcing 88-50 against park owners who would not offer prospective tenants the option of a month-to-month rental agreement. The park owners took the position very early that the city was pre-empted from having such an ordinance, and we fought this pre-emption battle very heavily in the courts.

If I could address your attention to Case Number 12 on that... oh, I'm sorry, Case Number 13, on that mobilehome litigation status report, it's Escondido Mobilehome Park West vs. the City of Escondido, Case Number N-41735. That was probably our main case in trying to protect Ordinance 88-50 in the court. In that particular case, the City passed the Ordinance, and the park owners challenged the ordinance. The park

owners, then, brought a motion for summary judgment. The City won that motion from summary judgment, so, as of that stage in litigation, the City's Ordinance was still valid. The park owners then took a special writ to the 4th District Court of Appeal. They were unsuccessful in granting that writ. Now it's true that the Court of Appeal rarely grants writs, regardless of the issue, but it gave us some level of encouragement that, at least, the 4th District Court of Appeal was not ready to step in and say that Escondido Ordinance 88-50 was pre-empted. The pre-emption argument was largely focused on the fact that state law covered long-term leases and homeowners in such detailed fashion that the City had no business legislating further in this area. Obviously, thus far, we have been able to fight off that battle, a battle which will probably occur after SB-2009 becomes effective. It's whether or not the pre-emption argument will be renewed. So, one area that I would urge the Committee to look at very closely is whether or not local measures such as Ordinance 88-50, which extends even greater protections for prospective homeowners, would not be permissible under state law. Right now that is uncertain. As a result, I think you've heard from several people this morning. I believe Mr. Colombo was one of those that told you their prosecution was jeopardized because the park owners were now bringing motions to dismiss the City's prosecutions under Ordinance 88-50, raising, again, the pre-emption argument as a result of SB-2009.

Lastly, I would just like to reiterate the very brief comments made by Mayor Harmon. Title 25 of the regulations imposes on cities setbacks of mobilehome parks and has become a very grave concern to us. The need for greater local control in that area is significant. And, while that is

not the subject of this hearing, it would certainly occupy your time quite well to hear arguments on that at a future hearing. So, with that in mind, I thank you very much for the opportunity to talk to you and will entertain any questions I might answer.

SENATOR CRAVEN: Thank you. We do have some questions. Mr. Tennyson?

JOHN TENNYSON: Yes. I had a question concerning your Ordinance 88-50. I understand your considering repealing that Ordinance prior to January 1, 1991. Is that correct?

JEFFREY EPP: We have discussed that with the City Council, but we have taken no formal action to repeal it. At present, we've adopted a sort of wait and see attitude. The concern is that we have some on-going court cases - Mr. Colombo's is one of them - where we are under time deadlines to either press the case forward or give up on it. At some point, we're going to have to be sensitive to those, but, at present, the Council has not taken any action to repeal Ordinance 88-50.

SENATOR CRAVEN: We concur with the action or, if I may use the term inaction, of the council. We have solicited an opinion from the Legislative Counsel relative to some of the interpretive portions of this bill, and I would suggest that we all just kind of stand at ease until we get some definition from them. I might say, too, that, as I've said to some people here today, those things that you find quarrelsome or you know inappropriate, as it relates to the Escondido ordinance, if necessary, we will change things so that we can eliminate that which is

creating a problem, if that be the case. And, if what we have done has been subjected to misinterpretation, we will try to make that clear as well. So, that's about where we stand.

JEFFREY EPP: We appreciate your help in getting the Legislative Counsel's opinion.

SENATOR CRAVEN: Thank you, sir.

JEFFREY EPP: Thank you.

SENATOR CRAVEN: Before we hear from the other local government people, let's go back to the agenda. Now, from the Mobilehome Association, WMA, Mr. Craig Biddle, Legislative Advocate.

CRAIG BIDDLE: Thank you very much, Senator Craven, and Assemblymember Hunter. Let me just make a few brief comments, if I can, and, then, Norm McAdoo, past president of our association, is on your agenda to testify to give you some more specific examples of what goes on in the parks. But as the Legislative Advocate for the Western Mobilehome Association, I had a feeling this morning, speaking here is almost like going to my dentist. I know it's going to hurt... I don't think I'm going to get any applause from the audience when I conclude and leave.

SENATOR CRAVEN: You may get applause for that very fact.

CRAIG BIDDLE: That I have concluded... that's right, Senator. I noticed

you did have a security guard in the back of the room, so I'd ask him to watch very carefully while...

SENATOR CRAVEN: Well, I think that the security guard, to whom you are referring, is a member of the Escondido Fire Department, and I think he's here to see that no one smokes, that good order and discipline are maintained throughout, and that we don't overcrowd the chamber, which would be in violation of the law. Right? So, he is not a security guard.

CRAIG BIDDLE: I remember, Senator, when we were here - I believe it was about two years ago, about the same time, in this very chamber - on a different subject matter at that time. But I do appreciate, our association appreciates, not only your Committee and the work that you've done over the years, but also Mr. Tennyson. And let me state that I think his position paper on the whole issue of rent control was very good. It's a difficult issue that we've been dealing with - our association - going clear back to the seventies, when we did the first statewide rent control bill, as he put down very succinctly, I think, in his position paper, giving the two divergent views and the problems that both GSMOL and WMA have in this entire area and how it's developed over the years. Let me suggest that, when both conflicting sides on an issue like this have problems, I think the most important thing that you have asked today is to come up with some solutions or some suggestions on what we can do. Let me, at least, propose a few of them and suggest a few of them. And, as I say, Mr. McAdoo will be more specific as to what goes on in the parks and particularly in his park.

We believe that one of the primary things that you can do to us, to help the mobilehome park industry, is to develop more mobilehome parks. That is part and parcel of the problem of rent control. You look at rent control, not in Escondido but statewide, and you look at vacancy factors and areas where there are vacancies, and the mobilehome parks in those areas are not completely 100 percent... those areas don't have rent control because you have the free economics of supply and demand that are in operation. You also look at the surveys, not only from our association, but from HCD over the years you'll see that mobilehome parks have not been growing in the last few years as fast as they were in past years. This is part and parcel, I think, because of the threat of rent control, the problems of development, the development fees, and all of these things. So, if you can, you - the State of California - can help in any of those ways, so that we can get more development of mobilehome parks, I think it's going to, at least, have a good chilling effect on the entire issue of rent control. The Legislature, last year, did step number one in that area, and that's when you passed the bill saying that new mobilehome parks in the state of California will be exempt from rent control and that's been a very good encouragement. The mobilehome parks that are not being developed because of the threat of control now can point to that section and say "No," that they won't be governed by rent control and that they will be free from that. We need help in other areas... more help in this area, and I think that's one of the things that you can do for us.

The second suggestion we would make is that many of our parks also have a subsidy program - not only in rent control areas but non-rent control

areas. This is where you have a tenant that doesn't have the ability, because of their economics, their income, and so forth, to take care of the rent, and you set up some kind of a subsidy program, so that, if that individual, if they qualify and so forth, will be eligible for a subsidy program so that the rent increase will be delayed until the proper time - when their mobilehome is sold or whatever happened. We believe that a proper rent control subsidy program will not only be beneficial but will ease the burden in this entire area.

And, then, the third suggestion that we would make - and we would make this not only to you, but I think that it's more appropriate to GSMOL, and I know Mr. Priest is here this morning - we believe in 798.17. It was not only sponsored by our association, but we believe that that it is a good law and philosophy. The philosophy of that law says - and GSMOL supported this bill back in 1985 - the philosophy of that bill said, "Let's solve the rent control, or the rent program with the landlords and the tenants, and the mobilehome parks and mobilehome owners, on a park by park basis," and that's what it was trying to do. We believe that this philosophically can be done. We believe that probably the best way to do this would be for our association and their association to sit down and work out a mutually agreeable long-term lease that both organizations would be agreeable to. You mentioned this morning that they made up a model lease. I don't think it's good for them to make up a model lease, and I don't think it's good for us to make up a model lease. I think the two associations have to do this together. We believe that, like the Greene bill said a few years ago, "this is best settled on a park by park basis." We don't believe that the state can pass a law that's going to

apply to all the parks from Eureka to San Diego. We believe that, maybe, our two associations could sit down at this point and work out a mutually agreeable long-term lease, and not necessitate the state getting involved in this, and that it's subject could change as the years go on. We believe that maybe our two organizations, at this point... maybe, this is what we need to do.

With those suggestions, I'd be glad to answer any questions you had. I know you discussed a lot of legal problems and litigation. I don't have that litigation report - maybe I can get a copy from Mr. Tennyson - but I'd appreciate having that throughout the state. Mr. McAdoo will give you some comments, specifically, on how some of these problems are working in the parks, unless you had a question. John?

JOHN TENNYSON: Mr. Biddle, I had a question concerning the specifics of the subsidy program. Is Mr. McAdoo going to cover that, or can you elaborate on that a little?

CRAIG BIDDLE: Well, I can only tell you this. That we have several organizations, and the biggest organization with WMA is De Anza Corporation, and it has a subsidy program. I can get you the specifics of how it works, what information they obtained, how they delay the payment, and how they do the waivers of the rent and so forth. I can give you their specific program, but I know also other members of our association have... theirs is the most detailed and it's been in existence for the longest time, and I could get you a copy of their specific program.

SENATOR CRAVEN: Thank you, Craig. (applause) Who said you weren't popular in Escondido? Next is Norm McAdoo, the past president of WMA.

NORM McADOO: Good morning, Senator, Assemblywoman Hunter, John, Mayor. I feel a little bit like I ought to change my name to Daniel here.

SENATOR CRAVEN: Well, don't look upon this as a test... just friends.

NORM McADOO: Well, I look upon leases... in my own parks, I think about twelve years ago, my partner and I went to all of our parks. We had a meeting of everybody in the clubhouse, and we told them that we felt they were entitled to know what their future held for them and we were entitled to know what our future held for us. So, we went into lease agreements a long time before the state gave us the authority to do it, and they know what next year's going to bring and we know what next year's going bring. We've had some very satisfied residents for many years in all of our parks, because we did lay out a blueprint for both sides so that we knew where we were going. The last time that we did leases - and Mr. Swanson does my leases which are subject to criticism I'm sure - I sat down with a group of residents, a committee of eight people, and we went through it a paragraph at a time, and we negotiated. I gave them some things they wanted, and they gave me some things that we wanted. So, it's not true in all parks that they are required to sign what they are given. Many, many parks do negotiate leases. And there are many, many mobilehome owners in the state of California that are very content with their lifestyle; they are given a good, good buy in housing.

Rent control has proved it's a short-term fix. It's been proved in Santa Monica - and you read the same newspapers that I do - the low-income people can no longer rent in Santa Monica. The rental housing in Santa Monica is going to the young wealthy. If the landlord is going to be under control, he's going to pick a resident that will not tear up his property - that will pay, you know, everything and be smooth. And the homeless today, and the low-income people, can no longer live in Santa Monica. There's been concern expressed about the effects of the whole vacancy decontrol. The Real Estate Board for the City of San Jose, made a survey. San Jose had vacancy control. They gave up vacancy, they went to vacancy decontrol at the beginning of 1990, so it's been in effect nearly a year. Let me read the sales prices. In 1988, this was an average mobilehome sales price both within the city of San Jose and in the surrounding territory: in 1988, it was \$50,986; in 1989, it was \$53,917; and, in 1990, it was \$58,567. So, vacancy decontrol did not dry up the sales market. It did not drive down the price of the mobilehomes.

You know, everybody has property rights. You folks have property rights and we have property rights, and the difficulty that faces us is drawing the line between the two. I think that, by in large, the majority of mobilehome park owners want to be fair. We're not in the eviction business. We're not in the business of kicking people around. I sat and listened this morning to the amounts of dollars that have been spent in litigation. How much better that money would have been spent in providing housing that people could afford. What a better way to do it. And, we've got to sit down and figure out those ways. Every city and county, practically, in California has a redevelopment agency. By state

law, 20 percent of the money from those redevelopment agencies must be used to address the needs of moderate and low-income people housing. That's a lot of money. In the city of Westminster, I sat in a meeting the other day - we had a joint meeting with the Mobilehome Commission and the Commission on Aging - and it's not a large city, but they had \$4 million in that fund from that 20 percent, and, now, we're deciding as to who gets it. You know, does it go to mobilehomes? Does it go to apartments? The City of Orange took money and used some of it for subsidies for people that could not afford the rent.

The other problem with rent control is that it paints such a broad brush. It hurts the good landlords, and it protects the wealthy tenants, and that isn't what rent control is supposed to do... (Inaudible voices from audience)... There are people in mobilehome parks who do not need to be protected by rent control, and there are people who do need it. If you ask, John, about the subsidy programs that were done, they're largely individual. Orange County on the map there has a program that any park owners can avail themselves of. It's worked through an organizational structure. The resident applies to the county, and they investigate it to see if they are deserving of or in need of a subsidy, and then they work one out. In our park, I just forestalled some rent increases for people that really can't afford it.

I think conversion of parks to tenant ownership does not always work. There's one city in Orange County that asked for rent control, there was only one park in the city, they got it. Then they went back to the city and asked them to rescind the rent control because they needed to

increase the rent to the people like Mrs. Collier this morning, because costs will go up and the people that didn't buy had increased rent. They also asked to do away with rent control so they could finance the park, because many lenders will not lend to parks if they're under rent control. I think purchase of parks is a valid answer in some cases. I don't think we need laws to force purchase of parks. I think that if a group of residents want to come to the park owner and make an offer, they could very well work it out. But, I don't think park owners should be forced to sell their homes, their properties to their residents.

We just want to work with you, Senator. Len Wehrman hit it right on the head. You are the champion of the mobilehome park owners across the nation, I think, and you've done a marvelous job, and you've always been nice for us to work with. I encourage you to continue holding these open hearings, so that we can, hopefully, find some answers together to solve these problems. Thank you very much. John?

JOHN TENNYSON: Yes. I don't know whether this is really fair in terms of the... it's not your issue. Mr. Biddle mentioned development of more mobilehome parks, which was something that you didn't bring up... he did... but I was wondering if you could give us some specifics as to what proposals you might have that the state could consider in terms of promoting the development of more rental mobilehome parks in California?

NORM MCADOO: Ah, yes. We're under the same burden as all other developers with local government fees. About two years ago, I went to a Realtor in Carlsbad, and I asked her to find me a piece of property in

North San Diego County where I could build a park. And her question was, "What can you pay per unit in fees and still build a park?" I said, "Try \$8,000." This is government fees, this is not building costs. She called me about a year later and said, "I can't find any." The City of San Clemente's, where I live, development fees for any kind of unit are like \$19,000 a unit. This goes for sewer, water, storm water, parks and recreation, and all the other things. And, I know that the cities and counties need that money, because the infrastructures are wearing out, just as many of our old parks are wearing out, which is the conversion to other uses, which comes under another issue that we have to solve. That would be one thing. Densities... we need some help from local government with densities. Today, on the land that we try to develop, the best we could get, if we have to put in big double-wides and all that, is like 6, or 7, or 8 to the acre, yet we have to bid against land for apartment owners that could put 24 or 25 units per acre, and we just can't afford that kind of land, so we need some help on density. We have fourteen-wides now which are very, very good living units. They can even be made into duplexes. There are a lot of single women/men by themselves, that don't need a lot of space. Parks could be created where you could have a density of 14 - 15 to the acre, and, if you go to duplexes, you could even increase that. Perhaps, the state could give us some help on local fees, if we are indeed low-cost housing, or in that area, provide for low-cost housing for your housing plan, but we can't do it if we're paying \$20,000 a space for local fees. It just doesn't make sense. They tack the bill to the park and our rents would be higher than any you've heard today. So zoning, if you're in an open area where there is some land available that should be made available to us... there's

still people that would like to get into the park business, you know, today. It's not the joy that it used to be. I've been in it for 33 years. It was a lot more fun 20 years ago. Thank you very much.

SENATOR CRAVEN: Thank you very much. (Applause) Is Mayor Thibadeau here? I didn't see him... the Mayor of San Marcos? All right, how about Dan Henstchke, City Attorney, City of San Marcos? Is Dan here? No? How about Al Ybarra? Mr. Ybarra, the Director for the San Diego County Housing and Community Development. There he is. Okay, Al?

AL YBARRA: Senator Craven, Assemblywoman Hunter, John, Mayor, good morning. My name is Alfredo Ybarra. I'm the Program Manager for the County of San Diego, not the Director. I'm the Program Manager for the County of San Diego, Department of Housing and Community Development. I'm representing the Director of the Department, Gabriel Rodriguez. Mr. Rodriguez could not be here today as planned. On his behalf, I wish to indicate that the County Board of Supervisors has a significant interest in the many issues affecting mobilehome park residents. As a result of this interest, of their interest and concern, the Board of Supervisors established a county-wide Mobilehome Task Force on June 21, 1988, to investigate major issues and recommend solutions to various problems concerning the mobilehome community. Those issues included: affordability, displacement, right of first refusal, resident-park purchase, and new mobilehome park developments, were among the issues with which the Task Force was charged. The Task Force members, appointed by the County Board of Supervisors, included representatives from the Golden State Mobilehome Owners League, Western Mobilehome Association,

the County's Planning Commission, and one representative from each of the County Supervisorial Districts. As a result, the Task Force consisted of 10, I think, very qualified individuals. After 21 months of intensive efforts by the Task Force, the Task Force submitted a comprehensive report with 19 recommendations to the County Board of Supervisors that responded to those major issues previously identified. The Board accepted the final report on March 27, 1990. Then, subsequent to that, the county's Department of Planning and Land Use, Department of Housing and Community Development, and County Counsel, were given the responsibility to review and implement those recommendations, adopted by the Board of Supervisors.

We are pleased to note, with the assistance and leadership of Congressman Ron Packard, efforts to include the Section 8 Foster Program in housing legislation was successful. If enacted, this change in federal housing laws, would allow mobilehomes to be eligible for the Federal Housing Voucher Program. At this time, this legislation is currently being considered. Secondly, the County's looking at the development of a mobilehome rental assistance program to complement the existing Section 8 Program. The goal of the program would be to provide immediate rental assistance to low-income mobilehome owners who are currently paying more than 30 percent of their income toward costs. At this time, this program is being designed, and I have no specific numbers regarding the program structure itself. We are also looking at the possibility of a non-profit organization to provide certain services to mobilehome park residents of the County of San Diego. A mobilehome non-profit could help lower-income housing costs and keep their housing cost at a percentage of income by

informing mobilehome owners of available government benefits. Such services would include, but not be limited to, financial counseling, referrals, and the giving of information. Other recommendations are also being pursued that were part of the Mobilehome Task Force report. These efforts, by the County Board of Supervisors and the members of Mobilehome Task Force, are but a brief description of the concern and efforts directed to the mobilehome community. Again, I'd like to convey our appreciation and gratitude to your committee for this opportunity to be before you. Thank you.

SENATOR CRAVEN: Thank you, Mr. Ybarra. (applause) John has a question.

JOHN TENNYSON: One question, Mr. Ybarra. I understand that a major new housing bill, cosponsored by Senator Alan Cranston in Washington, was passed Friday night or Saturday morning... is this the bill you're referring to, that includes additional Section 8 money that will be available to local governments?

AL YBARRA: I'm not sure. I would have to ask.

JOHN TENNYSON: Could you get that information from your housing people?

AL YBARRA: Yes, I could.

JOHN TENNYSON: Whether that money will be put... it's very important, particularly, if money won't be available for mobilehome owners.

AL YBARRA: Yes, I can find out.

JOHN TENNYSON: I would appreciate that. Thank you.

SENATOR CRAVEN: Thank you very much. Marie Malone is here? Marie, now with her new position, representing The Associates Group. Marie?

MARIE MALONE: Good morning Senator Craven, Assemblywoman Hunter, and the Mayor of Escondido. Just for the record, I'm Marie Malone, the Chief Executive Officer of The Associates Group for Affordable Housing, known as TAG. It is a non-profit public benefit corporation with offices at 362 West Mission Avenue... (tape malfunction)... We've heard a lot today about rent and how it is increasing. We believe that the best way to stabilize your housing costs is resident ownership of the parks. However, before I go into that, I would like to touch on one other thing and suggest corrective action that could be taken by the Legislature to reduce the further erosion of local rent control. I am speaking about de-control, which is, you know, a result of the Hall vs. Santa Barbara case. The value guide or the so-called blue book was a very important factor in that Hall decision. In case your are not aware of it, the blue book, as you know, says that a mobilehome depreciates, it does not appreciate. Using the blue book is as outmoded as the Model T. It is based on the trailer, the Model T of manufactured housing. The trailer was licensed by the Department of Motor Vehicles and, so, treated the same as an automobile. That time has long passed. It cannot be used to determine taxes on any home manufactured now since 1980. Isn't it time we stopped treating our homes as though they were automobiles and treat

them as housing? I would recommend that legislation be introduced to remove the value guide as a means of determining value of a mobilehome, and that we recognize the sales value as the true value of a mobilehome.

I'd like to move on to some of the areas of concern that we face in the Resident Park Purchase Program. You have already heard from Sue Loftin this morning. First, I would ask the Legislature to require cities that want to own mobilehome parks to allow the residents an opportunity to buy them before the city becomes involved in purchasing the park. When the city goes first to purchase a park, they are, in essence, denying the residents the opportunity to become owners, and it condemns the residents to a future of increasing rents and declining equity in their homes. The cities can and do play a very significant role in assisting the residents to purchase their parks, especially the low-income.

Secondly, to assure banks and other financial institutions that their investment loan has a safeguard, I recommend new Mobilehome Residency Law language to Article 9, Section 799, that will include lender rights, as lenders. Right now, we are faced with banks hesitating to loan on shares in corporations, because they cannot foreclose on a share they maintain. Therefore, we would like to have some language included in the law that makes those corporations responsible should a resident fail to repay their loan on the share.

The third and last recommendation I have to offer is for the Senate Select Committee to establish a subcommittee as soon as possible, made up of representatives experienced in resident park purchases. It should

also include representatives from the financial world, and the state and local governments. The committee should be given a specific period of time to develop a recommended legislative package to establish the procedures to be followed in Resident Park Purchase Programs throughout California. Uniform procedures for resident park purchases are desperately needed. Today, the resident park purchase is a hit and miss procedure. It is a new field with everyone doing their own thing and everyone reinventing the wheel, because they do not have guidelines. It is a wide-open opportunity for abuse and could foster bad business practices. We must provide guidelines and, even, parameters, while still in it's infancy and before the consumer is fatally injured.

Any questions?... Following me now, then, will be two professionals, because Sue spoke before, working in the field of resident purchases. They will present suggestions for legislation that will improve their ability to better serve their residents in the Park Purchase Program. These professionals you will hear from have worked with more resident park purchases than anyone else in the State of California. (applause)

SENATOR CRAVEN: Thank you very much, Marie. Next, Gerald Fisher, Mitchell Management Company.

GERALD FISHER: Senator, Assemblywoman, Mayor, John, ladies and gentlemen, it's just about good afternoon. I was instructed to bring something constructive to this meeting, so I will say to you that our system of so-called conversion has been successful. We did three last year. That put about 450 families into ownership. And we've had many,

many celebrations with groups much larger than this with smiles on their faces, not frowns, so there is something nice out of all this. To make this system better, I offer suggestions in three areas. There has been some legislation in the past that I'll call, in your language, "clean-up", dealing with making the residents' procedure of going through an escrow faster and more efficient. In the financing side that Marie Malone had indicated, there are some stumbling blocks dealing with FHA financing. And, the only reason FHA might be an advantage is that secondary markets are created and available to lenders, and then all of a sudden there's more lenders involved. So it helps you all to enjoy loans as single family residence units, rather than as Marie had indicated, something that's really archaic. You're really not mobiles, you're really not trailers, you're a single family unit. We also feel there could be some code sections, perhaps, either modified or enhanced in some way, where cities and counties, working with people like Alfredo, make it easier... make it easier for the city or county to finance and in a faster way. And you may not be aware but, in all due respect to the systems that are available, it takes somewhere between six or nine months, or even longer, before these funds and these loans come down and assist you in whatever endeavor that you wish to put them to. In our transactions we've closed the purchase of parks between 80 and 120 days, and you cannot do that with the existing systems that are in place right now. So, we have to go to some other system we have and it works. I guess that's all I have, unless there's some questions.

SENATOR CRAVEN: Thank you very much.

GERALD FISHER: Good evening.

SENATOR CRAVEN: Good evening? (applause) All right, next this evening is going to be Gerald Gibbs, Attorney at Law.

GERALD GIBBS: Senator, Assemblywoman, Mayor, John. I'm not sure I like the connotation of this evening, Senator.

SENATOR CRAVEN: Well, I was just responding to his comment, that's all.

GERALD GIBBS: I know it's late... I will hurry it up. My background started out a number of years ago warring for persons such as Mr. McAdoo. Later, I switched sides. Once, I made a terrible mistake and represented some residents in a long and terrible battle, but that's not the way to do it, guys.

The way to do it, in my mind, is buy your park. That's the ultimate solution. Obviously, you need a willing seller and an able buyer. So, my concern is, primarily, the able buyer. Financing? Right now, with the demise of the savings and loan institutions throughout the United States, we have a great concern that we are unable to finance the purchase when it becomes available. Mr. McAdoo wants to sell one of his parks to one of his residents, or his group of residents. We have a very tough time achieving the financing in a short time. Mr. McAdoo wants to sell to the De Anza Corporation and they just write him a check. We somehow have to come closer to being a De Anza Corporation when it comes to the purchase of parks. Some of the things that I think will assist

us, and Mr. Fisher touched briefly on the MPAP program and other programs... we need to be able to expand the Mobilehome Park Purchase Program. recently, there's been a change in the interest rate, there's been a change in the amount of financing available to the individual units, but there's still a very large limitation of \$1 million in each park purchase. that deters us in two directions. one, in the very large parks, we're limited to \$1 million, and we may have many, many more low to very low-income persons who would deserve the MPAP Program and just cannot be assisted because of that. In addition, in some of our very small parks, we have 45 and 50-unit parks, 70-unit parks, where everyone is low-income. We'd like to be able to draw on those funds for those park purchases. The \$1 million limitation deters us greatly. When I ask for \$1 million or more in parks, then, I create another problem. And that's just the fact that the MPAP program is limited to somewhere between \$3, \$4, \$5 million every year. We need, as mobilehome owners, to contribute more to that process, perhaps, by increasing the amount we pay. I cringe at that, but I think it's necessary. I think that those persons who are on the tax-rolls should pay, at least upon the sale of their mobilehome, like those who are registered with HCD. They should pay their fair share into the Mobilehome Park Assistance Program. We need to increase it in that fashion. We, also, need to increase it, I think, by a general bond issue at the state level. It's just too small. We're finding a number of park owners who are willing to sell to our residents and our residents are unable to buy for these financing reasons. One of the impediments is the size of the MPAP program. In addition, in the MPAP program, when we passed the 3 percent interest rate and the other nice things, we left one provision, or added one provision,

which declared that financing can, must be limited to 95 percent. In some parks, we really need to have 100 percent financing. It may come from 7 or 8 different sources, but people need to be able to finance up to 100 percent. I think that we should leave that question of percentage of financing to the professionals at HCD who do a tremendous job of controlling the program, and I think that one line should be deleted.

Finally, I think we need a method of financing mobilehomes throughout the state. Large banks have dropped mobilehomes. They're concerned because they're seeing a rash of foreclosures. And we're seeing a rash of foreclosures in conventional housing, but we're also seeing it in mobilehome parks, some of which are due to the fact that we have ever escalating rents. People are just giving up and leaving. To cure that, the banks have stated, at least to us who are dealing in the resident owned parks, they're not lending on mobilehomes in certain resident owned parks. It dismays me, but they've said that. They mentioned that at the last meeting we had in Sacramento, Ms. Hunter. We must cure that problem. And I think that one of the cures to that problem will be a secondary market for mobilehome paper. The only way we're going to get that, I believe, at this time, is to get it at statewide level in some form of insurance, much like the FHA at the federal level. We have to have some form of insurance for paper, that is the money and promissory notes secured by your mobilehome, so it can be resold. Every mobilehome financing, at the present time, goes to the bank, and the bank has to hold that in, what they call, their portfolio. And holding it in their portfolio means they don't have money to lend to other persons. So, they are not taking advantage of an excellent market in the mobilehome field

and I think we should do something to work on that. Thank you very much.

SENATOR CRAVEN: Thank you. (applause) Standing next to you is the City Attorney of the City of San Marcos.

DAN HENTSCHKE: Thank you, Senator. I'm sorry I was late and that I wasn't here when you called previously.

SENATOR CRAVEN: It's perfectly all right, Dan.

DAN HENTSCHKE: I would like to take a very brief period of time for this Committee. As the Senator knows, I have written a letter to you, on behalf of the City of San Marcos, to request clarification with regard to recent legislation that impacts the City Council of San Marcos' effort to protect its local residents from certain practices which it found unconscionable. I understand from Jeff Epp, the Assistant City Attorney here in Escondido, that that issue has been addressed. Therefore, since it has, I will limit my comments and simply ask the Committee if it has any questions? I did testify for the Assembly committee in Sacramento with respect to the conversion issue. My comments before this Committee would be the same, and I really don't think it's necessary to repeat them.

SENATOR CRAVEN: Fine. Very good, Dan. I don't have anything Dan.

DAN HENTSCHKE: Thank you very much.

SENATOR CRAVEN: Oh, you're welcome. And I want to thank you and Corky

for being here with us today... (applause) Let me see here. How about Clara Hennell? Clara Hennell? Am I pronouncing that right, Clara?

CLARA HENNELL: Mr. Mayor, Mr. Craven, Ms. Hunter, and John Tennyson, I'm a little nervous, too.

SENATOR CRAVEN: You needn't be.

CLARA HENNELL: My name is Clara Hennell. I'm with the Vista Cascade Park in Vista. Our park is a divided park. On January 15th we were presented with a purchase plan, but not everybody decided to buy in. I happen to be one that remained on the lease. We have an 18-year lease that we obtained in 1983, which is good until the year 2001. We know exactly where we are. We know exactly what we're going to pay, and we are very happy with that lease. We're elderly people, and we don't think we're going to be able to meet the added expense. We pay \$2850 for our lease. In 18 years, that could have earned a lot of interest. And now, in order to purchase, we pay another \$3500 to purchase into the corporation. That means, that raises the expense on our mobilehome to about \$6000. I have a single mobilehome. I doubt very much that it's worth it to me. I don't think I'll be here in the year 2001, and I'm very happy to just stay where I am. I'm 80 years old, and I don't think I'm going to be here in 2001.

SENATOR CRAVEN: You never can tell.

CLARA HENNELL: I hope I won't be.

SENATOR CRAVEN: Well, I hope whatever transpires, it's to your liking.

CLARA HENNELL: Well, thank you. But, as I say, the purchase was presented to us on January 15th. And, on January the 26th, we received a notice that we are now being assessed a \$25 membership fee. We couldn't understand what that fee was about. But, eventually, it was explained to us that this was a special fee to help with the purchase of the park and to also obtain a reserve fund so that the institution could borrow from a lending institution. Well, we didn't feel, as leaseholders, that we were responsible for any assessment to purchase the park, and we protested that membership fee. Now, we had a meeting with the Board of Directors on May 1st, and we agreed that, if we could help the park in any way, we would add \$25 to our maintenance fee. But the day after that, we received a notice that our maintenance fee was now "maintenance/operation". Now, we feel again that "operation" is the responsibility of the owners of the park and we are, therefore, protesting this \$25. We pay according to our lease, our rent, our utilities, and we pay a maintenance fee of \$25. That is our lease, and we hope that we can stay on our lease. Then, on August 20th, we were given a notice that everyone in the, every resident in the park will become a member of the corporation. Now, we are not members of the corporation. We did not purchase. We don't understand why that applies to us. That is my main contention. Thank you.

SENATOR CRAVEN: Thank you. (applause) Next, is Attorney Dale Hawley.

DALE HAWLEY: Good afternoon.

SENATOR CRAVEN: Good afternoon to you.

DALE HAWLEY: I am Dale Hawley with the law firm of McIntyre and Mitchell, here in San Diego, and we represent a residents group for the acquisition of their park, in helping them acquire their park.

(inaudible)...

I'll try that again. Yeah, I'll turn my volume up just a bit. I am Dale Hawley. I'm with McIntyre and Mitchell, a law firm here in San Diego, that represents resident groups in the acquisition of their park. I was asked by one of the parks to come here today and to address really the issue, I think generally which has really been a concern. And I think it really gets down to the state asking themselves whether or not it's really there to assist the people or whether it's there to be a lender. And if it's there to be a lender, then, to some degree, maybe they should get FDIC insurance, and then open a branch. And I say this in respect to a recent change in the MPAP fund law, specifically, Assembly Bill 3123 as it relates to Section 50783, Subparagraph c. In this particular instance, I believe Mr. Gibbs spoke about this earlier, they have limited the total indebtedness, and I'm quoting here from the subsection, "The total indebtedness upon the mobilehome park may not exceed 95 percent of the value of the collateral to carry the loan." That has been interpreted to mean, there can be no liens, no liens, from any source in excess of 95 percent of the value of the collateral, if the state funds

are to be used. From my position, having had a long career on the financing side - real estate finance with a major lending institution - I find that particular revision onerous and the provision on that - the effect of it essentially will drive the nail in the coffin for low-income financing. And what I'd suggest is really needed, is a fund that promotes equity money for these residents to purchase their mobilehome parks, so that we can get into a reasonable loan from conventional sources. And I must say that there are a number of banks and thrifts and insurance companies out there right now that are willing to make these loans to mobilehome parks, even up to 80 percent of loan to value. And the reason for that, of course, is there are CRA requirements for community reinvestment and act requirements, so they are more than happy to make these loans. The problem is that equity money is needed and, in one park which I'm working, it's all low-income housing, all low-income tenants. They virtually have no source of any other equity funds. They have a difficult enough time in trying to raise funds just to meet the fees for setting up the corporation. We have been working with the County of San Diego very closely, and we've been working with the State of California, and they both have been cooperative. Now we're faced with having to meet this 95 percent, as I said, 95 percent indebtedness requirement which, I must say, is the interpretation from staff counsel that this applies generally across the board to all encumbrances. I take issue with that and, at the present, am writing a letter to the state to explain my position with respect to the interpretation of this particular provision. But, in any event, beyond the scope of this specific case, what's really needed though is the fund for the equity fund that enables these people to go into it at 100 percent of conversion costs. Again, to

be able to work this down to an 80 percent loan to value, conventional financing would then be able to come in and take care of it.

JOHN TENNYSON: Mr. Hawley, are you speaking of equity in the property, equity in the mobilehome, or both?

DALE HAWLEY: Specifically, equity in the property. I would... to me, in looking at this provision when you're talking in terms of 95 percent... typically, when lenders will utilize that 95 percent rule, or an 80 percent rule, they look for, or, in many cases, where they will arbitrarily say that we want no secondary financing behind our loan. The purpose of that, of course, is to primarily keep developers or people who are becoming interested in the property and in the project, so that they won't have, in a sense, an investment where they can just pick up and move. What I really submit is that, in the case of the mobilehome owner in the acquisition of these mobilehome parks, they do, in a sense, have equity in the park in the form of their coaches. They really have no other alternative. We heard this morning from one lady who is having to move her coach to New Mexico at considerable expense. So there is some incentive, if the provision, or if the intent of this provision, which in reading, this section to me looks as though maybe it was added as an afterthought. It doesn't really conform with the language... the rest of this section. And, although it takes effect on January 1st of next year, it affects this one particular low-income park that I'm involved in, because the state now is saying "Well, because of this, we need to have a commitment that there will be an unsecured loan, or that there will be grant money available that will take us out at the end of a 3-year

period" - right, that particular program, that particular transaction, is working with the 3-year interim loan. For a low-income park, that's just impossible. And, the lower the income, and the less means people in the low-income parks have, this really excludes them from this program almost altogether with them having to come up with equity money. Therefore, what I would suggest is that the state look at some means of providing this equity money, be it on an unsecured position or be it a secured position. But, being a secured position, maybe it would be 110 or 115 percent of whatever the value of the collateral is. Without that, I can see little hope for many of the park purchases ever, ever being consummated. To me, in my experience of what I've seen and from my background, I can't help but think that financing is probably the most critical and the most important factor in the conversion of these mobilehome parks that are resident owned parks. And, of course, conversion of the resident home park is one of the most critical factors in preserving the rents, and the rent structure, for the resident to live there.

I just want to say that the procedures for these conversions, the procedures of the Department of Corporations, as streamlined as they are now, cause considerable expense. In a sense, what you have is the staff, imposing upon the residents of the park, requirements that they have disclosures and so forth that protect themselves from themselves. The results of this are, I think, that there are probably suitable alternatives, but I think the result of this is just escalating legal costs, conversion costs, and all of this adds to the expense of the first share and the first space cost of the mobilehome space when it's converted.

SENATOR CRAVEN: Thank you sir. (applause) Ms. Rey, you're at bat now or else the ball game is over. This is Susan Rey, Associate Director of Golden State Mobilehome Owners League, and she has some comments to make which she has reserved for the very end.

SUSAN REY: Yes, I have. And thank you very much, Senator Craven.

SENATOR CRAVEN: You're entirely welcome.

SUSAN REY: My name is Susan Rey. I am Associate Director with GSMOL. I live in a mobilehome park, Rancho San Luis Rey, at 200 North El Camino in Oceanside. I kept my remarks to the end of the session because I felt that what I am doing, being part of the planning team with GSMOL... I wanted to see how many other people were also coming forward with some specific direction for Senator Craven and his Select Committee. I would like to take, first, the theme of this particular hearing, which was rents and fees. The one point that we have not put into the record yet, or called to people's attention, is what increasing rents and fees do to affordable housing. That means that the higher the rent goes, it is considered... a mobilehome park is considered a rent and income producing entity. That's why it is bought by corporations, why it's bought by syndicates, why it's bought by limited partnerships. They look at the bottom line. There's something known as a capitalization formula that is used when one syndicate would sell their park to the other. And, what I'm saying is that you increase rents on that piece of property and, yet, that piece of property is in no way significantly improved. In fact, it has been allowed to deteriorate. This means that our affordable housing

becomes unaffordable, particularly when we are looking at an eventual city purchase, land-trust purchase, state purchase, or resident purchase of affordable housing, which our mobilehomes are one of the few remaining pools of affordable housing for seniors and for beginning families. So, we have to have somewhere at a state level, and it has been suggested, how can we accelerate, how can we facilitate, that conversion process where it makes sense? And, I found several ideas that have already been suggested to you. One of them, interestingly enough, by a park owner, is to do something about development fees at a municipal level. I would suggest, however, that those development fees not be granted to a developer in terms of park owner image, because we all do not appreciate them doing it. But, in terms of some entity being created to develop mobilehome parks as affordable housing, now this will have to be at a state level.

In Colorado, where I come from, they are called authorities which are allowed to go and do a specific thing. They can build a justice center, they can build whatever kind of facility, and whether California will need to come to that kind of a mechanism, that would be something that we would need to legislate into existence, that kind of an instrument. The suggestion for a secondary market for paper, I could suggest one such place. I would just as soon put the money that I now have in a CD into a mortgage on my own mobilehome park. If there could be state legislation suggested so that the homeowners in a mobilehome park can carry their own long-term financing... that may or may not have merit, but it does have some consideration and will, perhaps, facilitate. I think that pretty much touches on the two things. One of them is, we must, I don't know

how, stop the market pressure which makes mobilehomes, as all other housing, become unaffordable. I think that we just need to stop letting so many people come to California because of the sunshine.

SENATOR CRAVEN: Thank you very much. You've made your point (applause). Well, it's now 12:30, and I think we've done quite well. All due, of course, to the cooperation which you have given us. As always, we have a good sounding board in hearings like this. We hear from people that we don't have an opportunity to talk to personally throughout the year, although you do keep in touch with us certainly, but it's nice to see you and have you here and to do it informally.

As you know, a Select Committee is one that does a lot of listening. Select Committees don't vote, as you have come to find out, but what they do is to try to take and glean from the comments that you have made, those things that have great merit and, in addition, have great possibility from the standpoint of legislation. Then the Committee goes back to Sacramento and tries to put legislation together.

Often, with mobilehome bills, in the course of taking them through committee, we end up fighting WMA. We take it to committee, fighting off WMA and, if we're lucky, get it to the Floor; then, we take it to the other house and fight WMA, and take it through the committees there and fight WMA, and have to come back with the same thing year after year.

It gets a little frustrating, but I have to recognize that they have their job to do just as Maury Priest has his job to do. But since I'm a

lot closer to the people who are the residents of the parks, I have a tendency, I think, to look upon the other people as real adversaries, which they are. And they're excellent adversaries - they do a great job on behalf of their people. Norm McAdoo, who I have known for years and have always respected, may comment - Norm could almost tell me anything, because he's very, very convincing. He doesn't overpower you and I think, if you were to investigate, you would find that his operations - and he has several parks - are very, very good, and they are just as he says - they're well run. But, unfortunately, we have a situation where everybody is not quite as benign or as charming, to say the least, as he is. And Craig Biddle, who represents them, has to go out and represent the mass - the whole thing - and, basically, it is a very, very difficult job. We have locked horns on most everything that we've ever gotten involved with. If we've ever agreed on anything, it was probably something that was vetoed anyway.

But, be that as it may, it is a very interesting process and it's made more interesting and more effective by your participation. You've given us of your time and your expertise and your support, and those of us who have had the pleasure of serving you over the years - and that includes the Mayor and Tricia, who's somewhat new to it, although she's run in a lot of elections, but after this one that she wins, she's going to sit down and kind of relax a little bit - hopefully, she can do that. But, those of us who have had the opportunity of working with you are most appreciative for all you have done for us and what we are trying to do is to cooperatively, with the WMA side, GSMOL side, and the personalities of the people here, try to get things blended together and to come back with

a porridge that's palatable. And we try, and we try constantly, but it's made better by your participation.

I know that there are times that you become very disenchanted with what's going on. Believe me, there are a lot of times that I'd like to say, "Well, to hell with the whole thing", and forget it and walk away, but that doesn't really help anything, you know. We come back time after time with bills that we may lose, we do some rewriting and come back next year, and we keep it active. And we keep ourselves kind of revved up and, eventually, we've gotten our share of victories. So, it's all on your behalf, but a great deal of it is because of what you have done in helping us along. You are to really be proud of your own advocate up there, Maury Priest, who does a great job. He has the constancy of attention to what's going on, he's very, very cooperative, and I know he also appreciates hearing from you.

So for all you've done, thank you very much and God bless you.

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SECTION V

S U M M A R Y

OCTOBER 29, 1990

Summary of Testimony

Probably the topic which arose most frequently is the controversy concerning the effects of Senate Bill 2009, Chapter 1046 of the Statutes of 1990. The issue concerns the possible pre-emption by the bill of Escondido's Ordinance 88-50 dealing with protecting prospective homeowners or buyers of mobilehomes in parks from being forced to sign rent-control exempt long-term leases as a condition of tenancy. One resident testified that his legal case against a park owner on this issue will be jeopardized, even retroactively, if the city amends its ordinance in accordance with 2009. Other residents and representatives of park residents testified as to their particular lease problems and their concerns about the reduction in value of their homes when new buyers are forced to sign long-term leases with greatly increased rents. The deputy city attorney stated that local government needs to have the power to regulate long-term leases and requested the committee to consider a resolution to the seeming conflict between the city ordinance and 2009. The committee chairman indicated a Legislative Counsel's opinion on SB 2009's effect on ordinances such as Escondido's has been requested to determine whether further corrective legislation may be necessary in 1991.

Park owner representatives at the hearing did not specifically comment on SB 2009, but did say that lease problems should be addressed by the park owners and residents together, without government interference at the state or local level. One park owner cited a San Jose survey which purported

to show that vacancy decontrol with increased rents does not diminish the resale value of mobilehomes. GSMOL's advocate, however, said there is no negotiation of leases when park owners, managers and their attorneys are pitted against individual homeowners. He advocated the repeal of Civil Code Section 798.17 - the statute enacted in 1985 which authorizes park owners to offer long-term leases of more than one year which are exempt from rent control - as part of the solution to forced leases and large rent increases.

There was testimony from a representative of the National Association of Manufactured Home Owners on the need for defining "rent" and "capital improvements" in the Civil Code, and clarification and perhaps even further regulation of "utility costs".

There was considerable testimony on the need to convert mobilehome parks to resident ownership as the long-term answer to increasing rents and other rental park problems. Park conversion consultants and specialists testified on a host of technical problems with regard to various Revenue and Taxation and Health and Safety Code Sections. One said that code sections citing mobilehome value guides or "blue books" as a sales and tax reference are outmoded in determining the value of mobilehomes and should be repealed. Most consultants agreed more funding was needed for the state's Mobilehome Park Assistance Program(MPAP), which provides limited loans to homeowners trying to buy their parks - through state bonds or other means, and advocated the creation of a secondary market

and state-backed mortgage insurance for resident park purchases. None were really able to answer the question, however, of why one tenant, who testified, incurred more than a \$300 a month rent increase in a resident-owned park, other than to say such tenants who don't participate in the buy-out need to be protected at the time of the conversion.

Western Mobilehome Association representatives stated that rent problems could be partly resolved through the development of more mobilehome parks, thus setting the supply and demand problem on balance. Local government policies, such as restrictive zoning, local building and development fees, and large density requirements were also cited as problems which the state needs to correct in order to encourage more park development. Park owners testified that some owners, such as DeAnza, have their own rent subsidy programs for those low-income tenants who can't afford rent increases. These usually involve giving the park owner lien rights on the home at the time of resale for the difference in back rent and interest. They also suggested that some local governments have rental assistance or subsidy programs for people who can't really afford rent increases.

The San Diego County housing representative focused mainly on the county's Mobilehome Task Force and various federal programs providing funding to the county to assist tenants.

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SECTION VI

A P P E N D I X

OCTOBER 29, 1990

CALIFORNIA COMMUNITIES WITH RENT CONTROL

Jursidiction	Affected Mobilehome Parks Spaces		Coverage	Allowable CPI and Percent of Increase	How Adopted	Vacancy Decontrol	Date Passed
Alameda County	22	712	Mobilehome Only	Automatic 5%	Ordinance	No	12/85
Arroyo Grande	5	498	Mobilehome Only	Lesser of 8% or 75% of CPI	Ordinance	No	5/86
Beaumont	8	459	Mobilehome Only	75% of CPI	Ordinance	Yes	10/84
Benicia	4	317	Mobilehome Only	Rent Review Commission	Ordinance	Yes	9/78
Berkeley	0	0	All Units	Set by Board	Initiative	No	11/78
Beverly Hills	0	0	All Units	Variable formula related to CPI	Ordinance	Yes/to market	3/79
Calistoga	5	569	Mobilehome Only	Rent Review Commission	Ordinance	No	8/84
Camarillo	4	747	Mobilehome Only	Mediation — Arbitration	Ordinance	Yes	12/81
Capitola	8	623	Mobilehome Only	60% of CPI	Ordinance	No	11/79
Carson	28	2,565	Mobilehome Only	Set by Board	Ordinance	No	8/79
Carpinteria	7	866	Mobilehome Only	75% of CPI	Ordinance	No	3/82
Cathedral City	10	2,064	Mobilehome Only	Rent Review Commission	Initiative	Yes to Avg. Rent	3/83
Chino	5	554	Mobilehome Only	66% of CPI	Initiative	No	8/83
Cloverdale	4	165	Mobilehome Only	Rent Review Commission	Ordinance	No	6/86
Clovis	6	582	Mobilehome Only	Rent Review Commission	Ordinance	Yes	9/78
Cotati	3	106	All Units	Set by Board	Initiative	No	11/79
Daly City	1	501	Mobilehome Only	Rent Review Commission	Ordinance	No	6/80
Delano	4	310	Mobilehome Only	50% of CPI	Initiative	No	11/84
East Palo Alto	4	274	All Units	Set by Board	Initiative	No	11/83
Escondido	30	3,585	Mobilehome Only	Set by Board	Initiative	No	6/88

Jursidiction	Affected Mobilehome Parks Spaces		Coverage	Allowable CPI and Percent of Increase	How Adopted	Vacancy Decontrol	Date Passed
Fairfield	9	883	Mobilehome Only	Rent Review Commission	Ordinance	No	11/84
Fontana REPEALED BY COUNCIL 1988			Mobilehome Only		Ordinance		5/85
Fremont	3	726	Mobilehome Only	Greater of \$10 or 3% to 6% or 60% of CPI	Ordinance	No	1/87
Fresno	30	3,942	Mobilehome Only	Rent Review Commission	Ordinance	Yes	12/87
Gardena	28	1,388	Mobilehome Only	Binding Arbitration	Ordinance	Yes	3/87
Gilroy	4	336	Mobilehome Only	Lesser of 5% or 80% of CPI	Ordinance	Yes	5/87
Grover City	3	140	Mobilehome Only	100% of CPI up to 5%; 75% thereafter	Ordinance	10%	12/87
Hayward	16	2,160		Lesser of 3% to 6% or 60% of CPI	Ordinance	No	2/80
Hemet	20	2,805	Mobilehome Only	Rent Review Commission	Initiative	Yes	5/79
Indio	6	528	Mobilehome Only	75% of CPI	Initiative	Yes*	3/84
La Verne	8	1,762	Mobilehome Only	Lesser of 7% or 100% of CPI	Ordinance	\$25	10/84
Lancaster	27	2,584	Mobilehome Only	Binding Arbitration	Ordinance	Yes	3/85
Lompoc	7	654	Mobilehome Only	Lesser of 5% or 75% of CPI to 10%	Ordinance	Lesser of 10% or \$35	12/83
Los Angeles City	78	7,716	All Units	Automatic CPI	Ordinance	10%	8/78
Los Angeles County	Parks are exempt if county approved lease is offered		All Units	8% of CPI	Ordinance	No	3/88
Los Gatos	2	137	All Units	70% of CPI	Ordinance	Lesser of 10% or \$25	10/80
Merced	3	574	Mobilehome Only	Lesser of 8% or 100% of CPI	Ordinance	Yes	5/82
Mono County	SUNSETED 1986		Mobilehome Only		Ordinance		5/83
Montclair	8	620	Mobilehome Only	Lesser of 6% or 80% of CPI	Ordinance	No	11/85
Moorpark	4	270	Mobilehome Only	100% of CPI	Ordinance	5%	9/83

* Space Vacancy Only

Jursidiction	Affected Mobilehome Parks Spaces		Coverage	Allowable CPI and Percent of Increase	How Adopted	Vacancy Decontrol	Date Passed
Moreno Valley	7	809	Mobilehome Only	65% of CPI — 5-8% range	Ordinance	Equal to Previous CPI	7/87
Morgan Hill	9	875	Mobilehome Only	75% of CPI	Ordinance	No	3/83
Morro Bay	15	641	Mobilehome Only	75% of CPI	Ordinance	\$10.00	8/86
Napa REPEALED BY VOTER INITIATIVE			Mobilehome Only		Ordinance		12/82
Oakland	3	49	All Units	6%	Ordinance	Yes	9/80
Oceanside	20	2,401	Mobilehome Only	CPI up to 8% of NOI (Net Operating Income)	Ordinance	No	5/82
Oxnard	25	2,780	Mobilehome Only	Lesser of 3% to 8% or 75% of CPI	Ordinance	\$15	3/83
Palm Desert	4	676	Mobilehome Only	75% of CPI	Ordinance	No	4/80
Palm Springs	14	2,242	All Units	75% of CPI	Ordinance	No	4/80
Palmdale	15	1,455	Mobilehome Only	Set by Board	Ordinance	No	10/85
Paramount	CANCELLED BY REFERENDUM VOTE 1987		Mobilehome Only		Ordinance		7/87
Pismo Beach	2	412	Mobilehome Only	Lesser of 8% or 75% of CPI	Ordinance	No	4/81
Rancho Mirage	6	882	Mobilehome Only	75% of CPI	Initiative	No	7/82
Redlands	8	684	Mobilehome Only	Lesser of 6% to 9% or 75% of CPI	Ordinance	10%	12/82
Rialto	12	1,425	Mobilehome Only	Rent Review Commission	Ordinance	No	9/87
Riverside County	124	12,376	Mobilehome Only	Rent Review Commission	Ordinance	To Avg. 3 highest rents	8/83
Rocklin	3	384	Mobilehome Only	Graduated CPI	Ordinance	10% or \$20	5/82
Rohnert Park	5	1,314	Mobilehome Only	75% of CPI, 4% cap	Initiative	No	12/87
San Francisco	1	56	All Units	Automatic 7%	Ordinance	No	6/79
San Jose	70	11,435		Automatic 5%	Ordinance	No	7/79
San Juan Capistrano	7	1,209	Mobilehome Only	Automatic CPI	Ordinance	Yes	3/79
San Luis Obispo City	15	1,551	Mobilehome Only	100% of CPI up to 75% thereafter with 9% cap	Initiative	10%	6/88

Jursidiction	Affected Mobilehome Parks Spaces		Coverage	Allowable CPI and Percent of Increase	How Adopted	Vacancy Decontrol	Date Passed
San Luis Obispo County	40	2,408	Mobilehome Only	60% of CPI	Initiative	Issue being litigated	6/84
San Marcos	17	3,216	Mobilehome Only	CPI or NOI (Net Operating Income)	Ordinance	Yes	11/80
Santa Barbara City	16	1,487	Mobilehome Only	75% of CPI	Ordinance	10%	9/84
Santa Barbara County	15	960	Mobilehome Only	75% of CPI	Ordinance	No	10/79
Santa Cruz County	36	2,212	Mobilehome Only	50% of CPI, plus limited pass-throughs	Ordinance	No	1/79
Santa Monica	3	286	All Units	Set by Board	Initiative	No	4/79
Santa Paula	9	838	Mobilehome Only	Lesser of 7% or 75% of CPI	Ordinance	No	6/84
Scotts Valley	5	527	Mobilehome Only	75% of CPI	Ordinance	Currently under review	11/80
Simi Valley	6	354	Mobilehome Only	Rent Review Commission	Ordinance	Yes	3/83
Sonoma County	51	3,736	Mobilehome Only	Lesser of 3% to 6% or 60% of CPI	Ordinance	No	6/87
Thousand Oaks	8	897	All Units	Lesser of 3% to 7% or 75% of CPI	Ordinance	No	7/80
Union City	3	918	Mobilehome Only	Lesser of 7% or 90% of CPI	Ordinance	No	5/80
Upland	6	866	Mobilehome Only	125% CPI; 75% CPI over 7%	Ordinance	5% or \$10	12/85
Vacaville	12	1,126	Mobilehome Only	Mediation/Arbitration	Ordinance		12/77
Vallejo	17	1,990	Mobilehome Only	Rent Review Commission	Ordinance	Yes	2/82
Ventura City	18	1,887	Mobilehome Only	Lesser of 7% or 75% of CPI	Ordinance	No	8/81
Ventura County	24	1,421	Mobilehome Only	Automatic 5%	Ordinance	No	2/83
West Covina	2	265	Mobilehome Only	Lesser of 5% to 9% or 100% of CPI	Ordinance	Yes	9/84
West Hollywood	0	0	All Units	Set by Board	Ordinance	10%	6/85
Westlake Village	1	162	All Units	100% of CPI	Ordinance	Yes	6/82
Westminster REPEALED BY COUNCIL 1985			Mobilehome Only		Ordinance		6/81
TOTAL		1,068 Parks 111,934 Spaces					

Court upholds city's rent control law for mobile-home parks

By Mike Burge
Staff Writer

In a case that has drawn nationwide attention, the state 4th District Court of Appeal yesterday ruled that Escondido's mobile-home rent-control ordinance is constitutional and does not illegally seize property from mobile home park owners.

The immediate impact of the ruling means that the North County city can continue to set month-to-month rents in the 3,200 spaces in the city's 28 mobile home parks.

Until a higher court says otherwise, yesterday's ruling is binding on other state courts, meaning that other California cities can draw strength from the case in defending their rent-control laws.

Calling the decision a "major victory," Escondido Mayor Jerry Har-

mon yesterday said, "I am more than pleased. ... Thank heaven the 4th District Court has found in favor of local municipalities using local rent-control ordinances to maintain protection for mobile home residents."

Robert Jagiello, the attorney who argued the case for the park owners, said he will appeal the decision to the state Supreme Court "tomorrow (today), if I can."

Jagiello said that while the state court may have decided in Escondido's favor, "we've got two federal appeal court decisions in our favor. Sooner or later we're going to get our rights vindicated there."

But in the ruling issued yesterday, the majority of a 4th District Court three-judge panel rejected one of

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Mobile: Court upholds Escondido rent control law

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those federal decisions out of hand, saying they found park owners' arguments and the 9th Circuit Court's ruling "unpersuasive."

The 9th Circuit Court's ruling in that case, Hall vs. Santa Barbara, is not binding on the state court.

Park owners had argued that Escondido's rent-control law illegally shifted the value of their property to mobile home residents by increasing the resale value of the coaches.

Justices Howard B. Wiener and Don R. Work, who authored yesterday's majority opinion, said that it may indeed be true that the park owners' property value was transferred to the residents. However, they ruled, "The critical question is whether such a transfer can be justified by a rational governmental purpose, i.e., are the controlled rents fair and reasonable?"

Citing a previous ruling by the same court in a case involving Oceanside's mobile-home rent-control ordinance, the two justices concluded that the "plaintiffs" (park owners) complaints never allege the Escondido ordinance is irrational because it denies them fair and reasonable rents. In the absence of such a contention, we assume the rents are fair."

Justice Richard D. Huffman dis-

sented with his colleagues, arguing that the state court should have sought additional arguments before making its ruling.

Yesterday's ruling, issued under the heading John K. Yee vs. City of Escondido, was a consolidation of 12 cases all challenging the constitutionality of Proposition K, a rent-control ordinance passed by Escondido voters in 1988.

Since the passage of Proposition K, rents in mobile home parks have been reviewed and controlled by the Escondido City Council acting as the Mobile Home Rent Review Board.

In addition to the 12 cases affected by yesterday's ruling, park owners also have filed a string of other lawsuits challenging various aspects of Escondido's rent-control law.

But Escondido Deputy City Attorney Jeffrey Epp said that the case decided yesterday was pivotal.

"This was the biggest facial challenge," Epp said.

Acknowledging the current disagreement between the yesterday's state court ruling and the federal court ruling on the same issue, Epp said, "The Yee (Escondido) case represents mainstream legal opinion on this. Hall (the Santa Barbara decision) is an aberration and Yee is a step in correcting that aberration."

He said yesterday's ruling proves

that Escondido's rent-control ordinance "will withstand constitutional scrutiny on the taking (of property) issue."

Epp estimated that as many as 100 California cities were closely watching the Escondido case, as were innumerable cities on the East Coast.

San Marcos City Attorney Dan Hentschke was among those, because San Marcos' rent-control law is undergoing a nearly identical challenge. Hentschke has consulted with Escondido's attorneys on its defense, and both cities have hired Don Lincoln of Endeman, Lincoln, Turek & Heater to help them in their defense.

"We're obviously very pleased," Hentschke said about yesterday's ruling. "We think the majority has correctly ruled."

Hentschke goes before the same court in two weeks to argue San Marcos' defense.

Lincoln yesterday said the decision was "very good news" for Escondido and the "several dozen" other California cities that are fighting rent-control cases. But he added that the final outcome of the rent-control battle will "obviously depend on what the California Supreme Court does and conceivably what the U.S. Supreme Court does."

In spite of yesterday's setback, however, Jagiello sounded trium-

phant.

Citing a state law that takes effect on Jan. 1 that allows park owners to offer prospective park residents long-term leases — which are exempt from rent-control — but does not require them to offer month-to-month rents, Jagiello said, "We've got complete vacancy de-control."

Park owners have argued that the new state law, SB 2009, allows them to set their own rates for leases as mobile home park spaces open up.

That law is currently under study, and state Sen. William Craven, R-Oceanside, has said he will propose new legislation if the park owners' contention proves accurate.

Jagiello also said that it might take two or three years, but he will fight the Yee decision all the way to the U.S. Supreme Court, if necessary.

"The city can keep fighting but they're going to lose," he said.

Harmon, however, who has long championed the cause of mobile home residents and helped pass Proposition K, sounded a different note.

"If we lose the ability to control rents in a monopolistic environment it will devastate economically those mobile home owners who have invested their life savings in their coaches," he said. "It would be too bad and unfair."

Senate Bill No. 2009

CHAPTER 1046

An act to amend Section 798.17 of the Civil Code, relating to mobilehome parks.

[Approved by Governor September 18, 1990. Filed with Secretary of State September 19, 1990.]

LEGISLATIVE COUNSEL'S DIGEST

SB 2009, Craven. Mobilehome parks: rental agreements exempt from rent control.

Existing law authorizes mobilehome parks to offer rental agreements in excess of 12 months which are exempt from local rent control if the rental agreement and the manner of its offer meet certain criteria. Persons offered these rental agreements have the right to refuse them or to cancel them within 72 hours of their execution. Persons refusing such a rental agreement are under existing law entitled to a rental agreement of 12 months, or less at their option, upon the same terms offered in the rental agreement exempt from local rent controls, except for options to extend or renew. Existing law also requires any escrow, sale, or transfer agreement for a mobilehome in a mobilehome park to contain a copy of a rental agreement fully executed by the purchaser, or the purchaser acquires no rights of tenancy.

This bill would separately prescribe conditions for offering rental agreements exempt from local rent controls to homeowners or prospective homeowners in a mobilehome park, would specify conditions relating to the initial term, extension, and mandatory assignment of those agreements entered into on or after January 1, 1991, and would make technical and clarifying changes in the existing law. The bill would authorize mobilehome parks to make entry into such an agreement a prerequisite of tenancy for prospective homeowners.

The bill would incorporate additional changes in Section 798.17 of the Civil Code proposed by SB 2010, to be operative only if SB 2010 and this bill are both chaptered and become effective January 1, 1991, and this bill is chaptered last.

The people of the State of California do enact as follows:

SECTION 1. Section 798.17 of the Civil Code is amended to read:
798.17. (a) Rental agreements meeting the criteria of subdivision (b) shall be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount that a landlord may charge a tenant for rent. The terms of such a rental agreement shall prevail

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— 2 —

over conflicting provisions of such an ordinance, rule, regulation, or initiative measure limiting or restricting rents in mobilehome parks only during the term of the rental agreement or one or more uninterrupted, continuous extensions thereof. If the rental agreement is not extended and no new rental agreement in excess of 12 months' duration is entered into, then the last rental rate charged for the space under the previous rental agreement shall be the base rent for purposes of applicable provisions of law concerning rent regulation, if any.

In the first sentence of the first paragraph on the first page of a rental agreement entered into pursuant to this section, there shall be set forth a provision in at least 12-point boldface type if the agreement is printed, or in capital letters if the agreement is typed, giving notice that the agreement will be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount that a landlord may charge a tenant for rent.

(b) Rental agreements subject to subdivision (a) shall, except as provided in subdivision (e), meet all of the following criteria:

(1) The rental agreement shall be in excess of 12 months' duration.

(2) The rental agreement shall be entered into between the management and a homeowner for the personal and actual residence of the homeowner.

(3) The homeowner shall have at least 30 days from the date the rental agreement is first offered to the homeowner to accept or reject the agreement.

(4) A homeowner who executes a rental agreement pursuant to this section may rescind the agreement by notifying the management in writing within 72 hours of the homeowner's execution of the rental agreement.

(c) If pursuant to subdivision (b) the homeowner rejects the offered rental agreement or rescinds a signed rental agreement, the homeowner shall be entitled to instead accept, pursuant to Section 798.18, a rental agreement for a term of 12 months or less from the date the offered agreement was to begin. In the event the homeowner elects to have a rental agreement for a term of 12 months or less, including a month-to-month tenancy, the rental agreement shall provide the same rental charges, terms, and conditions as a rental agreement offered pursuant to subdivision (b), during the first 12 months, except for options, if any, contained in the offered rental agreement to extend or renew the agreement.

(d) Nothing in subdivision (c) or (e) shall be construed to prohibit the management from offering gifts of value, other than rental rate reductions, to homeowners or prospective homeowners who execute a rental agreement subject to subdivision (a).

(e) If a new rental agreement subject to subdivision (a) is offered to a prospective homeowner, including a purchaser of a mobilehome

already located in a park, the prospective homeowner shall have at least 10 working days from the date the rental agreement is first offered to accept or reject the agreement. The prospective homeowner shall have the right to rescind the rental agreement after signing it by notifying the management in writing within 72 hours of the execution of the rental agreement. If the prospective homeowner rejects the offered rental agreement or rescinds a signed agreement, nothing in this section shall be deemed to entitle the prospective homeowner to instead accept a rental agreement pursuant to Section 798.18. The execution of an offered rental agreement and its subsequent rescission shall not be deemed to create any rights of tenancy on behalf of the prospective homeowner in the mobilehome park.

(f) Any rental agreement subject to subdivision (a) which is first entered into on or after January 1, 1991, shall be subject to the following conditions:

(1) No extension of the rental agreement beyond the initial stated term shall be renewable at the sole option of either the park management or the homeowner. The initial stated term of the rental agreement shall not exceed five years, unless (A) the rental agreement was voluntarily entered into by the homeowner and was not a mandatory requirement or prerequisite to tenancy or (B) Chapter 1 (commencing with Section 11000) of Part 2 of Division 4 of the Business and Professions Code is applicable to the tenancy established by the rental agreement and there has been compliance with the applicable requirements of those provisions.

(2) A provision of a rental agreement requiring assignment of the rental agreement to a purchaser or transferee is void and unenforceable, except as follows:

(A) A rental agreement may contain such a provision if (i) the rental agreement was voluntarily entered into by the homeowner and was not a mandatory requirement or prerequisite to tenancy or (ii) Chapter 1 (commencing with Section 11000) of Part 2 of Division 4 of the Business and Professions Code is applicable to the tenancy established by the rental agreement and there has been compliance with the applicable requirements of those provisions.

(B) A rental agreement which requires the assumption thereof by a purchaser or transferee of a mobilehome in a park during the initial term of the rental agreement, not to exceed five years, shall be enforceable for that term, and the purchaser or transferee for that term shall not be entitled to terminate the rental agreement pursuant to Section 798.59.

This subdivision does not apply to rental agreements first entered into before January 1, 1991, regardless of whether the rental agreement has been assigned one or more times to purchasers or transferees of the homeowner who originally entered into that rental agreement and his or her successors in interest.

(g) This section does not apply to or supersede other provisions

of this part or other state law.

SEC. 2. Section 798.17 of the Civil Code is amended to read:

798.17. (a) Rental agreements meeting the criteria of subdivision (b) shall be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount that a landlord may charge a tenant for rent. The terms of such a rental agreement shall prevail over conflicting provisions of such an ordinance, rule, regulation, or initiative measure limiting or restricting rents in mobilehome parks only during the term of the rental agreement or one or more uninterrupted, continuous extensions thereof. If the rental agreement is not extended and no new rental agreement in excess of 12 months' duration is entered into, then the last rental rate charged for the space under the previous rental agreement shall be the base rent for purposes of applicable provisions of law concerning rent regulation, if any.

In the first sentence of the first paragraph on the first page of a rental agreement entered into pursuant to this section, there shall be set forth a provision in at least 12-point boldface type if the agreement is printed, or in capital letters if the agreement is typed, giving notice that the agreement will be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount that a landlord may charge a tenant for rent.

(b) Rental agreements subject to subdivision (a) shall, except as provided in subdivision (e), meet all of the following criteria:

(1) The rental agreement shall be in excess of 12 months' duration.

(2) The rental agreement shall be entered into between the management and a homeowner for the personal and actual residence of the homeowner.

(3) The homeowner shall have at least 30 days from the date the rental agreement is first offered to the homeowner to accept or reject the agreement.

(4) A homeowner who executes a rental agreement pursuant to this section may rescind the agreement by notifying the management in writing within 72 hours of the homeowner's execution of the rental agreement.

(c) If pursuant to subdivision (b) the homeowner rejects the offered rental agreement or rescinds a signed rental agreement, the homeowner shall be entitled to instead accept, pursuant to Section 798.18, a rental agreement for a term of 12 months or less from the date the offered agreement was to begin. In the event the homeowner elects to have a rental agreement for a term of 12 months or less, including a month-to-month tenancy, the rental agreement shall provide the same rental charges, terms, and conditions as a rental agreement offered pursuant to subdivision (b), during the first 12 months, except for options, if any, contained in the offered

rental agreement to extend or renew the agreement.

(d) Nothing in subdivision (c) or (e) shall be construed to prohibit the management from offering gifts of value, other than rental rate reductions, to homeowners or prospective homeowners who execute a rental agreement subject to subdivision (a).

(e) If a new rental agreement subject to subdivision (a) is offered to a prospective homeowner, including a purchaser of a mobilehome already located in a park, the prospective homeowner shall have at least 10 working days from the date the rental agreement is first offered to accept or reject the agreement. The prospective homeowner shall have the right to rescind the rental agreement after signing it by notifying the management in writing within 72 hours of the execution of the rental agreement. If the prospective homeowner rejects the offered rental agreement or rescinds a signed agreement, nothing in this section shall be deemed to entitle the prospective homeowner to instead accept a rental agreement pursuant to Section 798.18. The execution of an offered rental agreement and its subsequent rescission shall not be deemed to create any rights of tenancy on behalf of the prospective homeowner in the mobilehome park.

(f) Any rental agreement subject to subdivision (a) which is first entered into on or after January 1, 1991, shall be subject to the following conditions:

(1) No extension of the rental agreement beyond the initial stated term shall be renewable at the sole option of either the park management or the homeowner. The initial stated term of the rental agreement shall not exceed five years, unless (A) the rental agreement was voluntarily entered into by the homeowner and was not a mandatory requirement or prerequisite to tenancy or (B) Chapter 1 (commencing with Section 11000) of Part 2 of Division 4 of the Business and Professions Code is applicable to the tenancy established by the rental agreement and there has been compliance with the applicable requirements of those provisions.

(2) A provision of a rental agreement requiring assignment of the rental agreement to a purchaser or transferee is void and unenforceable, except as follows:

(A) A rental agreement may contain such a provision if (i) the rental agreement was voluntarily entered into by the homeowner and was not a mandatory requirement or prerequisite to tenancy or (ii) Chapter 1 (commencing with Section 11000) of Part 2 of Division 4 of the Business and Professions Code is applicable to the tenancy established by the rental agreement and there has been compliance with the applicable requirements of those provisions.

(B) A rental agreement which requires the assumption thereof by a purchaser or transferee of a mobilehome in a park during the initial term of the rental agreement, not to exceed five years, shall be enforceable for that term, and the purchaser or transferee for that term shall not be entitled to terminate the rental agreement

pursuant to Section 798.59.

This subdivision does not apply to rental agreements first entered into before January 1, 1991, regardless of whether the rental agreement has been assigned one or more times to purchasers or transferees of the homeowner who originally entered into that rental agreement and his or her successors in interest.

(g) With respect to any space in a mobilehome park which is exempt under subdivision (a) from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity that establishes a maximum amount that a landlord may charge a tenant for rent, the mobilehome park shall be exempt from any fee or other exaction imposed pursuant to such an ordinance, rule, regulation, or initiative measure or imposed for the purpose of defraying the cost of administration thereof.

(h) This section does not apply to or supersede other provisions of this part or other state law.

SEC. 3. Section 2 of this bill incorporates amendments to Section 798.17 of the Civil Code proposed by both this bill and SB 2010. It shall only become operative if (1) both bills are enacted and become effective on January 1, 1991, (2) each bill amends Section 798.17 of the Civil Code, and (3) this bill is enacted after SB 2010, in which case Section 1 of this bill shall not become operative.

City of Escondido

MOBILEHOME
LITIGATION STATUS REPORT
(As of October 29, 1990)

In the following cases, the City's General Demurrer to the action was sustained without leave to amend. Court dismissed the action on its own motion, and Final Orders have been entered. Appeals and briefs have been filed, and oral arguments held, in the Fourth Appellate District. Each of the cases involves "Hall" type takings allegations. All cases have been consolidated for decision under Yee v. City of Escondido, Case No. N 42268, App. No. D010307.

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| 1. VISTA VERDE, LTD. v. CITY OF ESCONDIDO | CASE NO. N 43873 |
| 2. H.N. & FRANCES C. BERGER FOUNDATION
v. CITY OF ESCONDIDO | CASE NO. N 43874 |
| 3. CASA DE AMIGOS MOBILE HOME ESTATES
v. CITY OF ESCONDIDO | CASE NO. N 43837 |
| 4. MOUNTAIN SHADOWS MOBILE HOME ESTATE
v. CITY OF ESCONDIDO | CASE NO. N 43830 |
| 5. DEL DIOS MOBILE HOME ESTATES & ADVANCE
INVESTMENT v. CITY OF ESCONDIDO | CASE NO. N 43698 |
| 6. RICHARD KUEBLER, d/b/a MOONGLOW MOBILE HOME
PARK v. CITY OF ESCONDIDO | CASE NO. N 43740 |
| 7. TACEY, MILDRED v. CITY OF ESCONDIDO | CASE NO. N 44650 |
| 8. IMPERIAL ESCONDIDO MOBILEHOME
ESTATES v. CITY OF ESCONDIDO | CASE NO. N 43926 |
| 9. DE JONG, Glenn & Wanda v. CITY OF ESCONDIDO | CASE NO. N 43927 |
| 10. ESCONDIDO MOBILEPARK WEST I & II v. CITY
OF ESCONDIDO | CASE NO. N 43925 |
| 11. LAKE BERNARDO MOBILEHOME ESTATE/DOLLEY
v. CITY OF ESCONDIDO | CASE NO. N 43924 |
| 12. YEE v. CITY OF ESCONDIDO | CASE NO. N 42268 |

The following case is set for trial on December 17, 1990. The case challenges Ordinance 88-50 on preemption and other grounds. The Plaintiffs filed a Motion for Summary Judgment seeking to declare Ordinance 88-50 invalid. The motion was denied. Plaintiffs then sought extraordinary relief by means of a Petition for Writ of Mandate in the Fourth Appellate District (D011139). The petition was denied on December 4, 1989.

✓ 13. ESCONDIDO MOBILEHOME PARK WEST
v. CITY OF ESCONDIDO

2009 case
CASE NO. N 41735

The following case challenged the rollback provisions of the Rent Protection Ordinance. It was set for trial on December 17, 1990, but has just been dismissed by the park owner.

14. ESCONDIDO MOBILEHOME PARK WEST
v. CITY OF ESCONDIDO

CASE NO. N 40547

The following case presents a "Hall" type takings allegation, but has been filed in Federal Court. The Federal Court has stayed the case until the Plaintiff exhausts its State Court remedies.

15. YEE, JOHN & IRENE v. CITY OF ESCONDIDO

FED.CASE NO. 890234B

The following Federal cases raised constitutional challenges to the procedures and decisions of the Rent Review Board. In No. 16, The City's Motion to Dismiss has been granted. In No. 17, another Federal District Court Judge simply "continued" the City's Motion to Dismiss until the State Appellate case has been decided.

16. KUEBLER, d/b/a MOONGLOW MOBILEHOME PARK

v. CITY OF ESCONDIDO (This case has
presently been appealed to the Ninth Circuit)

FED.CASE NO. 891607E

17. CAREFREE RANCH, LTD. v. CITY OF ESCONDIDO

FED.CASE NO. 891929T

The following state court case sought Writ of Mandate relief, alleging procedural deficiencies in hearings before the Rent Review Board. The case was resolved in favor of the City; no appeal was filed.

18. DEL DIOS MOBILEHOME ESTATES v. CITY OF
ESCONDIDO

CASE NO. N 45485

The following state court case is an enforcement action brought to enforce the provisions of Escondido Ordinance 88-50. Trial is set for December 17, 1990.

19. CITY OF ESCONDIDO v. DeJONG

CASE NO. N 44626

The following case was filed in U.S. Bankruptcy Court. Litigation is on hold because the park is in escrow for sale to the tenants.

20. In Re DEL DIOS MOBILEHOME ESTATES, d/b/a THE
VIEWS, et al.

CASE NO. 90-90170

The following two cases seek a Writ of Mandate. The Writ challenges the methods used by the Rent Review Board to calculate rent increases. The City's first demurrer was sustained with leave to amend. The Plaintiffs amended.

21. CAREFREE RANCH, LTD. v. CITY OF ESCONDIDO,
MOBILEHOME PARK RENT REVIEW BOARD, et al.

CASE NO. N 45913

22. VALLEY PARKWAY MOBILEHOME PARK v. CITY OF
ESCONDIDO, MOBILEHOME PARK RENT REVIEW
BOARD, et al.

CASE NO. N 45914

The following case is a complaint for Declaratory Relief challenging the City's mobilehome application and space registration fees:

23. AMICORP, INC. v. CITY OF ESCONDIDO, et al.

CASE NO. N 47933

The following case challenges the City's method of calculating rent increases on the basis of Searle v. City of Berkeley:

24. AMICORP, INC. v. CITY OF ESCONDIDO, et al.

CASE NO. N 47933

ORDINANCE NO. 88-50

AN ORDINANCE OF THE CITY COUNCIL OF
THE CITY OF ESCONDIDO, CALIFORNIA,
CLARIFYING THE MOBILE RENT PROTECTION
ORDINANCE CONCERNING THE TREATMENT OF
LONG TERM LEASES AFFECTING CURRENT
AND NEW TENANTS

The City Council of the City of Escondido, California,
in order to clarify the Ordinance of the City of Escondido
Establishing Mobilehome Rent Protection (the "Rent Protection
Ordinance") DOES HEREBY ORDAIN as follows:

SECTION 1. For the purpose of implementing the Rent
Protection Ordinance the term "Tenant" shall be understood to
mean not only a person who has an existing tenancy in a mobile
home park but also a person who has purchased or is in the
process of purchasing or otherwise acquiring a mobilehome that
will remain at that particular park.

SECTION 2. Leases in excess of 12 months shall be
treated as follows:

(a) Before any rental agreement or lease in excess of
12 months is offered to any tenant, it must first be submitted to
the Rent Review Board (the "Board") for review to determine if it
complies with the terms of the Rent Protection Ordinance. It
shall not be offered to the tenant until the proposed lease or
rental agreement has been approved by the Board.

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(b) Before any rental agreement or lease in excess of 12 months is executed by the tenant the owner must (1) offer the tenant the option of a rental agreement for a term of 12 months or less, (2) provide the tenant with a copy of the Rent Protection Ordinance, and (3) inform the tenant both orally and in writing that if the tenant signs a lease or rental agreement with a term in excess of 12 months which has been reviewed and approved by the Board in accordance with the provisions of the Rent Protection Ordinance, the lease or rental agreement may not be subject to the terms and protections of the Rent Protection Ordinance.

(c) A lease or rental agreement in excess of 12 months executed by a tenant shall not be exempt from the Rent Protection Ordinance unless it complies with each and every requirement in Civil Code Section 798.17(a) thru (c) for exemption for such leases or rental agreements offered to "homeowners".

SECTION 3. This ordinance shall take effect immediately after the date of its adoption.

SECTION 4. SEPARABILITY. If any section, subsection, sentence, clause, phrase or portion of this ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision and such holding shall not affect the validity of the remaining portions hereof.

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SECTION 5. That all ordinances, or parts of ordinances, in conflict herewith are hereby repealed.

SECTION 6. That the City Clerk is hereby directed to certify to the passage of this ordinance and cause the same, or a summary prepared in accordance with Government Code Section 36933, to be published one time within 15 days of its passage in the Times Advocate, a newspaper of general circulation, printed and published in the City of Escondido.

DECLARATION OF URGENCY

Certain park owners are informing prospective mobilehome purchasers that the purchaser must sign a long term lease as a condition of the park owner's approval of the sale. As a result purchasers and prospective purchasers of mobilehomes in Escondido could be denied the benefits of the Rent Protection Ordinance. In addition the actions of these park owners are causing substantial hardships to current mobilehome owners. Some current mobilehome owners have jobs waiting for them out of state, and escrows on other residences that are about to close but the actions of these park owners have discouraged and frustrated sales of their mobilehomes. Other current homeowners, particularly those who are elderly, are very concerned and worried that if a long term lease is required that they also will be unable to sell their mobilehomes. This situation has the potential to cause, if it has not already caused, adverse effects on the health and welfare of Escondido citizens. Therefore, in order to prevent any additional hardships and adverse affects on

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the health and welfare of Escondido citizens it is necessary to immediately clarify the fact that the Rent Protection Ordinance was intended to provide protection not only for existing mobilehome owners but also for purchasers and prospective purchasers of mobilehomes in the City of Escondido.

MOONGLOW MOBILEHOME PARK MOBILEHOME 60-MONTH SPACE LEASE

- A. SPACE NO. 29, MOONGLOW MOBILEHOME PARK, 900 Howard Avenue, Escondido, CA 92025
- B. DATE this agreement is signed: JUL 31 1989
- C. DATE on which the term of this agreement BEGINS: 1 August 1989
- D. DATE on which the term of this agreement ENDS: 1 August 1990
- E. PURCHASERS: Phillip Colombo Alice Colombo
Tera Colombo Shandi Colombo
- F. BASE RENT: \$ 241.00 per month
- G. LEASE FEE: \$1,000.00 (Waived per Paragraph 5? [☒ YES] NO)
- H. DATE on which rent will first be adjusted and ANNIVERSARY DATE for future adjustment: 1 August 1990
- I. TERM of Lease : 60 months (5 years) \$289.20 1ST YEAR

THIS AGREEMENT WILL BE EXEMPT FROM ANY ORDINANCE, RULE, REGULATION, OR INITIATIVE MEASURE ADOPTED BY ANY LOCAL GOVERNMENTAL ENTITY WHICH ESTABLISHES A MAXIMUM AMOUNT A LANDLORD MAY CHARGE FOR RENT (CALIFORNIA CIVIL CODE SECTION 789.17).

INFORMATION ON THE MOBILEHOME DESCRIBED IN THIS LEASE

LEGAL OWNER'S NAME: Phillip and/or Alice Colombo

ADDRESS: 900 Howard Avenue, Space 29, Escondido, CA 92025

TELEPHONE NUMBER:(include area code) (619)747-0890

REGISTERED OWNER'S NAME: Same as Legal Owner

ADDRESS: _____

TELEPHONE NUMBER:(include area code) _____

MAKE OF MOBILEHOME: Skyline

MODEL OF MOBILEHOME: Singlewide

YEAR OF MANUFACTURE: 1975

VEHICLE IDENTIFICATION NOS.: (1) S2315 (2) _____

LICENSE OR DECAL NOS.: (1) LY8475 (2) _____

THE PURCHASERS WHOSE NAMES ARE LISTED AT (E) ON THE FRONT OF THIS DOCUMENT, AGREE TO LEASE THE SPACE LISTED AT (A) FOR THE PERIOD AND ACCORDING TO THE TERMS SET FORTH IN THIS AGREEMENT. THIS IS NOT A RESIDENTIAL LEASE. IT IS A LEASE FOR SPACE ONLY. PURCHASERS MUST PROVIDE THEIR OWN RESIDENCE AND ARE COMPLETELY RESPONSIBLE FOR THAT RESIDENCE. THIS AGREEMENT WILL BE EXEMPT FROM ANY ORDINANCE, RULE, REGULATION, OR INITIATIVE MEASURE ADOPTED BY ANY LOCAL GOVERNMENTAL ENTITY WHICH ESTABLISHES A MAXIMUM AMOUNT A LANDLORD MAY CHARGE FOR RENT (CALIFORNIA CIVIL CODE SECTION 789.17).

1. TERM:

The TERM of this agreement shall be the period listed at (I) above beginning at the date listed at (C) and ending at the date listed at (D) on the front page of this Lease. This agreement will be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount a landlord may charge for rent.

2. RENT:

2.1 BASE RENT:

PURCHASERS will pay the BASE RENT set forth at (F) above for the first twelve (12) months this lease is in effect.

2.2 COST OF LIVING OR PERCENTAGE INCREASE ADJUSTMENT:

2.2(a) For the one (1) year period beginning with (C) above, PURCHASERS shall pay MOONGLOW MOBILEHOME PARK the sum set forth at (F) above per month as RENT. RENT shall be due on the first day of each month and will be considered past due by the 6th.

2.2(b) Commencing on the date set forth at (H) above, and each year thereafter on an annual basis (that is, once every twelfth month), MOONGLOW MOBILEHOME PARK shall increase the monthly rent PURCHASERS are then paying, for the following twelve (12) months, by 12% of the rent PURCHASERS were paying for the last month of the previous period, plus the greater of 8% or the increase in the "Consumer Price Index" for the prior twelve (12) months.

2.2(c) The Consumer Price Index used to determine this amount shall be the "Cost of Living Index for Urban Consumers of the San Diego Metropolitan Area" (all items) based on year 1967 = 100 as published by the United States Department of Labor Bureau of Statistics, as of the nearest publication date before the date set forth at (H) above. In the event the "Consumer Price Index" ceases to incorporate a significant number of items, or if a substantial change is made in the method of establishing such "Consumer Price Index", then the "Consumer Price Index" shall be adjusted to the figure that would have resulted, had no change occurred in the manner of computing that "Consumer Price Index". In the event that such "Consumer Price Index" (or its successor or substitute index) is not available, a reliable governmental or other non-partisan publication, evaluating the information theretofore used in determining the "Consumer Price Index" shall be used in lieu of such "Consumer Price Index".

2.3 ADJUSTMENTS FOR INCREASES IN TAXES, ASSESSMENTS, GOVERNMENTALLY MANDATED PROJECTS AND INSURANCE:

In addition to all other RENT due under the terms of this agreement, the following additions to monthly rent will be assessed on the date set forth at (H) above and each ANNIVERSARY of that date.

2.3(a) One twelfth (1/12) of the amount which property taxes or governmental assessments of any kind (except federal or state income taxes) have increased over the same assessment for the previous year, divided by the occupied spaces in the park. For any NEW governmental tax assessment, one twelfth (1/12) of the full amount divided by the occupied spaces in the park. That is, each PURCHASER shall pay their proportional share of any increase in, or new, tax or assessment made by any governmental agency or authority; and

- 2.3(b) One twelfth of the amount **MOONGLOW MOBILEHOME PARK** has expended in the previous twelve (12) months on any governmentally-mandated project assessed or required to be paid by any governmental body, including, but not limited to, the State of California, County of San Diego, and/or any city or district, divided by the number of occupied spaces in the park. That is, **PURCHASERS** shall pay their proportional share of the cost of any governmental-mandated project assessed or charged in the previous year; and
- 2.3(c) One twelfth of the amount of any increase in cost of **MOONGLOW MOBILEHOME PARK'S** insurance (including fire, legal, and general liability insurance) over the cost of insurance from the previous year, divided by the number of spaces in the park. That is **PURCHASERS** shall pay their proportional share of any increase in the cost of insurance; and
- 2.3(d) One twelfth of the amount of deductible actually incurred by **MOONGLOW MOBILEHOME PARK** from casualties or losses covered by the park's insurance (fire, legal, and general liability insurance) from the previous year, divided by the number of occupied spaces in the park. That is, any amount paid by **MOONGLOW MOBILEHOME PARK** for deductible will be equally prorated among all residents in the park on a monthly basis; and
- 2.3(e) An amount equal to the cost of the park's attorneys fees over \$5,000.00 within the calendar year. The amount by which the park's attorneys fees are over the base \$5,000.00 shall be divided by twelve (12) months, and that sum divided by the number of occupied spaces in the park; and
- 2.3(f) One twelfth (1/12) of any uninsured loss **MOONGLOW MOBILEHOME PARK**, its ownership, management, or employees are ordered to pay by any court or arbitrator, as damages or to compensate any person or group of persons, because of any lawsuits brought against **MOONGLOW MOBILEHOME PARK**, its owners, managers, or other employees that is for any reason not paid by an insurance company divided by the number of occupied spaces in the park. That is, **PURCHASERS** will pay their proportional share of any uninsured loss assessed by any court or arbitrator against **MOONGLOW MOBILEHOME PARK**, its ownership, management or employees for any reason.

2.4 NEW PARK FACILITIES AND REPAIRS:

Commencing on the date set forth at (H) above, and on each ANNIVERSARY of the date thereafter, in addition to any other rent due under the terms of this agreement, the MONTHLY RENT for the previous year shall be increased by one twelfth of the cost of any new park facility, or the repair of any park facility of any kind, costing more than \$5,000.00 in any calendar year, including, but not limited to, streets, utility lines or pipes, roofs, the swimming pool or pool equipment. The amount of increase in the monthly rental rate for any specified year shall be computed by use of the following formula:

$$MI = \frac{C - \$5,000}{12 \text{ months}} - NRS$$

Where:

MI = Monthly Increase
C = Cost of repair or new facility
NRS = Number of rented spaces

If the monthly increase (MI) is more than \$15.00, it shall be amortized over two years and would be computed by use of the following formula:

$$MI = \frac{C - \$5,000}{24 \text{ months}} - NRS$$

3. UTILITIES:

PURCHASERS and **MOONGLOW MOBILEHOME PARK** agree to the following regarding utilities. This agreement may be changed or modified on sixty (60) days written notice to **PURCHASERS** by **MOONGLOW MOBILEHOME PARK**.

3.1 Submetered Utilities:

PURCHASERS' water utilities will be supplied on a submetered basis. Each month MOONGLOW MOBILEHOME PARK will read meters for these utilities and charge PURCHASERS for the amount that has been metered according to the utility rates allowed by the responsible governmental regulator or utility company as listed in their rate chart. The rate chart will be posted in a conspicuous place when MOONGLOW MOBILEHOME PARK is required to do so by law.

3.2 Flat Rate Utilities:

PURCHASERS will be charged their proportional share of the Park's sewer and trash utilities. Each month MOONGLOW MOBILEHOME PARK's bills for these will be divided by the number of occupied spaces in the Park and that amount will be added to PURCHASERS' next month's bill.

3.3 Outside Utilities:

PURCHASERS' gas and electricity utilities are available, if at all, through outside contractors or utility companies. PURCHASERS will contract with the companies directly; MOONGLOW MOBILEHOME PARK is not responsible for the installation or maintenance or continuation of these utilities. PURCHASERS will pay for these utilities directly to the companies providing these utilities.

4. LEASE FEE:

In addition to all other monies due from PURCHASERS to MOONGLOW MOBILEHOME PARK, PURCHASERS shall pay a one time LEASE FEE, set forth at (G) above, allowed under the provisions of Section 798.31 of the California Civil Code in consideration of PARK'S offer and execution of this Lease.

5. MOONGLOW MOBILEHOME PARK'S RIGHT OF FIRST REFUSAL:

Accepted by PURCHASERS [☒ YES] [☐ NO]

In consideration of the execution of this document and in consideration of MOONGLOW MOBILEHOME PARK's waiver of the LEASE FEE set forth above at "G," PURCHASERS grant MOONGLOW MOBILEHOME PARK a Right of First Refusal to Purchase PURCHASERS' mobilehome. If PURCHASERS receive a bona fide offer to purchase the mobilehome, that offer including all terms of the offer shall be submitted by PURCHASERS to MOONGLOW MOBILEHOME PARK, and MOONGLOW MOBILEHOME PARK shall have ten (10) days to meet the terms of the offer. MOONGLOW MOBILEHOME PARK will notify PURCHASERS of its intention to meet the offer by sending a Notification of Intent to Exercise Right of First Refusal to PURCHASERS by U.S. first class mail at PURCHASERS home address, listed above at "A."

If MOONGLOW MOBILEHOME PARK does not send Notification of Intent to Exercise Right of First Refusal to PURCHASERS within ten (10) days, PURCHASERS will be free to sell the mobilehome to the third party buyer tendering the original offer. If for any reason the third party buyer does not purchase the mobilehome, PURCHASERS will repeat this procedure with any subsequent offers to purchase.

If PURCHASERS fail or refuse to submit the offer to MOONGLOW MOBILEHOME PARK under the terms of this section, PURCHASERS agree to immediately pay MOONGLOW MOBILEHOME PARK the LEASE FEE set forth at "G" above and grants to MOONGLOW MOBILEHOME PARK a lien against any and all proceeds received from the sale of the mobilehome. MOONGLOW MOBILEHOME PARK and PURCHASERS agree that it would be difficult to determine MOONGLOW MOBILEHOME PARK's damages should PURCHASERS fail to perform under the terms of this section, but it is agreed among the parties that damages are at least the amount of the LEASE FEE that has been waived. In an effort to reduce the costs and uncertainties of litigation, the parties agree that the LEASE FEE will serve as liquidated damages.

6. MOBILEHOME RESIDENCY LAW:

PURCHASERS hereby acknowledge receipt of a copy of the "Mobilehome Residency Law," a part of the Civil Code of the State of California. Terms and provisions of the Mobilehome Residency Law are specifically made a part of this agreement.

7. **RESPONSIBILITY OF MOONGLOW MOBILEHOME PARK:**

It is the responsibility of the **MOONGLOW MOBILEHOME PARK** to provide and maintain the physical improvements in the common facilities of the Park in good working order and condition. **MOONGLOW MOBILEHOME PARK** shall provide these physical improvements during the TERM of this agreement, unless changed: pool, playground, clubhouse, pool room.

8. **PURCHASERS MEETINGS:**

The **MOONGLOW MOBILEHOME PARK'S** management shall meet and consult with **PURCHASERS** upon written request, either individually, collectively, or with representatives of a group of **PURCHASERS** who have signed a request to be so represented on the following matters within thirty (30) days:

- 8.1 Amendments to Park rules and regulations;
- 8.2 Standards for maintenance of physical improvements in the Park;
- 8.3 Additions, alterations, or deletions of service, equipment, or physical improvements.
- 8.4 Rental agreements offered pursuant to Section 798.17 of the Mobilehome Residency Law.

Any collective meeting shall be conducted only after notice thereof has been given to all requesting **PURCHASERS** ten (10) days before the meeting. **MOONGLOW MOBILEHOME PARK** shall set the date, time, and place of meeting.

9. **CHANGES IN STANDARDS OF MAINTENANCE SERVICE, EQUIPMENT, OR PHYSICAL IMPROVEMENTS:**

The standard of maintenance of physical improvements in the Park, together with services (including utilities), equipment, and physical improvements within the Park, may be changed from time to time as provided by the Mobilehome Residency Law on sixty (60) days' written notice to **PURCHASERS**.

10. **REQUIREMENTS OF CIVIL CODE SECTION 798.27:**

The nature of the zoning under which **MOONGLOW MOBILEHOME PARK** operates is R-T. If a change occurs concerning the zoning under which the Park operates or a lease under which Park is a lessee, **PURCHASERS** shall be given written notice within thirty (30) days of that change.

11. **ENTRY UPON PURCHASERS' SPACE:**

The Park shall have a right of entry upon the **SPACE** defined at "A" above for maintenance of utilities and the protection of the mobilehome park at any reasonable time but not in a manner or at a time which would interfere with the occupant's quiet enjoyment. **PURCHASERS** hereby grant to the park owners or park owners' agents the right to enter the mobilehome in the absence of the occupant in the case of an emergency or when the occupant has abandoned the mobilehome.

12. **TERMINATION OF TENANCY BY PARK:**

This Lease, at the sole option of **MOONGLOW MOBILEHOME PARK** (except as set forth in 12 below) may be declared forfeited and/or the tenancy may be terminated and/or **PURCHASERS'** right to possession terminated, in accordance with the provisions of the Mobilehome Residency Law and other applicable law. Any rights of termination granted the Park due to any future amendments, deletions, or modifications of the Mobilehome Residency Law and other applicable law, may be enforced by the Park as amended.

13. **TERMINATION OF THIS AGREEMENT BY PURCHASERS:**

PURCHASERS understand this Lease agreement will remain in effect, and **PURCHASERS** will be liable to pay rent as set forth above, whether or not the **PURCHASERS** occupy the space. **PURCHASERS** may abandon this lease and it will no longer bind them only if **PURCHASERS** remove their mobilehome from the park or **PURCHASERS** die. Should the **SPACE** be abandoned, its possession shall revert to **MOONGLOW MOBILEHOME PARK**.

14. REMOVAL ON SALE:

MOONGLOW MOBILEHOME PARK may, at its option, in order to upgrade the quality of the park, require the removal of mobilehomes from the premises upon their sale to a third party, in accordance with the provisions of the Mobilehome Residency Law.

15. RENTING OR SUBLETTING:

PURCHASERS shall not sublease or otherwise rent all or any portion of PURCHASERS' mobilehome or the premises.

16. APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS; ASSIGNMENT OF LEASE:

PURCHASERS may sell their mobilehome at any time pursuant to the rights and obligations of PURCHASERS and MOONGLOW MOBILEHOME PARK under the state law. PURCHASERS must, however, immediately notify MOONGLOW MOBILEHOME PARK in writing of PURCHASERS' intent to sell their mobilehome. If the prospective buyer of the mobilehome intends for the mobilehome to remain in the park, or for the buyer to reside in the park, said buyer must (1) complete an Application for Tenancy, (2) be accepted by MOONGLOW MOBILEHOME PARK, (3) execute a Lease which contains a copy of the Park's then-effective Rules and Regulations. These same requirements for completion of an application, approval by MOONGLOW MOBILEHOME PARK, and the execution of documents, shall apply before any person other than the ones listed at (E) shall be permitted to become a PURCHASER or resident of the Park. The rental and other agreements and Rules and Regulation signed by the new PURCHASER or resident may be different in their terms and provisions than this agreement and other agreements and Rules and Regulations now in effect. If this Lease is still in effect when the mobilehome is sold, the unexpired portion of this Lease shall be assigned with the mobilehome (unless the mobilehome is to be removed from the Park and the SPACE reverts to the Park), and the new owner of the mobilehome must:

- 16(a). agree the total RENT the previous PURCHASERS were required to pay on the last month prior to the assignment may be increased by MOONGLOW MOBILEHOME PARK on a one-time basis by no more than twenty-five percent (25%); and
- 16(b). sign a formal "Acceptance of Assignment" prepared by MOONGLOW MOBILEHOME PARK explaining the assignment; and
- 16(c). sign an assumption agreement agreeing to assume all the rights and obligations of the PURCHASERS under the terms of this Lease.

17. USES AND ABANDONMENT PROHIBITED:

The mobilehome and premises shall be used for private residential purposes and no business or commercial activity of any nature shall be conducted thereon. No persons other than those listed on the first page of this agreement at (E), and PURCHASERS' guests, may reside at the premises without the prior written consent of MOONGLOW MOBILEHOME PARK. PURCHASERS shall not vacate or abandon the premises at any time during the term of this agreement or renewal.

18. IMPROVEMENTS:

All plants, shrubs, and trees planted on the premises as well as all structures, including fences permanently embedded in the ground, blacktop, or concrete, or any structure permanently attached to the ground, shall become the property of MOONGLOW MOBILEHOME PARK as soon as they are installed and may not be removed by the PURCHASERS without the prior written consent of the Park.

PURCHASERS shall maintain all of the above at PURCHASERS' sole expense and responsibility and shall be completely responsible for each of them, although they are the property of the Park, who may remove them at MOONGLOW MOBILEHOME PARK'S option.

19. HOLD-OVER TENANCY/RENEWAL:

Sixty (60) days prior to the expiration of this Lease, either MOONGLOW MOBILEHOME PARK or PURCHASERS may cancel the Lease and PURCHASERS' tenancy shall be converted to a month-to-month basis, or a one-year Lease, as PURCHASERS may prefer. To cancel the Lease, either Park or PURCHASERS send the other a letter by First Class U.S. Mail Service saying they do not wish to renew the Lease after its expiration.

If however, no such notice is received, the Lease will automatically be renewed for 5 years under the same terms and conditions with the last month's rent of the old Lease becoming the first month's rent of the new Lease, plus adjustments allowed under Paragraph 2 above.

20. **WAIVER:**

The waiver by the Park of, or the failure of the Park to take action in any respect because of (a) any breach of a term, covenant, or condition, contained herein or (b) the violation of a Park rule, shall not be a waiver of that term or rule. The subsequent acceptance of rent by MOONGLOW MOBILEHOME PARK shall not be a waiver of any preceding breach, or violation of Park rules, or failure to pay rent.

21. **TIME IS OF THE ESSENCE:**

Time is of the essence of this agreement.

22. **INTERPRETATION:**

Each provision of this agreement is separate, distinct, and individually enforceable. In the event any provision is declared to be unlawful or unenforceable, the validity of all other provisions shall not be affected.

23. **INSPECTION OF THE PREMISES:**

By signing this agreement, PURCHASERS acknowledge PURCHASERS have carefully inspected the SPACE to be rented and all the park's facilities and have found them to be in every respect as represented by MOONGLOW MOBILEHOME PARK to the PURCHASERS, either orally or in writing, and to the extent that they are not exactly as represented, either orally or in writing, accept them as they are. PURCHASERS agree at the termination of this agreement to peaceably surrender the premises to MOONGLOW MOBILEHOME PARK in a clean and well-mannered condition.

24. **SUBORDINATION:**

This lease and any leasehold interest which may be created by it shall be subordinate to any encumbrance of record before or after the date of this agreement affecting the mobilehome park, any and all buildings or other improvements therein, and/or the land of which the SPACE leased to PURCHASERS is a part. Such subordination is effective without any further act of PURCHASERS; PURCHASERS agree however, to execute and deliver any documents or instruments which may be required by any lender to effectuate any subordination promptly upon request by MOONGLOW MOBILEHOME PARK. If PURCHASERS fail to execute and deliver any such documents or instruments, PURCHASERS hereby irrevocably constitute and appoint the owner of MOONGLOW MOBILEHOME PARK as PURCHASERS' special attorney-in-fact to execute and deliver any such documents or instruments.

25. **EFFECT OF THIS AGREEMENT:**

PURCHASERS agree this lease contains the entire agreement between the parties regarding the rental of space within MOONGLOW MOBILEHOME PARK. All prior negotiations or stipulations concerning this matter which preceded or accompanied the execution of this agreement are conclusively deemed to have been superseded by this written agreement.

This agreement completely supersedes any prior agreement of the parties, whether in writing or oral.

26. **ALTERATION OF THIS AGREEMENT:**

This agreement may be altered by the PURCHASERS only by written agreement signed by both of the parties or by operation of law. This agreement may be altered by MOONGLOW MOBILEHOME PARK by written agreement signed by both of the parties, or in any manner provided for by the Mobilehome Residency Law or other applicable law.

27. CHARGES FOR MAINTENANCE OF SPACE (798.15(G)):

MOONGLOW MOBILEHOME PARK may charge a reasonable fee for services relating to the maintenance of the **SPACE** described above at (A) in the event the **PURCHASERS** fail to maintain the **SPACE** in accordance with the Park's rules. The Park will provide **PURCHASERS** written notification of their failure to maintain the space, stating the specific condition to be corrected and an estimate of the charge to be imposed by management if the services are performed by management or its agent. **PURCHASERS** will then have fourteen days after notice to comply by correcting the condition.

28. RULES AND REGULATIONS OF MOONGLOW MOBILEHOME PARK:

These are the rules of **MOONGLOW MOBILEHOME PARK**. They have been prepared in accordance with the provisions of the Mobilehome Residency Law and are an integral part of the 60-month lease between **PURCHASERS** and **MOONGLOW MOBILEHOME PARK**. Violation of these rules will give **MOONGLOW MOBILEHOME PARK** cause to evict anyone living in the mobilehome pursuant to Section 798.56 (c) of the California Civil Code. A notice of violation of these rules will be sent to any registered owner and legal owner of the mobilehome as required by the Mobilehome Residency Law. If any of these rules are unclear, park management should be contacted for an explanation. These rules may be changed from time to time without the consent of **PURCHASERS** under the provisions of the Mobilehome Residency Law upon proper notice. By executing the 60-month lease of which these rules are a part, **PURCHASERS** acknowledge that they are in every respect reasonable and "accept them."

A. RULES ON MOVE-IN OR REPLACEMENT OF MOBILEHOME:

PURCHASERS must do all of the following at their sole expense within sixty (60) days after the following occurs:

1. A mobilehome is moved into **MOONGLOW MOBILEHOME PARK** to a previously vacant space; or
2. A mobilehome is moved into **MOONGLOW MOBILEHOME PARK** to replace another mobilehome.

Each of the things listed below must be done by **PURCHASERS** with the prior written consent of **MOONGLOW MOBILEHOME PARK** as to the color, location, material, size, height, and aesthetic impact. Nothing listed below may be done without the proper governmental permits, and proof that these permits have been obtained must be submitted to the park ownership or management prior to installment:

1. Build a patio;
2. Erect an awning over the patio;
3. Erect a carport over the parking area;
4. Landscape the entire **SPACE** according to a complete plan approved in advance (in writing) by **MOONGLOW MOBILEHOME PARK** management indicating the location of the following:
 - a. The mobilehome;
 - b. Walkways;
 - c. Patios;
 - d. Porches;
 - e. Driveways;
 - f. Fences;
 - g. Storage sheds;
 - h. Planted areas including names of plants and locations;
 - i. Rock ground cover areas, including color and size of rock;
 - j. Sprinkler system.
5. Remodel or repaint the exterior of the mobilehome as **MOONGLOW MOBILEHOME PARK** may require so that it meets park standards;
6. Make such alterations to the **SPACE** as **MOONGLOW MOBILEHOME PARK** may require;

7. Properly drain the SPACE so no puddles form under the mobilehome or on the SPACE
8. Completely "skirt" the entire mobilehome, porch, and steps with skirting that is coordinated with the mobilehome.
9. Install approved railings around any porches or platforms more than thirty (30) inches high.
10. Cover all porches or stairs with approved "indoor/outdoor" carpeting or other floor covering as MOONGLOW MOBILEHOME PARK may require.
11. Install, replace or repair the driveway, parking areas, or walkways at the SPACE

B. CONTINUING REQUIREMENTS:

PURCHASERS and residents are required to do each of the things listed below continually while they live at **MOONGLOW MOBILEHOME PARK**:

1. Maintain their space in a clean, weed-free, well-cared-for, litter-free condition, and properly cut and trim all lawns, shrubs, and trees so that they do not hang over lot lines and onto other spaces or streets;
2. Maintain the mobilehome, awnings, storage buildings, skirting, pillars, fences, and all other installations upon the space in a well-painted and clean condition. Any dents or scratches in paint will be repaired within thirty (30) days;
3. Pay \$30.00 service charge on any checks returned for insufficient funds or because the account has been closed;
4. Comply with all terms, conditions, and provisions of the rental agreement in force between **MOONGLOW MOBILEHOME PARK** and the mobilehome **PURCHASERS**;
5. Obey all city, county, and state laws;
6. Dispose of all trash, garbage, and debris of every kind in a proper container located in the park and nowhere else.
7. Maintain the SPACE so no puddles or puddling occur under the mobilehome or on the SPACE.

C. PROHIBITIONS (Prior Written Permission Required):


PURCHASERS and residents may not do any of the following things without the prior written permission of **MOONGLOW MOBILEHOME PARK** management who may not unreasonably withhold permission:

1. Change, install, delete, or remove any landscaping, walkways, or driveways;
2. Replace the mobilehome currently upon the space with any other mobilehome;
3. Erect any fences, carports, awnings, cabanas, flagpoles, or other structures of any kind, whether permanent or temporary;
4. Keep or maintain any furniture, furnishings, appliances, equipment, or anything else of any kind outside of the mobilehome;
5. Park more than two (2) automobiles at the **PURCHASERS'** space;
6. Park any camper, trailer, boat, truck, motorcycle, or other vehicle of any kind (except two (2) automobiles) at **PURCHASERS'** space;
7. Use the park's facilities for a private meeting except meetings open to all park residents regarding mobilehome living, social, or educational purposes;
8. Plant or remove any shrubs or trees;
9. Keep, maintain, or allow any animal to live in or visit at the mobilehome park;

10. Install a washer, dryer, air conditioner or any other major appliance.

D. ABSOLUTE PROHIBITIONS:

PURCHASERS and residents may not do any of the following things as long as these remain in effect:

1. Allow any person whose name does not appear on the rental agreement to live at the **SPACE** of **MOONGLOW MOBILEHOME PARK** on a permanent basis except guests as described in Section 798.34(b) of the California Civil Code. Permanent residents will be defined as those who live in the mobilehome for more than thirty (30) days whether consecutively or otherwise in any calendar year;
2. Sublet or attempt to sublet the mobilehome or mobilehome space;
3. Hang laundry anywhere in the park except in facility provided by park;
4. Disturb the peace, threaten, or interfere with manager, employees, or owner of **MOONGLOW MOBILEHOME PARK**;
5. Engage in any business, whether for profit or otherwise at the **SPACE** or in the mobilehome park;
6. Allow more than a maximum of two (2) more persons than there are bedrooms in the mobilehome to occupy the mobilehome. (That is for example, in a one-bedroom mobilehome, not more than three people may reside. In a two-bedroom mobilehome, not more than four people may reside. In a three-bedroom mobilehome, not more than five people may reside within the mobilehome). **PURCHASERS** as of July 1, 1988, who have more than this number of people occupying their mobilehome will not be bound by this rule, but tenants as of that date who do not have more people occupying their mobilehome than the maximum number set forth in this rule are bound by it;
7. Repair any automobile, truck, motorcycle, or other vehicle of any kind at all within the park, except for emergencies;
8. Erect any antenna or other device for radio or television broadcasting or receiving;
9. Use or attempt to use park facilities at any time other than those posted at the facility;
10. Use park facilities for the purpose of raising funds for any purpose;
11. Keep any wrecked or inoperative vehicles at the **SPACE**;
12. ~~Wash any motor vehicle at the **SPACE**;~~ 
13. Keep or allow any animal to live or visit the **SPACE** or the park.

E. USE OF PARK RECREATIONAL FACILITIES:

These rules may be changed on sixty (60) days' notice:

1. Facilities may not be used for parties, meetings, or other gatherings without written permission of the park owner or park manager, who may not unreasonably withhold that permission. Any **PURCHASERS** wishing to obtain this permission must:
 - a. Pay a refundable deposit of ~~\$100.00~~ **\$50.00**
 - b. Indicate in writing:
 - (1) Who will be personally responsible for the conduct of the meeting and for cleanup and for any damage to the park's equipment, buildings, and facilities;
 - (2) The number of people who will attend;

- (3) The nature of the gathering (e.g., social, recreational, political, etc.);
 - (4) Whether or not mobilehome park living will be discussed;
 - (5) When the event will start;
 - (6) When the event will end;
 - (7) What park facilities or equipment will be used.
- c. If park management gives written permission for use of the facilities, the gathering may take place.
 - d. Management may deduct the cost of any damage or the cost of cleaning from the deposit.

29. CONDEMNATION:

If the SPACE or any portion of the facilities in the park are taken by the power of eminent domain, or sold by MOONGLOW MOBILEHOME PARK under the threat of said power (all of which is herein referred to as "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title possession, whichever occurs first. If more than twenty (20%) percent of the SPACE, or more than twenty (20%) percent of the land area of the PARK, is taken by condemnation, either MOONGLOW MOBILEHOME PARK or PURCHASERS may terminate this Lease as of the date the condemning authority takes possession. This termination will be effected by giving notice in writing of such election within twenty (20) days after MOONGLOW MOBILEHOME PARK shall have notified PURCHASERS of such taking or, in the absence of such notice, then within twenty (20) days after the condemning authority shall have taken possession.

If this Lease is not terminated by either MOONGLOW MOBILEHOME PARK or PURCHASERS as provided hereinabove, then it shall remain in full force and effect as to the portion of the PARK remaining.

All awards for the taking of any part of the Premises or any payment made under the threat of the exercise of the power of eminent domain shall be the property of MOONGLOW MOBILEHOME PARK, whether made as compensation for the diminution of the value of the leasehold or for the taking of the fee or as severance damages; provided, however, that PURCHASERS shall be entitled to any award for loss of or damage to PURCHASERS' mobilehome and removable personal property, including storage sheds, awnings, skirtings and patios.

Each party hereby waives the provisions of Code of Civil Procedure 1265.130 allowing either party to petition the Superior Court to terminate this lease in the event of a partial taking of the Premises.

Rent shall not be abated or reduced during the period from the date of taking until the completion of restoration by MOONGLOW MOBILEHOME PARK, if any, and all other obligations of PURCHASERS under this Lease shall remain in full force and effect.

30. ACKNOWLEDGEMENT:

PURCHASERS, - which term includes each of the people set forth in (E) above, acknowledge they have read, understood, and received copies of this agreement together with a copy of the PARK RULES, and a copy of the Mobilehome Residency Law, and further, that each and all of them have read and understand each of these documents. PURCHASERS understand that by executing this agreement they will be bound by its terms and conditions.

WE THE UNDERSIGNED ACKNOWLEDGE WE ARE NOT NOW "HOMEOWNERS" AS DEFINED BY CALIFORNIA CIVIL CODE SECTION 789.9, IN THAT WE DO NOT NOW HAVE A TENANCY IN MOONGLOW MOBILEHOME PARK. WE ARE NOW PURCHASERS AS DEFINED BY CALIFORNIA CIVIL CODE 789.74, 789.75, 789.76 AND 789.77. WE WILL BECOME PURCHASERS ONLY AFTER WE SIGN THIS LEASE AGREEMENT AND MOONGLOW MOBILEHOME PARK ALSO SIGNS THIS LEASE. PURCHASERS AGREE MOONGLOW MOBILEHOME PARK, ITS MANAGER AND OWNERSHIP HAS NOT REQUIRED THIS LEASE TO BE SIGNED, NOR PURCHASERS TO PURCHASE, RENT, OR LEASE ANY GOODS OR SERVICES FROM THE PARK, ITS MANAGEMENT OR ANYONE ELSE.

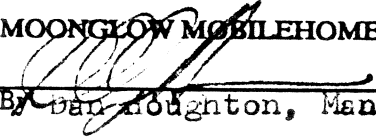
PURCHASER _____
Phillip Colombo

PURCHASER _____
Alice Colombo

PURCHASER _____

PURCHASER _____

MOONGLOW MOBILEHOME PARK


By Brian Doughton, Manager

Date: JUL 31 1989

Escondido Mobilehome Positive Action Committee

October 29, 1990

SENATE SELECT COMMITTEE ON MOBILEHOMES:

Mrs. Kemper is a senior citizen living on a fixed income.


This park owner through trickery, deceit, threats, intimidation and other immoral, if not illegal means has gotten every resident to sign a long term lease. None of these leases are negotiated and as such are adhesion leases. Residents cannot do anything unless they can afford \$30,00 - \$50,000 in attorney fees to break the lease.

In Polly Kemper's case, she was offered a \$20,000 discount to sign **two** five year leases. Of course, no low or moderate income person can turn down a "gift" of this nature. The park owner further charges Mrs. Kemper a "lease fee" of over \$3,000. She pays this off in 12 months. Her rent payment actually is \$389 plus per month, and not the \$219.50 listed on front of lease. When the "lease fee" is paid, her rent becomes \$414 plus. Very obviously the "lease fee" always was really rent and not a lease fee.

In reading this adhesion lease it is very obviously one sided in favor of the park owner. He can raise the rent by any amount he chooses. He has already told this to residents who complained about high increases.

New buyers and prospective buyers are normally unsophisticated and totally unprepared to understand or discuss these lease provisions. They are at the mercy of park owners who have unlimited amounts of money to spend on highly skilled attorneys. These attorneys draw up these leases in such a manner that only an attorney can understand them. The average resident cannot afford to hire an attorney, as the park owner knows. The prospective buyer and residents who normally are seniors are not prepared for this deception. They are unsuspecting victims and very easy prey. The attached documents, signed by her attest to all of the above.

Local officials, even when willing, are not allowed by State laws to protect these unsuspecting victims.


Jerry Lenhard
EMPAC
619-745-3734

Polly Kemper's phone number is 619-738-0322

j1/m

VISTA VERDE MOBILE ESTATES MOBILEHOME SPACE PURCHASERS' LEASE FOR PROSPECTIVE RESIDENTS

THIS AGREEMENT WILL BE EXEMPT FROM ANY ORDINANCE, RULE, REGULATION, OR INITIATIVE MEASURE ADOPTED BY ANY LOCAL GOVERNMENTAL ENTITY WHICH ESTABLISHES A MAXIMUM AMOUNT A LANDLORD MAY CHARGE FOR RENT (CALIFORNIA CIVIL CODE SECTION 798.17).

- A. SPACE NO. 19 VISTA VERDE MOBILE ESTATES, 1924 Sheridan, Escondido, California 92027.
- B. DATE this agreement is signed: 6-18-90 Time: 1:25pm
- C. Date on which the term of this agreement BEGINS: Eighty one (81) hours after
Partial month's rent shall be prorated. Time & Date In para. B Above.
- D. Date on which the term of this agreement ENDS: Five Years & Eighty one (81) hours
After Time & Date In para. B Above.
- E. PURCHASERS: Polly T. Kemper.
- F. BASE RENT: 219.50 SECURITY DEPOSIT: 300.00
- G. LEASE FEE: \$3,046.00 of which \$2,046.00 is payable monthly ie \$170.50
Per month Over 1st 12 months of term. \$700.00 Waived.
- H. Date on which rent will first be adjusted and ANNIVERSARY DATE for future adjustment: July 1, 1991
If Notice Re: Prop. K Signed: \$300.00 Waived If Not: 29 Initial
- I. TERM of Lease: ☒ 60 months (5 years) ☐ 120 months (10 years)
- * Base Rent Will Be \$414.38 Effective July 1, 1991. Annual
Adjustments Shall Be 6.25% IRREGARDLESS OF CPI.

THE PURCHASERS WHOSE NAMES ARE LISTED AT (E) ABOVE, AGREE TO LEASE THE SPACE LISTED AT (A) FOR THE PERIOD AND ACCORDING TO THE TERMS SET FORTH IN THIS AGREEMENT. THIS IS A LEASE FOR A MOBILEHOME SPACE ONLY. PURCHASERS MUST PROVIDE THEIR OWN RESIDENCE AND ARE COMPLETELY RESPONSIBLE FOR THAT RESIDENCE.

1. TERM:

The TERM of this agreement shall be the period listed at (I) above beginning at the date listed at (C) and ending at the date listed at (D) on the front page of this Lease. This agreement will be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount a landlord may charge for rent. In the case of an assignment of this lease its terms may vary under 14(b).

1.1 HOLD-OVER TENANCY

If Purchaser, without the Park's consent, remains in possession of the premises after expiration of the term of this Agreement, they will be deemed to have renewed this Lease for an additional five (5) years; the base rent of which shall be the amount of base rent due during the last month of the last year of this Lease plus twenty percent (20%) thereof, provided the Park may cancel the renewal by giving the Purchaser 60 (sixty) days prior written notice, at anytime prior to the end of renewed lease.

NOTICE TO TENANT

(TO BE ATTACHED TO THE FRONT OF A LEASE
THAT IS EXEMPT FROM RENT CONTROL)

BEFORE SIGNING THIS LEASE, READ AND INITIAL THE FOLLOWING
STATEMENT FOR YOUR PROTECTION.

I UNDERSTAND THAT I HAVE THE FOLLOWING OPTIONS INSTEAD OF
SIGNING THIS RENTAL AGREEMENT:

A. A MONTH-TO-MONTH RENTAL AGREEMENT

B. A 12 MONTH OR LESS RENTAL AGREEMENT

I HAVE RECEIVED COPIES OF THE ESCONDIDO RENT PROTECTION
ORDINANCE AND THE CURRENT MOBILEHOME RESIDENCY LAW.

I FURTHER UNDERSTAND THAT UNDER CALIFORNIA STATE LAW I HAVE
30 DAYS TO REVIEW THIS RENTAL AGREEMENT BEFORE SIGNING.

IF I SIGN THE AGREEMENT, I MAY CANCEL THE AGREEMENT BY
NOTIFYING THE PARK MANAGEMENT IN WRITING OF THE CANCELLATION
WITHIN 72 HOURS OF EXECUTION OF THE AGREEMENT.

PRIOR TO SIGNING THIS RENTAL AGREEMENT, PARK MANAGEMENT MUST
INFORM ME BOTH ORALLY AND IN WRITING THAT IF I SIGN A RENTAL
AGREEMENT WITH A TERM IN EXCESS OF 12 MONTHS WHICH HAS BEEN
REVIEWED AND FOUND TO BE EXEMPT BY THE ESCONDIDO RENT REVIEW
BOARD, THE RENTAL AGREEMENT WILL NOT BE SUBJECT TO FURTHER
REVIEW BY THE RENT REVIEW BOARD.

PRIOR TO SIGNING THIS LEASE, I HAVE THE RIGHT TO CONSULT AN
ATTORNEY.

☒ PJL

☒ PJL

☒ PJL

☒ PJL

☒ PJL

☒ PJL

Please take notice that the attached rental agreement has been
found by the Escondido Rent Review Board to be exempt from the provisions of
the Escondido Mobilehome Rent Protection Ordinance. By signing this rental
agreement, you are exempting this mobilehome space from the protections of
the Escondido Mobilehome Rent Protection Ordinance for the term of this
rental agreement.

Please also take notice that the fact that this particular lease
has been found exempt does not mean that the Rent Review Board has made any
determination as to the fairness or unfairness of this lease.

I, Polly T. Kemper, (Tenant's Name)
have read and understand the above notice. I realize that by signing this
lease I am exempting this mobilehome space from the provisions of the Rent
Review Ordinance, and that the rent increases contained in this agreement
will become effective without further review by the Rent Review Board.

Dated:

6-18-90

Polly T. Kemper
(Signature of Tenant)

**CERTIFICATE OF CITY OF ESCONDIDO
MOBILEHOME RENT REVIEW BOARD**

(TO BE ATTACHED TO THE FRONT OF A LEASE
THAT IS EXEMPT FROM RENT CONTROL)

I, Lori Chapman, Secretary
for the Escondido Rent Review Board, certify that the form of the
lease for Vista Verde Mobile Estates (mobilehome
park) to which this certificate is attached, consisting of
10 pages with 0 pages of attachments, was reviewed by
the Escondido Rent Review Board on May, 17,
1989, (date) and determined to be EXEMPT FROM RENT CONTROL
pursuant to the terms and criteria set forth in the Escondido
City Ordinance 88-50.

(A COPY OF THE FORM OF THE EXEMPT LEASE IS ON FILE AT
THE CITY OF ESCONDIDO COMMUNITY SERVICES DEPARTMENT AND CAN BE
EXAMINED DURING NORMAL WORKING HOURS.)

PLEASE TAKE NOTICE THAT THE FACT THAT THIS PARTICULAR
LEASE HAS BEEN FOUND EXEMPT DOES NOT MEAN THAT THE RENT REVIEW
BOARD HAS MADE ANY DETERMINATION AS TO THE FAIRNESS OR UNFAIRNESS
OF THIS LEASE.

Dated:

May 18, 1989

Lori Chapman
Secretary
Escondido Rent Review Board

CERTIFICATE OF PARK MANAGEMENT/OWNER/REPRESENTATIVE

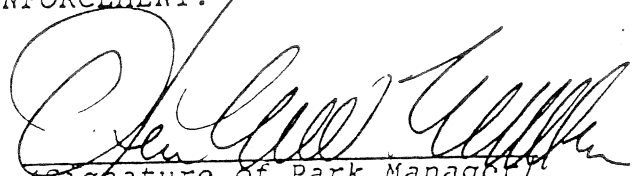
(TO BE ATTACHED TO THE FRONT OF A LONG-TERM
LEASE THAT IS EXEMPT FROM RENT CONTROL)

I, Olen W. Mercer (Park
Manager/Owner/Representative) have read and understand the Rent
Review Board Certificate dated May 18, 1989
for the attached lease.

I certify that pursuant to Escondido City Ordinance
88-50, I offered the Tenant under this attached lease the option
of signing a rental agreement or lease for a term of 12 months or
less. I provided the Tenant with a copy of the City of Escondido
Rent Protection Ordinance, and have informed the Tenant both
orally and in writing that IF THE TENANT SIGNS THIS LEASE, IT MAY
NOT BE SUBJECT TO ANY FURTHER TERMS AND CONDITIONS OF THE
ESCONDIDO RENT PROTECTION ORDINANCE.

I UNDERSTAND THAT ANY FAILURE TO COMPLY WITH ESCONDIDO
CITY ORDINANCE 88-50 MAY BE PUNISHABLE IN THE MANNER PROVIDED BY
THE ESCONDIDO MUNICIPAL CODE, WHICH MAY INCLUDE FINES,
IMPRISONMENT, OR A CIVIL ACTION FOR ENFORCEMENT.

Dated: 6-18-90


(Signature of Park Manager/
Owner/Representative)

VISTA VERDE MOBILE ESTATES MOBILEHOME SPACE PURCHASERS' LEASE FOR PROSPECTIVE RESIDENTS

THIS AGREEMENT WILL BE EXEMPT FROM ANY ORDINANCE, RULE, REGULATION, OR INITIATIVE MEASURE ADOPTED BY ANY LOCAL GOVERNMENTAL ENTITY WHICH ESTABLISHES A MAXIMUM AMOUNT A LANDLORD MAY CHARGE FOR RENT (CALIFORNIA CIVIL CODE SECTION 798.17).

- A. SPACE NO. 19, VISTA VERDE MOBILE ESTATES, 1924 Sheridan, Escondido, California 92027.
- B. DATE this agreement is signed: 6-18-90 Time: 1:25 PM
- C. Date on which the term of this agreement BEGINS: Eighty one (81) hours after
Partial month's rent shall be prorated. Time & Date In para. B Above.
- D. Date on which the term of this agreement ENDS: Five Years & Eighty one (81) hours
After Time & Date In para. B Above.
- E. PURCHASERS: Polly T. Kemper
- F. BASE RENT: 219.50 SECURITY DEPOSIT: 300.00
- G. LEASE FEE: \$3,046.00 of which \$2,046.00 is payable monthly ie \$170.50
per month over 1st 12 months of term. \$700.00 Waived
If Notice Re: Prop. K Signed; \$300.00 Waived If Rnd: 29 Initial
- H. Date on which rent will first be adjusted and ANNIVERSARY DATE for future adjustment: July 1, 1991
1st of 2 Consecutive Leases
- I. TERM of Lease: ☒ 60 months (5 years) ☐ 120 months (10 years)
- * Base Rent will be \$414.38 Effective July 1, 1991. Annual
Adjustments shall be 6.25% IRREGARDLESS OF CPI.

THE PURCHASERS WHOSE NAMES ARE LISTED AT (E) ABOVE, AGREE TO LEASE THE SPACE LISTED AT (A) FOR THE PERIOD AND ACCORDING TO THE TERMS SET FORTH IN THIS AGREEMENT. THIS IS A LEASE FOR A MOBILEHOME SPACE ONLY. PURCHASERS MUST PROVIDE THEIR OWN RESIDENCE AND ARE COMPLETELY RESPONSIBLE FOR THAT RESIDENCE.

L. TERM:

The TERM of this agreement shall be the period listed at (I) above beginning at the date listed at (C) and ending at the date listed at (D) on the front page of this Lease. This agreement will be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount a landlord may charge for rent. In the case of an assignment of this lease its terms may vary under 14(b).

1.1 HOLD-OVER TENANCY

If Purchaser, without the Park's consent, remains in possession of the premises after expiration of the term of this Agreement, they will be deemed to have renewed this Lease for an additional five (5) years; the base rent of which shall be the amount of base rent due during the last month of the last year of this Lease plus twenty percent (20%) thereof, provided the Park may cancel the renewal by giving the Purchaser 60 (sixty) days prior written notice, at anytime prior to the end of renewed lease.

VISTA VERDE MOBILE ESTATES
Long Term Lease N/T
A32289

RJK
Initial

2 RENT:

2.1 BASE RENT:

PURCHASERS will pay the BASE RENT set forth at (F) above for the first twelve (12) months this lease is in effect. No partial payment of rent or utilities will be accepted. Purchasers shall not make or attempt to make partial payments of rent and utilities.

2.2 COST OF LIVING OR INCREASE ADJUSTMENT:

2.2(a) For the one (1) year period beginning with (C) above, PURCHASERS shall pay VISTA VERDE MOBILE ESTATES the sum set forth at (F) above per month as RENT. RENT shall be due on the first day of each month and will be considered past due by the 6th.

2.2(b) Commencing on the date set forth at (H) above, and each year thereafter on an annual basis (that is, once every twelfth month), VISTA VERDE MOBILE ESTATES shall increase the monthly rent PURCHASERS are then paying, for the following twelve (12) months, by six and one quarter percent (6 1/4%) of the rent PURCHASERS were paying for the last month of the previous period, ~~OR by the increase in the "Consumer Price Index" for the prior twelve (12) months, whichever is greater.~~

2.2(c) ~~The "Consumer Price Index" used to determine this amount shall be the "Cost of Living Index for Urban Consumer of the Los Angeles Metropolitan Area" (all items) based on year 1967 = 100 as published by the United States Department of Labor Bureau of Statistics, as of the nearest publication date before the date set forth at (H) above. In the event the "Consumer Price Index" ceases to incorporate a significant number of items, or if a substantial change is made in the method of establishing such "Consumer Price Index," then the "Consumer Price Index" shall be adjusted to the figure that would have resulted, had no change occurred in the manner of computing that "Consumer Price Index." In the event that such "Consumer Price Index" (or its successor or substitute index) is not available, a reliable governmental or other non-partisan publication, evaluating the information theretofore used in determining the "Consumer Price Index" shall be used in lieu of such "Consumer Price Index."~~

2.3 ADJUSTMENT FOR INCREASES IN TAXES, ASSESSMENTS:
GOVERNMENTALLY MANDATED PROJECTS AND INSURANCE:

In addition to all other RENT due under the terms of this agreement, the following additions to monthly rent will be assessed on the date set forth at (H) above and each ANNIVERSARY of that date and shall be paid monthly:

2.3(a) One twelfth (1/12) of the amount which property taxes or governmental assessments of any kind (except federal or state income taxes) have increased over the same assessment for the previous year divided by the occupied spaces in the Park. For any NEW governmental tax assessment, one twelfth (1/12) of the full amount divided by the occupied spaces in the Park. That is, PURCHASERS shall pay their proportional share of any increase in, or new, tax or assessment made by any governmental agency or authority; and

2.3(b) One twelfth (1/12) of the amount VISTA VERDE MOBILE ESTATES has expended in the previous twelve (12) months on any governmentally-mandated project assessed or required to be paid by any governmental body, including, but not limited to, the State

of California, County of San Diego, and/or any city or district, divided by the number of occupied spaces in the Park. That is, PURCHASERS shall pay their proportional share of the cost of any governmentally-mandated project assessed or charged in the previous year; and

- 2.3(c) One twelfth (1/12) of the amount of any increase in cost of VISTA VERDE MOBILE ESTATES' insurance (including fire, legal, and general liability insurance) over the cost of insurance from the previous year, divided by the number of spaces in the Park. That is PURCHASERS shall pay their proportional share of any increase in the cost of insurance; and
- 2.3(d) One twelfth (1/12) of the amount of deductible actually incurred by VISTA VERDE MOBILE ESTATES from casualties or losses covered by the Park's insurance (fire, legal, and general liability insurance) from the previous year, divided by the number of occupied spaces in the Park. That is, any amount paid by VISTA VERDE MOBILE ESTATES for deductible will be equally prorated among all residents in the Park on a monthly basis; and
- 2.3(e) An amount equal to the cost of the Park's attorneys fees over \$5,000.00 within the calendar year. The amount by which the Park's attorneys fees are over the base \$5,000.00 shall be divided by twelve (12) months, and that sum divided by the number of occupied spaces in the Park; and
- 2.3(f) One twelfth (1/12) of any uninsured loss VISTA VERDE MOBILE ESTATES, its ownership, management, or employees are ordered to pay by any court or arbitrator, as damages or to compensate any person or group of persons, because of any lawsuits brought against VISTA VERDE MOBILE ESTATES, its owners, managers, or other employees that is for any reason not paid by an insurance company divided by the number of occupied spaces in the Park. That is HOMEOWNERS will pay their proportional share of any uninsured loss assessed by any court or arbitrator against VISTA VERDE MOBILE ESTATES, its ownership, management or employees for any reason.

2.4 NEW PARK FACILITIES AND REPAIRS:

Commencing on the date set forth at (H) above, and on each ANNIVERSARY of the date thereafter, in addition to any other rent due under the terms of this agreement, the MONTHLY RENT for the previous year shall be increased by one twelfth (1/12) of the cost of any new Park facility, or the repair of any Park facility of any kind, costing more than \$300.00 in any calendar year, including, but not limited to, streets, utility lines or pipes, roofs, the swimming pool or pool equipment. The amount of increase in the monthly rental rate for any specified year shall be computed by use of the following formula:

$$MI = \frac{C - \$300}{12 \text{ months}} + NRS$$

Where:

MI = Monthly Increase
C = Cost of repair or new facility
NRS = Number of rented spaces

If the monthly increase (MI) is more than \$15.00, it shall be amortized over two years and would be computed by use of the following formula:

$$MI = \frac{C - \$300}{24 \text{ months}} + NRS$$

When the cost of a new park facility or repair(s) has been completely recaptured by payment of this monthly increase, that increase shall no longer be part of the monthly rent. Accordingly, the monthly rent will thus be adjusted downward to reflect such fact.

2.5 EFFECT OF WAIVER:

The Park's waiver of its rights to adjust rents pursuant to paragraphs 2.2 through 2.4, on any given occasion, shall not constitute a waiver of the Park's rights as to any other occasions on which the park may adjust rents pursuant to said paragraphs.

3. UTILITIES

PURCHASERS and VISTA VERDE MOBILE ESTATES agree to the following regarding utilities. This agreement may be changed or modified on sixty (60) days written notice to PURCHASERS by VISTA VERDE MOBILE ESTATES.

3.1 Submetered Utilities:

PURCHASERS' electricity, water and natural gas utilities will be supplied on a submetered basis. Each month VISTA VERDE MOBILE ESTATES will read meters for these utilities and charge PURCHASERS for the amount that has been metered according to the utility rates allowed by the responsible governmental regulator or utility company as listed in their rate chart. The rate chart will be posted in a conspicuous place when VISTA VERDE MOBILE ESTATES is required to do so by law.

3.2 Flat Rate Utilities:

PURCHASERS will be charged their proportional share of the Park's trash and sewer utilities. Each month VISTA VERDE MOBILE ESTATES bills for these will be divided by the number of occupied spaces in the Park and that amount will be added to PURCHASERS' next month's bill.

3.3 Outside Utilities:

PURCHASERS' cable television and telephone utilities are available, if at all, through outside contractors or utility companies. PURCHASERS will contract with the companies directly; VISTA VERDE MOBILE ESTATES is not responsible for the installation or maintenance or continuation of these utilities. PURCHASERS will pay for these utilities directly to the companies providing these utilities.

4. LEASE FEE:

In addition to all other monies due from PURCHASERS to VISTA VERDE MOBILE ESTATES, PURCHASERS shall pay a one time LEASE FEE, set forth at "G" above, allowed under the provisions of Section 798.31 of the California Civil Code in consideration of PARK's offer and execution of this Lease.

5. MOBILEHOME RESIDENCY LAW:

PURCHASERS hereby acknowledge receipt of a copy of the "Mobilehome Residency Law," a part of the Civil Code of the State of California. Terms and provisions of the Mobilehome Residency Law are specifically made a part of this agreement.

6. RESPONSIBILITY OF VISTA VERDE MOBILE ESTATES:

It is the responsibility of the VISTA VERDE MOBILE ESTATES to provide and maintain the physical improvements in the common facilities of the Park in good working order and condition. VISTA VERDE MOBILE ESTATES shall provide these physical improvements during the TERM of this agreement, unless changed: (club house, coin-operated laundry, swimming pool).

7. **HOMEOWNERS MEETINGS:**

The VISTA VERDE MOBILE ESTATES' management shall meet and consult with PURCHASERS upon written request, either individually, collectively, or with representatives of a group of HOMEOWNERS who have signed a request to be so represented on the following matters within thirty (30) days:

- 7.1 Amendments to Park rules and regulations;
- 7.2 Standards for maintenance of physical improvements in the Park;
- 7.3 Additions, alterations, or deletions of service, equipment, or physical improvements.
- 7.4 Rental agreements offered pursuant to Section 798.17 of the Mobilehome Residency Law.

Any collective meeting shall be conducted only after notice thereof has been given to all requesting HOMEOWNERS ten (10) days before the meeting. VISTA VERDE MOBILE ESTATES shall set the date, time, and place of meeting.

8. **CHANGES IN STANDARDS OF MAINTENANCE SERVICE, EQUIPMENT, OR PHYSICAL IMPROVEMENTS:**

The standard of maintenance of physical improvements in the Park, together with services (including utilities), equipment, and physical improvements within the Park, may be changed from time to time as provided by the Mobilehome Residency Law on sixty (60) days' written notice to PURCHASERS.

9. **REQUIREMENTS OF CIVIL CODE SECTION 798.27:**

The nature of the zoning under which VISTA VERDE MOBILE ESTATES operates is RT-MHP. If a change occurs concerning the zoning under which the Park operates or a lease under which Park is a lessee, PURCHASERS shall be given written notice within thirty (30) days of that change.

10. **ENTRY UPON PURCHASERS' SPACE:**

The PARK shall have a right of entry upon the SPACE defined at "A" above for maintenance of utilities and the protection of the mobilehome park at any reasonable time but not in a manner or at a time which would interfere with the occupant's quiet enjoyment. PURCHASERS hereby grant to the Park owners or Park owners' agents the right to enter the mobilehome in the absence of the occupant in the case of an emergency or when the occupant has abandoned the mobilehome.

11. **TERMINATION OF TENANCY BY PARK:**

This Lease, at the sole option of VISTA VERDE MOBILE ESTATES (except as set forth in 12 below) may be declared forfeited and/or the tenancy may be terminated and/or PURCHASERS' right to possession terminated, in accordance with the provisions of the Mobilehome Residency Law and other applicable law. Any rights of termination granted the Park due to any future amendments, deletions, or modifications of the Mobilehome Residency Law and other applicable law, may be enforced by the Park as amended.

12. **REMOVAL ON SALE:**

VISTA VERDE MOBILE ESTATES may, at its option, in order to upgrade the quality of the Park, require the removal of mobilehomes from the premises upon their sale to a third party, in accordance with the provisions of the Mobilehome Residency Law.

13. **RENTING OR SUBLETTING:**

PURCHASERS shall not sublease or otherwise rent all or any portion of PURCHASERS' mobilehome or the premises.

14. APPROVAL OF PURCHASERS AND SUBSEQUENT RESIDENTS; ASSIGNMENT OF LEASE:

PURCHASERS may sell their mobilehome at any time pursuant to the rights and obligations of PURCHASERS and VISTA VERDE MOBILE ESTATES under the state law. PURCHASERS must, however, immediately notify VISTA VERDE MOBILE ESTATES in writing of PURCHASERS' intent to sell their mobilehome. If the prospective buyer of the mobilehome intends for the mobilehome to remain in the Park, or for the buyer to reside in the Park, said buyer must (1) complete an Application for Tenancy, (2) be accepted by VISTA VERDE MOBILE ESTATES, (3) execute an Assumption Agreement which contains a copy of the Park's then-effective Rules and Regulations. These same requirements for completion of an application, approval by VISTA VERDE MOBILE ESTATES, and the execution of documents, shall apply before any person other than the ones listed at (E) shall be permitted to become a HOMEOWNER or resident of the Park. Park can change Rules and Regulations from time to time. Park's Rules and Regulations signed by the new PURCHASER or resident may be different in their terms and provisions than other Rules and Regulations in effect at that time with respect to other residents. If this Lease is still in effect when the mobilehome is sold, the Lease shall be assigned with the mobilehome (unless the mobilehome is to be removed from the Park and the SPACE reverts to the Park), and the new owner of the mobilehome must:

- 14(a). agree the total RENT the previous HOMEOWNERS were required to pay on the last month prior to the assignment may be increased by VISTA VERDE MOBILE ESTATES on a one-time basis for each assignment by no more than twenty-five percent (25%);
- 14(b). agree that the term of the lease which is assumed shall be modified to be the unexpired portion of the present lease or five years from the date of assumption, whichever is greater;
- 14(c). sign a formal "Acceptance of Assignment" prepared by VISTA VERDE MOBILE ESTATES explaining the assignment;
- 14(d). sign an assumption agreement agreeing to assume all the rights and obligation of the PURCHASERS under the terms of this Lease; and

Prior to entering into any escrow or agreement for the sale of their mobilehome to a third party who will not be removing the mobilehome from the park, PURCHASERS are required to notify any prospective buyer of their mobilehome that the prospective buyer must notify VISTA VERDE MOBILE ESTATES and enter into an assumption agreement assuming this lease. PURCHASERS also shall state in their purchase or escrow agreement with the third party that the assumption of this Lease is a material condition of the sale agreement unless the third party shall be removing the mobilehome from the Park.

15. USES AND ABANDONMENT PROHIBITED:

The mobilehome and premises shall be used for private residential purposes and no business or commercial activity of any nature shall be conducted thereon. No persons other than those listed on the first page of this agreement at (E), and PURCHASERS' guests, may reside at the premises without the prior written consent of VISTA VERDE MOBILE ESTATES. PURCHASERS shall not vacate or abandon the premises at any time during the term of this agreement or renewal. PURCHASER warrants that it will use the space for location of its personal and actual residence.

16. IMPROVEMENTS:

All plants, shrubs, and trees planted on the premises as well as all structures, including fences permanently embedded in the ground, blacktop, or concrete, or any structure permanently attached to the ground, shall become the property of VISTA VERDE MOBILE ESTATES as soon as they are installed and may not be removed by the PURCHASERS without the prior written consent of the Park.

PURCHASERS shall maintain all of the above at PURCHASERS' sole expense and shall be completely responsible for each of them, although they are the property of the Park, who may remove them at VISTA VERDE MOBILE ESTATES' option.

17. **WAIVER:**

The waiver by the Park of, or the failure of the Park to take action in any respect because of (a) any breach of a term, covenant, or condition, contained herein or (b) the violation of a Park rule, shall not be a waiver of that term or rule. The subsequent acceptance of rent by VISTA VERDE MOBILE ESTATES shall not be a waiver of any preceding breach, or violation of Park rules, or failure to pay rent.

18. **TIME IS OF THE ESSENCE:**

Time is of the essence of this agreement.

19. **INTERPRETATION:**

Each provision of this agreement is separate, distinct, and individually enforceable. In the event any provision is declared to be unlawful or unenforceable, the validity of all other provisions shall not be affected.

20. **INSPECTION OF THE PREMISES:**

By signing this agreement, PURCHASERS acknowledge PURCHASERS have carefully inspected the SPACE to be rented and all the Park's facilities and have found them to be in every respect as represented by VISTA VERDE MOBILE ESTATES to the PURCHASERS, either orally or in writing, and to the extent that they are not exactly as represented, either orally or in writing, accept them as they are. PURCHASERS agree at the termination of this agreement to peaceably surrender the premises to VISTA VERDE MOBILE ESTATES in a clean and well-maintained condition.

21. **SUBORDINATION:**

This Lease and any leasehold interest which may be created by it shall be subordinate to any encumbrance of record before or after the date of this agreement affecting the mobilehome park, any and all buildings or other improvements therein, and/or the land of which the SPACE leased to PURCHASERS is a part. Such subordination is effective without any further act of PURCHASERS; PURCHASERS agree however, to execute and deliver any documents or instruments which may be required by any lender to effectuate any subordination promptly upon request by VISTA VERDE MOBILE ESTATES. If PURCHASERS fail to execute and deliver any such documents or instruments, PURCHASERS hereby irrevocably constitute and appoint the owner of VISTA VERDE MOBILE ESTATES as PURCHASERS' special attorney-in-fact to execute and deliver any such documents or instruments.

22. **EFFECT OF THIS AGREEMENT:**

PURCHASERS agree this Lease contains the entire agreement between the parties regarding the rental of space within VISTA VERDE MOBILE ESTATES. All prior negotiations or stipulations concerning this matter which preceded or accompanied the execution of this agreement are conclusively deemed to have been superseded by this written agreement.

This agreement completely supersedes any prior agreement of the parties, whether in writing or oral.

23. ALTERATION OF THIS AGREEMENT:

This agreement may be altered by the PURCHASERS only by written agreement signed by both of the parties or by operation of law. This agreement may be altered by VISTA VERDE MOBILE ESTATES by written agreement signed by both of the parties, or in any manner provided for by the Mobilehome Residency Law or other applicable law.

24. CHARGES FOR MAINTENANCE OF SPACE (798.25(G)):

VISTA VERDE MOBILE ESTATES may charge a reasonable fee for services relating to the maintenance of the SPACE described above at (A) in the event the PURCHASERS fail to maintain the SPACE in accordance with the Park's rules. The Park will provide PURCHASERS written notification of their failure to maintain the space, stating the specific condition to be corrected and an estimate of the charge to be imposed by management if the services are performed by management or its agent. PURCHASERS will then have fourteen (14) days after notice to comply by correcting the condition.

25. RULES:

A copy of the Park Rules is attached hereto and incorporated herein by reference as though fully set forth at this point. PURCHASERS agree to comply with all Park rules that now exist and such additional rules as may be promulgated by the Park from time to time in accordance with the Mobilehome Residency Law or any other applicable law now in effect or as amended.

26. CONDEMNATION:

If the SPACE or any portion of the facilities in the Park are taken by the power of eminent domain, or sold by VISTA VERDE MOBILE ESTATES under the threat of said power (all of which is herein referred to as "condemnation"), this Lease shall remain in effect even as to the part so taken as of the date the condemning authority takes title or possession, whichever occurs first provided the condemning authority would thereafter control the Lease as to the portion of the space condemned. If more than twenty percent (20%) of the SPACE, or more than twenty percent (20%) of the land area of the Park is taken by condemnation, VISTA VERDE MOBILE ESTATES may terminate this Lease as of the date the condemning authority takes possession. This termination will be effected by giving notice in writing of such election within twenty (20) days after VISTA VERDE MOBILE ESTATES shall have notified PURCHASERS of such taking or, in the absence of such notice, then within twenty (20) days after the condemning authority shall have taken possession.

If this Lease is not terminated by VISTA VERDE MOBILE ESTATES as provided hereinabove, then it shall remain in full force and effect as to the portion of the Park remaining.

All awards for the taking of any part of the Premises or any payment made under the threat of the exercise of the power of eminent domain shall be the property of VISTA VERDE MOBILE ESTATES, whether made as compensation for the diminution of the value of the leasehold or for the taking of the fee or as severance damages; provided, however, that PURCHASERS shall be entitled to any award for loss of or damage to PURCHASERS' mobilehome and removable personal property, including storage sheds, awnings, skirting and patios.

Each party hereby waives the provisions of Code of Civil Procedure 1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of a partial taking of the Premises.

Rent shall not be abated or reduced during the period from the date of taking until the completion of restoration by VISTA VERDE MOBILE ESTATES, if any, and all other obligations of PURCHASERS under this Lease shall remain in full force and effect.

27. **ACKNOWLEDGEMENT:**

PURCHASERS, which term includes each of the people set forth in (E) above, acknowledge they have read, understood, and received copies of this agreement together with a copy of the Park Rules, and a copy of the Mobilehome Residency Law, and further, that each and all of them have read and understand each of these documents. PURCHASERS understand that by executing this agreement they will be bound by its terms and conditions.

28. **WARRANTY:**

PURCHASERS warrant that they are hereby leasing the SPACE for the intended purpose of locating a mobilehome upon it that will be PURCHASERS' personal and actual residence.

29. **VISTA VERDE MOBILE ESTATES' RIGHT OF FIRST REFUSAL:**

Accepted by PURCHASERS ☒ Yes [] No
PURCHASERS' Initials PK

In consideration of the execution of this document and in consideration of VISTA VERDE MOBILE ESTATES's waiver of the LEASE FEE of \$1,000.00, PURCHASERS grant VISTA VERDE MOBILE ESTATES a Right of First Refusal to Purchase PURCHASERS' mobilehome. If PURCHASERS receive a bona fide offer to purchase the mobilehome, that offer including all terms of the offer shall be submitted by PURCHASERS to VISTA VERDE MOBILE ESTATES and VISTA VERDE MOBILE ESTATES shall have ten (10) days to meet the terms of the offer. VISTA VERDE MOBILE ESTATES will notify PURCHASERS of its intention to meet the offer by sending a Notification of Intent to Exercise Right of First Refusal to PURCHASERS by U.S. FIRST CLASS MAIL at PURCHASERS home address, listed above at "A."

If VISTA VERDE MOBILE ESTATES does not send Notification of Intent to Exercise Right of First Refusal to PURCHASERS within ten (10) days, PURCHASERS will be free to sell the mobilehome to the third party buyer tendering the original offer. If for any reason the third party buyer does not purchase the mobilehome, PURCHASERS will repeat this procedure with any subsequent offers to purchase.

If PURCHASERS fail or refuse to submit the offer to VISTA VERDE MOBILE ESTATES under the terms of this section, PURCHASERS agree to immediately pay VISTA VERDE MOBILE ESTATES the LEASE FEE set forth at "G" above and grants to VISTA VERDE MOBILE ESTATES a lien against any and all proceeds received from the sale of the mobilehome. VISTA VERDE MOBILE ESTATES and PURCHASERS agree that it would be difficult to determine VISTA VERDE MOBILE ESTATES's damages should PURCHASERS fail to perform under the terms of this section, but it is agreed among the parties that damages are at least the amount of the LEASE FEE that has been waived. In an effort to reduce the costs and uncertainties of litigation, the parties agree that the LEASE FEE will serve as liquidated damages.

30. **ACKNOWLEDGEMENT AND WAIVER OF RENT CONTROL:**

PURCHASERS ACKNOWLEDGE THAT THIS LEASE HAS BEEN AND IS EXEMPT FROM RENT CONTROL AND PURCHASERS ACKNOWLEDGE THAT THEY ARE FAMILIAR WITH THE ESCONDIDO RENT PROTECTION ORDINANCE ("PROPOSITION K") AND HAVE BEEN GIVEN A COPY THEREOF BY THE PARK AND THAT THEY WANT NO PART OF THE RENT CONTROL ORDINANCE AND REGULATIONS (COLLECTIVELY "THE ORDINANCE") IN ESCONDIDO; AND THAT PURCHASERS DESIRE TO BE EXEMPTED FROM ALL OF THE BURDENS, BENEFITS AND PROCESSES OF THE ORDINANCE AND FURTHER WAIVE ANY

RIGHTS THEY MAY HAVE, KNOWN OR UNKNOWN, PURSUANT TO THE ORDINANCE AND ANY OTHER RENT CONTROL LAWS NOW IN EFFECT OR TO BECOME EFFECTIVE THAT WOULD OTHERWISE AFFECT PURCHASERS' TENANCY IN THE PARK.

31. ACKNOWLEDGEMENT OF STATUS AS "PURCHASERS"

WE THE UNDERSIGNED ACKNOWLEDGE WE ARE NOT NOW "HOMEOWNERS" AS DEFINED BY CALIFORNIA CIVIL CODE SECTION 798.9, IN THAT WE DO NOT NOW HAVE A TENANCY IN VISTA VERDE MOBILE ESTATES. WE ARE NOW PURCHASERS AS DEFINED BY CALIFORNIA CIVIL CODE SECTIONS 798.74, 798.75, 798.76 AND 798.77. WE WILL BECOME "HOMEOWNERS" ONLY AFTER WE SIGN THIS LEASE AGREEMENT AND MORE THAN EIGHTY HOURS (80) HAVE PASSED, AND VISTA VERDE MOBILE ESTATES ALSO SIGNS THIS LEASE. WE FURTHER AGREE THAT WE SHALL NOT OCCUPY THE SPACE UNTIL VISTA VERDE MOBILE ESTATES HAS SIGNED THE LEASE AND WE HAVE ACQUIRED LEGAL OR EQUITABLE TITLE TO THE HOME IN THE SPACE.

32. PURCHASERS SHALL HAVE AT LEAST FORTY (40) DAYS FROM THE DATE THIS LEASE IS FIRST OFFERED TO PURCHASERS IN WHICH TO ACCEPT OR REJECT THE LEASE. PURCHASERS ARE NOT REQUIRED TO WAIT THE FULL FORTY (40) DAYS BEFORE ACCEPTING OR REJECTING THE LEASE AND MAY ACCEPT IT BY EXECUTING IT OR REJECT IT AT ANY TIME IN SAID FORTY (40) DAY PERIOD.

33. PURCHASERS MAY REJECT THE LEASE AND INSTEAD ACCEPT A RENTAL AGREEMENT FOR A TERM OF TWELVE (12) MONTHS OR LESS. BY DOING SO PURCHASERS SHALL FORFEIT ANY GIFTS OF VALUE WHICH THE PARK MAY HAVE GIVEN OR PROMISED TO GIVE TO PURCHASERS IN CONSIDERATION OF THEIR ACCEPTING THE LEASE.

34. PURCHASERS MAY VOID THE LEASE BY NOTIFYING THE PARK MANAGEMENT IN WRITING WITHIN EIGHTY (80) HOURS OF THE PURCHASERS' EXECUTION OF THE LEASE THAT THEY ARE VOIDING THE LEASE.

PURCHASERS AGREE VISTA VERDE MOBILE ESTATES, ITS MANAGER AND OWNERSHIP HAS NOT REQUIRED THIS LEASE TO BE SIGNED, NOR PURCHASERS TO PURCHASE, RENT, OR LEASE ANY GOODS OR SERVICES FROM THE PARK, ITS MANAGEMENT OR ANYONE ELSE. BY SIGNING THIS LEASE WE "CONSENT" TO THE RULES IT CONTAINS PURSUANT TO CALIFORNIA CIVIL CODE SECTION 798.25.

INFORMATION ON THE MOBILEHOME DESCRIBED IN THIS LEASE

LEGAL OWNER'S NAME: _____

ADDRESS: _____

TELEPHONE NUMBER: (include area code) _____

REGISTERED OWNER'S NAME: _____

ADDRESS: _____

TELEPHONE NUMBER: (include area code) _____

MAKE OF MOBILEHOME: _____

MODEL OF MOBILEHOME: _____

YEAR OF MANUFACTURE: _____

VEHICLE IDENTIFICATION NOS: (1) _____ (2) _____

LICENSE OR DECAL NOS: (1) _____ (2) _____

Deely J. Kemper
PURCHASER

PURCHASER

PURCHASER

PURCHASER

VISTA VERDE MOBILE ESTATES

By Deely J. Kemper

Date: 6-18-90

Addendum to Rental Agreement

This rental agreement dated 6-18-90, 1990
concerning Space No. 19 (the "Space") in Vista Verde Mobile
Estates shall not become effective unless and until the
undersigned Buyer/Prospective Resident has completed the purchase
of the mobilehome and closed the escrow used in conjunction with
said purchase.

DATED: 6-18-90

BUYER/PROSPECTIVE RESIDENT

Deely J. Kemper

Addendum to Lease
(Re: No Pets Rule)

Prospective Resident acknowledges and agrees that the Park has a "No Pets" rule; that the Lease requires that the rules be obeyed; and that Prospective Resident's bringing into the Park and keeping in the Park an animal or pet shall constitute a material breach of the Lease for which Prospective Resident may be evicted. Prospective Resident also acknowledges and understands that some residents may have pets/animals in the Park pursuant to earlier Park rules and/or agreements and that this situation does not in any way alleviate Prospective Resident's obligations under the now current "No Pets" rule.

DATED: 6-18-90

Polly J. Kemper
Prospective Resident

Prospective Resident

Copy

VISTA VERDE MOBILE ESTATES MOBILEHOME SPACE PURCHASERS' LEASE FOR PROSPECTIVE RESIDENTS

THIS AGREEMENT WILL BE EXEMPT FROM ANY ORDINANCE, RULE, REGULATION, OR INITIATIVE MEASURE ADOPTED BY ANY LOCAL GOVERNMENTAL ENTITY WHICH ESTABLISHES A MAXIMUM AMOUNT A LANDLORD MAY CHARGE FOR RENT (CALIFORNIA CIVIL CODE SECTION 798.17).

- A. SPACE NO. 19 VISTA VERDE MOBILE ESTATES, 1924 Sheridan, Escondido, California 92027.
- B. DATE this agreement is signed: 6-18-90 Time: 1:33pm
- C. Date on which the term of this agreement BEGINS: Five Years & Eighty One (81) Hours
Partial month's rent shall be prorated. Hours After Time & Date In Para: B Above.
- D. Date on which the term of this agreement ENDS: Ten Years & Eighty One (81) Hours
- E. PURCHASERS: Polly T. Kemper After Time & Date In Para B Above
- F. BASE RENT: (*) SECURITY DEPOSIT: None, Additional
- G. LEASE FEE: \$1,000.00 \$1700.00 Waived If Notice & Waiver Re: Prop K Signed
\$300.00 Waived If Para 29 Is Initialed By Prospective Resident.
- H. Date on which rent will first be adjusted and ANNIVERSARY DATE for future adjustment: August 1, 1995 2nd of 2 consecutive leases
- I. TERM of Lease: ☒ 60 months (5 years) ☐ 120 months (10 years)
- (*) Last Rent Charged Under Prior Lease Plus Applicable Annual Increase.

THE PURCHASERS WHOSE NAMES ARE LISTED AT (E) ABOVE, AGREE TO LEASE THE SPACE LISTED AT (A) FOR THE PERIOD AND ACCORDING TO THE TERMS SET FORTH IN THIS AGREEMENT. THIS IS A LEASE FOR A MOBILEHOME SPACE ONLY. PURCHASERS MUST PROVIDE THEIR OWN RESIDENCE AND ARE COMPLETELY RESPONSIBLE FOR THAT RESIDENCE.

1. TERM:

The TERM of this agreement shall be the period listed at (I) above beginning at the date listed at (C) and ending at the date listed at (D) on the front page of this Lease. This agreement will be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount a landlord may charge for rent. In the case of an assignment of this lease its terms may vary under 14(b).

1.1 HOLD-OVER TENANCY

If Purchaser, without the Park's consent, remains in possession of the premises after expiration of the term of this Agreement, they will be deemed to have renewed this Lease for an additional five (5) years; the base rent of which shall be the amount of base rent due during the last month of the last year of this Lease plus twenty percent (20%) thereof, provided the Park may cancel the renewal by giving the Purchaser 60 (sixty) days prior written notice, at anytime prior to the end of renewed lease.

PJK
Initial

All ^{other} Pages of This Lease are
the same as pages in Lease #1.

Charles E. duPont, Jr.
3397 ROCKING HORSE CIRCLE
ENCINITAS, CALIFORNIA 92024
(619) 455-9095

NOV 19 1990

November 12, 1990

Hon. Senator William Craven
2121 Palomar Airport Rd.
Suite 100
Carlsbad, CA 92009

Re: Recent Hearings on Long Term Leases in Escondido; Polly
Kemper, Space #19 at Vista Verde Mobile Estates in
Particular

Dear Senator Craven:

I am one of the owners of Vista Verde Mobile Estates ("the Park") in Escondido, California. At the above-referenced hearing Jerry Lenhard of EMPAC reportedly submitted to you two consecutive five-year leases which I believe were leases between the Park and Ms. Kemper. Lenhard reportedly went on to state the following (see Exhibit 1A):

1. Ms. Kemper was "required" to sign the leases;
2. Ms. Kemper would have to sell the coach back to the Park if the leases were found to be illegal; and
3. prospective residents like Ms. Kemper are "powerless" in the face of park owners who offer leases on a take-it-or-leave-it basis.

Lenhard's remarks as reported were intended to create the image of Ms. Kemper as an unsophisticated, powerless and helpless person who was taken advantage of and abused by the Park. He has presented to you only some of the facts in order to create this highly distorted image. The additional facts he left out and which create a completely different picture of Ms. Kemper and this transaction follow, and will show that Lenhard and EMPAC as usual have not told "the whole truth."

The additional facts are as follows:

1. The Park bought the 23-year-old coach in Space #19 in July 1989 for about \$30,500. The rent controlled space rent was \$219.50/month (Exhibit 1).

Re: Hearing on Escondido Long-Term Leases
November 12, 1990
Page 2

2. We resold it to Ms. Kemper for \$32,700 almost one full year later in June 1990.
3. After accounting for lost space rent, coach repairs and costs of sale the Park made virtually no profit on the resale to Kemper.
4. As part of the transaction, Kemper was given the choice between a month-to-month agreement (which would have come under Escondido's stringent and unfair rent control program), a five-year lease or two five-year leases. She was given a reduction of \$20,000 from the asking price for the coach as an inducement to take the two five-year leases (P.1, Par. 4 Counter-Offer; Exhibit 2).
5. She was given up to 40 days to consider the leases and the right to void the leases and the purchase agreement by notifying the Park in writing up to 80 hours after executing the leases (P.2, Par. C, Counter-Offer; Exhibit 2).
6. Since the leases were a material and valuable part of the sale of the coach at virtually no profit to the Park, the Park reserved the right to rescind the transaction and refund the purchase price if the leases were in any material way found to be invalid or illegal (P.3, Par. D of Counter-Offer; Exhibit 2), a condition she willingly accepted and which portended no loss to her.
7. She negotiated an extensive addendum to the sale agreement (Exhibit 3) written in her own hand that among other things:
 - (a) required the Park at her option to repurchase the coach at the end of the first lease at no loss to her! (This effectively would nullify the second five-year lease if invoked by her);
 - (b) required the Park make substantial repairs to the coach; and
 - (c) gave her the right to use exclusively an additional area around her space.

Re: Hearing on Escondido Long-Term Leases
November 12, 1990
Page 3

8. She negotiated a flat rate annual increase of her rent and capped it at 6.25%. Obviously, she was not in a take-it-or-leave-it posture. She was sophisticated and negotiated accordingly.
9. She signed a "Notice, Acknowledgement and Waiver" fully informing her of Escondido's rent control law and in which she acknowledged having read and understood that law PRIOR to signing the five-year leases (see Exhibit 4).
10. She signed an acknowledgement (Exhibit 5) that she was offered a variety of agreements besides the two five-year leases including a month-to-month agreement, and that she was not coerced in any way into entering into the two five-year leases.
11. The leases (Exhibits 6 and 7) she signed had been previously reviewed and approved by the City of Escondido and found to be exempt from rent control. They contained extensive information concerning her rights pursuant to City codes and state law as interpreted by the City (but disputed by us) including the right to reject the offered leases. She read and initialed all of these informative warnings prior to signing the leases. The leases also contained similar informative warnings concerning her rights (see P.10, Par. 32-34 of leases).
12. At the time in question, Ms. Kemper worked for the Lawrence Welk Resort north of Escondido selling resort time share units and according to information she submitted to us made in excess of \$105,000 in 1989 plus claimed to have unspecified additional income (Exhibit 8).

The bottom line in all this is that Ms. Kemper is and was at the time in question a highly sophisticated and successful sales agent engaged in selling esoteric interests in real estate who was fully informed of all her choices, voluntarily chose those five-year leases and who negotiated valuable concessions from the Park as part of the package deal. She like any other consumer making a major purchase was not in a "take-it-or-leave-it" situation but in one in which she had and used her ability and the opportunity to negotiate.

Re: Hearing on Escondido Long-Term Leases
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She didn't have to buy the coach or take the leases. She could have walked away and chosen one of the many alternative forms of housing available in Escondido, from single family home, to condo, to apartment, to another mobilehome park where she would have gotten a rent controlled rent. But she didn't! Why not? Was it because she was an uninformed, unsophisticated, poor, wretched victim as Lenhard and EMPAC would have you believe? Or was it because our deal was the best deal she could find. The answer, now that all the facts are in, is self evident.

Mr. Tennyson, your legislative consultant, told me you felt you had been misled and misinformed by Craig Biddle of the WMA about your own Senate Bill 2009. I think its time you took a hard look at the other side of this controversy. EMPAC and the tenants, attractive as they are with their votes and in many cases advanced age, are just not telling it straight. They are manipulating you every chance they get.

Finally, this case of Ms. Kemper is an excellent example of why your Senate Bill 2009 is good law and deserves to remain on the books. Why in the world should I and my partners have to subsidize a prospective resident like Kemper at a below market rent of less than \$220/month (the rent controlled rent) as opposed to a market rent of about \$400/month when she is making over \$100,000 per year?!!! If you can give me one good reason I will personally come to your office and eat this letter page by page in front of you. On the other hand, if you can't give a good reason, all I ask you to do is support your own bill 2009.

Let's face it, rent control is fundamentally corrupt. It allows the politicians who depend on votes for their position and power to set rents for a basic commodity everyone needs at whatever levels they want. An Escondido City Councilman recently was quoted in the press as saying that EMPAC and the Council should try to be "best buddies" (see article; Exhibit 9). Yet, these same council members would have us believe they are unbiased, fair-minded arbiters of fact when it comes to rent control.

Obviously, since there are many park residents in Escondido, there is a compelling reason for the Council to curry their favor by setting rents low, below market and the further below market the better.

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Your bill helps stop this abusive and unfair price setting. While it doesn't stop the City from unfairly controlling rents for existing residents already on rent control, it does allow the park owners to get to market rent when an existing tenant sells. Why should the new tenant get that same low rent, especially if they aren't needy?!

In addition, your bill effectively gives the Park "vacancy decontrol," by restoring to the land owner (1) the right to raise rents to market and (2) freedom from government control and appropriation of his land by allowing him to require an exempt lease.

Your bill is in full accord with recent U.S. Supreme Court and Federal District and Appellate Court decisions (such as Hall v. Santa Barbara, Azul Pacific v. Los Angeles). Also, you should consider that now that the state has given us vacancy decontrol, the state if it takes it away in violation of our constitutional rights (see Hall and related cases) will be liable on a statewide basis for the massive damages that will flow from such a violation. Currently only the cities and counties with rent control that don't allow vacancy decontrol are liable.

The argument you're going to hear about 2009 from the tenants is the one in an EMPAC flier (see Exhibit 10). EMPAC handed this out to park residents to encourage them to show up at your hearing. It is a classic example of scare tactics and misinformation. The primary point and focus of the flier is that coaches will be worthless "scrap" if park owners are allowed to charge market rents on turn-over (i.e. sale of in-park coaches to prospective residents) because residents won't be able to sell their coaches and will be forced to sell to park owners for scrap value. This argument holds no water and the Kemper case proves it.

Consider first, we were able to negotiate with Kemper a combined rent and lease fee of \$370/month in year one and a rent in year two of \$414/month which she agreed to increase 6.25% per year thereafter. That's a first two year average of \$390/month. It's the appropriate market rent in Escondido - freely agreed to by a willing, informed and sophisticated buyer and a willing seller. Also the coach sold for \$32,700 which I suspect is well above the blue book value for that coach. The coach didn't sell for "scrap" value and yet we got a market rent. In the free world

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November 12, 1990
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this is called the "free market" in action. It's much in demand these days in the communist world which found state run economics, like rent control, don't work.

The tenants will say that vacancy decontrol won't work because the park owners will try to get more than market rent. The answer is that, for instance, if in Kemper's case the Park had not bought the coach to begin with and had asked for \$1,000/month rent the coach wouldn't have sold leaving the Park with both rent control and the old controlled rent of \$219.50/month. The Park would lose \$180/month in rent for every month that situation went on. In other words, it's in the Park's economic interest to lower asking rents in order to find the market rent so it can make a deal allowing it to get out from under (1) rent control (by getting an exempt lease) and (2) the artificially low rent set by the government.

By allowing the market to work, which your bill does, the Park can get a fair rent and the coach will sell for a fair price as a general rule. Obviously, you can't find market rent or the market price for a coach over night so it may take two - six months or even longer to make a deal depending on additional factors like the economy in general, the tenant's asking price (which also may be too high, over market) and the nature of the tenant's sales efforts. And remember, due to state law, the tenant gets to select the next tenant. We only get to screen them for financial ability. But in any event, such a time frame is normal - look at the single family detached housing market today where sales are taking even longer. So, you have to be brave and allow the market to work. Like Yeltsin as opposed to Gorbachev.

Finally, you are a Republican and patriot and you've been in politics a long time. I believe you were in government when it asked my generation to go to Vietnam to fight Communist aggression. While Escondido isn't Communist, its rent control program is nothing less than the state's appropriation of property: I may have the deed, but without the right to select my tenants and set the rents, that deed's value is greatly diminished. The city/state has taken the best and left me with all the liabilities.

If you need an example in the flesh and blood, call Jim Durkin in Point Loma, former owner of The Views in Escondido. The city

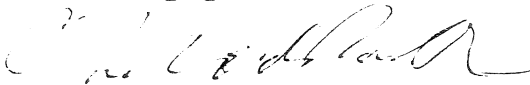
Re: Hearing on Escondido Long-Term Leases
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rolled his rents back so far he couldn't cover debt service and expenses and had to put his park into bankruptcy. The then "fair minded and unbiased" City Council denied him any meaningful rent increase and proceeded to negotiate the purchase of his park arguing that it wasn't worth more than the city's offer because the "income stream," i.e. the rents, were too low to support a higher price. This charade of fairness I'm sure caused great joy and satisfaction to the members of EMPAC, the Council's "best buddy."

It's ironic that while the Soviets are legitimizing property rights, a free market, and the concept of rental property, the Escondido City Council and EMPAC are trying mightily to destroy that same market as it relates to rental property in Escondido.

Isn't it time for you to stand up for your political heritage and support the free market and your Senate Bill 2009 which is so right and so needed? Please demonstrate your intelligence and show what you're made of by supporting your own bill, a free economy and a free society.

Sincerely yours,



Charles E. duPont, Jr.

CED/cs

ATTN

Senator Craven and other California representatives.

I cannot conceive of the logic used by the representatives of the people of California entrusting so much power and authority to one person in a community (the park owner in his community of tenants).

While all of the different elected officials must work within a system of checks & balances, I find it unthinkable that they could pass an amendment to SB 200? effective Jan 1, 91 that gives park owners the ~~practical~~ practical ability to turn away prospective mobilehome buyers at whim (with outlandish rent increases) and gobble up mobilehomes cheap. I will vote anybody out of office that will give one man of position already, such absolute control over my possessions.

Sincerely

Thomas A. Jakovac
THOMAS A. JAKOVAC

Senator Craven, or anyone who can help us to be heard on this issue.

We were not made aware that SB2009 was amended. We didn't have an opportunity to voice our feelings about it. We hope someone will pay attention to us now. .

SB2009 makes our future as Mobile Home Owners very uncertain. We will be at the mercy of Park Owners, who by raising our rents to any amount they choose, can make it impossible for us to afford living where our homes are now located. It will also make it impossible for us to sell our homes, buyers being aware that their rents can be raised beyond reason. Therefore we would have to sell them to the owners for a lot less than their worth, because the owner would know there is no alternative for us. We also could not afford to live in an apartment at present day rentals. Buying a home would also be impossible financially.

Our whole retirement is based on being able to live in our Mobile Home.

We are very indignant that SB2009 was amended without any publicity or knowledge on the part of people who are most affected. Again, it gives to those who have and takes from the have-nots.

Sincerely and Hopefully,

*W. H. H. to
20 Holly Way - Space 145
Escondido, Ca 92026*

Park-Homes Incorporated

8975 Lawrence Welk Dr., #100 • Escondido, California 92026 • Phone: 619-749-8271

October 17, 1990

William A. Craven
Senator, 38th District
State Capital
Sacramento, CA 95814

FEDERAL EXPRESS

Dear Senator Craven:

We are in receipt of your letter regarding a resident, Mrs. Lucille Collier, who leases a mobile home space from Park-Homes, Inc. We appreciate your concern in this matter and acknowledge that you raised many valid points. But as in all situations there are two sides to every coin. You stated your strong disapproval of our actions and we felt an immediate response was necessary to set the story straight.

When this mobile home rental park was converted into a condominium park in 1986, every resident, including Mrs. Collier, was given every opportunity to take on a life time lease for their space. Management met many times with Mrs. Collier to clearly explain her options of renting versus buying her lot. I personally meet with Lucille Collier and I am most familiar with this case. Mrs. Collier elected to take the option of an one-year lease in lieu of the options offered of a lifetime lease or the purchase of the lot through subsidized or other purchase options.

Had she chosen the lifetime lease or the purchase options, she would not be in the predicament she is today. Additionally, our files indicate that Collier stated in 1986, that she could afford to purchase the lot at the market price then of \$47,900. Her lot currently has a market appraised value of \$100,800. If Mrs. Collier would had chosen to purchase her lot at that time, she would have made a sizable capital gain on her investment. Instead, she voluntarily invested over \$25,000 in recent, sizable improvements to her mobile home while choosing to rent with a yearly option lease! (Which, incidentally, she refused to sign.)

"The Condominium People"

Your letter makes reference to Mrs. Collier having only a \$800 monthly income. It is interesting to note that while Mrs. Collier refuses to discuss her full financial income, she refers often to helping support her adult children who live out of state. Then, in addition to her sizable home improvements, she has refused to sign any of the one-year leases that have been offered to her in the past four years. Clearly, her substantial improvements are not in line with her claim to be of financial hardship.

Our lease increase for her particular space is comparable with today's market rates for the North County area, especially considering her leases were under the market rate for the previous years. The lease amount charged is identical to many other space rents within the park for similar choice locations.

You may recall, Senator, that Park Homes was active in assisting our residents acquire funding through the MOAP program during the conversion. And we continue to be active and supportive in the GSMOL organization and also with The Associates Group for Affordable Housing (TAG), lending our office as a meeting site.

Additionally, Park Homes has never forced any resident to move and been extremely understanding as a developer in offering OUR OWN subsidy program for residents who qualify. No other developer/owner has such a program and I encourage you to contact Marie Malone, past president of GSMOL, through TAG (619-738-9990) to verify the above statement.

A qualifying requirement for our subsidy program is disclosure of previous years income tax return, in which Mrs. Collier has flatly refused to discuss. This subsidy program has been successful and has aided many residents to remain in this 5 star park where other less benevolent developers would have looked the other way and forced seniors to move. This is the very claim Mrs. Collier makes against us and nothing could be further from the truth!

For the last 4 years ever since the conversion, we have subsidized leases with payments varying as low as \$5.00 per month (eg. Esme Goodacre, Space #91, 619-749-2912) to as high as \$222.00 per month (eg. Dorothy Smith, Space #19, 619-749-0301). I would ask you to take the time and encourage you to contact these tenants or my office which can supply you with a list of approximately 20 residents who have been or still are receiving our developer subsidy.

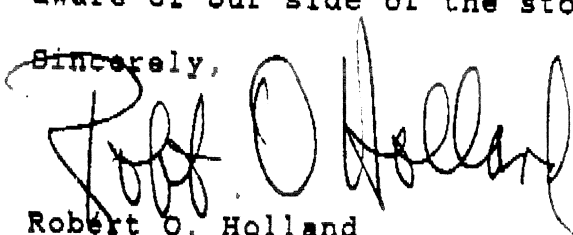
Despite the adverse reaction from Mrs. Collier and her false accusations of discrimination, Park Homes management has continued to try to work out a solution even to the point of my asking her directly as recent as last week what lease amount COULD she comfortably live with. However, Mrs.

Collier now states that "nothing could keep her in this park" and she has been "advised by her children to move her coach."

We are enclosing copies of memos sent to the Welk Group concerning this manner documenting her stand on this issue. If communication is the key, then how can we deal with people who won't even discuss what would enable them to stay?

As you can see, Senator Craven, this is not the open and shut case it may appeared to have been when you first heard of Mrs. Collier's plight. As always, Park-Homes, Inc. continues to be a leader in condominium conversions while accepting responsibility for our actions. We hope you have become aware of our side of the story and we invite your reply.

Sincerely,



Robert O. Holland
President

cc: Supervisor MacDonald, San Diego County
Marie Malone, TAG
Ted Lennon, Welk-Group, Inc.
David Dunbar, Attorney, Hyatt & Rhoads

Enclosures

ROH:js

Park-Homes incorporated

8975 Lawrence Welk Dr., #100 • Escondido, California 92026 • Phone: 619-749-8271

MEMO

TO: Ted Lennon
The Welk Group, Inc.

FROM: Jan Semerad, Office Manager
Park Homes, Inc.

DATE: October 3, 1990

SUBJECT: Lucille Collier, Space #181
Champagne Village

Per Robert Holland's request this office is faxing you a copy of the letter that was written July 9th to Mrs. Collier. This letter was in response to her verbal complaint regarding the increase of the base lease amount.

Ever since the lease offer was made to Mrs. Collier, she never would discuss our offer made to her nor would she disclose her true financial situation. Instead she insisted that she was being discriminated against and choose to pay her lease under protest.

The annual leases that were offered to Mrs. Collier for the previous 4 years have never been signed or acknowledged by her. For your information, there are a total of 5 one-year leases that are currently in effect with Park-Homes, Inc. including three spaces that are charged the same lease amount as Collier. Space numbers and the monthly leases are:

- # 132 @ \$450 plus \$135 dues
- # 181 @ \$750 plus \$135 dues
- # 267 @ \$750 plus \$135 dues
- # 294 @ \$750 plus \$135 dues
- # 392 @ \$750 plus \$135 dues

Robert Holland does want you to know that he has spoken with Mrs. Collier today at 3 p.m. and it was discussed that she come up with a lease amount that she can afford after discussing the issue with her family.

Hopefully, this should be in the \$600 range and Park Homes would be willing to offer her a lease with a longer term of 5 years to help settle this situation. We are optimistic that within the next day or two, this matter will be resolved.

Park Homes incorporated

8975 Lawrence Welk Dr. #100 • Escondido, California 92026 • Phone: 619-749-8271

MEMO

TO: Ted Lennon
The Welk Group, Inc.

FROM: Jan Semerad, Office Manager
Park Homes, Inc.

DATE: October 4, 1990

SUBJECT: Lucille Collier, Space #181
Champagne Village

I have been notified by Robert Holland that after talking with Lucille Collier today that he was informed that no dollar amount for the lease could ever be agreed upon because her children want Mrs. Collier to move.

Mrs. Collier is planning on moving her coach to a site closer to her children and could not be convinced otherwise.

Jan Semerad

I live in a MH park in Oceanside. We have an Ordinance called the Mobilehome Fair Practices Ordinance which allows for an annual rent increase and also allows the park owner to pass on increases in governmental assessments and utility rates where such utilities are included in the space rent.

On Sept. 5, 1990 we received a notice from the park management (mailed August 31, 1990) stating that the Park was seeking a utility pass-through and this was our 60 day notice pursuant to state and local law. The letter went on to state that the pass-thru will be retroactive back to July 1, 1990 per the City Ordinance. The amount of the increase is not yet known, but is not expected to exceed \$10."

The MHFPC met on 9/19/90 and approved the pass-thru to be effective as of July 1, 1990 with a retroactive amount to be paid for the months of July, August and September plus the amount for October on October 1, 1990.

The MH Residency Law states: "The management shall give a homeowner written notice of any increase in his or her rent at least 60 days before the date of the increase." This would be November 5, 1990. Does this mean that the park management company can give a notice for 60 days and then increase the rent retroactively or that a City Commission and Housing Director can violate the state law in this respect by ordering a lump sum payment from the residents for 4 month's charges before the increase was legal?

The whole concept of making raises to rent retroactive seems to contradict the Residency Law.

The City Housing Director has also issued a report on why retroactive payments of the annual rent adjustment are necessary. In this case, however, residents do receive a notice of 60 days of the intent to increase rent. But if increases to rent are made retroactive, is this not a violation of the MH Residency Law requirement of a 60 day notice?

Another thing that bothers us in Oceanside is the way the rent increases are compounded. This increases the rents more rapidly. Instead of having a base rent and multiplying that figure by the CPI increase each year and adding that amount to the rent, they use the last paid rent which includes all previous increases, thus compounding increases. They also allow a park owner to add the pass-thru to the rent, and then give the owner a cost of living increase on that as well.

We think the Residency law does cover the one problem, but whom do we turn to to enforce it?

Dyantha Carrington
4660 N. River Road, #155
Oceanside, Ca. 92057

LAMPLIGHTER OCEANSIDE
4660 North River Road
Oceanside, CA 92056

August 31, 1990

[REDACTED]
4660 N. River Rd., Space [REDACTED]
Oceanside, CA 92056

RE: Utility Pass-Through Space [REDACTED]

To the Household of [REDACTED]:

This shall serve as your 60-day notice pursuant to state and local law that the Lamplighter Oceanside Mobilehome Park is seeking a utility pass-through. The procedure is defined in the City of Oceanside's rent stabilization ordinance.

The pass-through will be retroactive back to July 1, 1990, per the City ordinance. The amount of the pass-through increase is not yet known, but it is not expected to exceed \$10.00. The final City approved amount will be determined through the Housing Department staff, and approved by the Rent Review Commission. At the time of approval of a final figure, your billing statements will be reflected to show the Commission-approved figure.

Sincerely,
STAR MOBILEHOME PARK MANAGEMENT

for: Lamplighter Oceanside

STAFF REPORT



CITY OF OCEANSIDE

TO: Chairman and Members of the Manufactured Home Fair Practices Commission

FROM: Richard V. Goodman, Housing Director

DATE: September 19, 1990

SUBJECT: CONSIDERATION OF A PASS-THRU ADJUSTMENT APPLICATION FOR LAMPLIGHTER MOBILE HOME PARK

PURPOSE:

To consider granting a Pass-Thru Adjustment for Lamplighter Mobile Home Park.

ANALYSIS:

On August 31, 1990 a Pass-Thru Adjustment Application for Lamplighter Mobile Home Park was filed with the City Clerk. This application was declared complete by staff on September 5, 1990.

Lamplighter Mobile Home Park consists of 161 spaces. Of the 161 spaces, 159 are month-to-month spaces, and 2 are gratis/manager spaces.

The current cost of trash that is included in the space rent as verified by the Water Utility staff is \$16,833.81.

The increased cost for the trash service projected by the applicant and verified by the water utility staff is \$21,753.48.

The allowable Pass-Thru Adjustment is that amount not compensated for in the Annual Permissive Adjustment. This amount was found by:

- 1) Deducting the old trash rate from the new trash rate.
($\$21,753.48 - \$16,833.81 = \$4,919.67$)
- 2) Computing the amount the Permissive Adjustment increased the old trash rate. ($\$16,833.81 \times 5.8\% = \976.36)
- 3) Subtracting #2 from #1 resulting in the amount of the Adjustment. ($\$4,919.67 - \$976.36 = \$3,973.31$)
- 4) The total has been divided by 161 resulting in the adjustment amount per space, per year. ($\$3,973.31$ divided by 161 = $\$24.67$)

- 5) The adjustment of \$24.67 has been divided by 12 resulting in an increase of \$2.05 per space, per month. (\$24.67 divided by 12 = \$2.05)

Staff recommends the Commission approve the Pass-Thru Adjustment of \$2.05 per space, per month, effective July 1, 1990. There shall be a retroactive amount of \$6.15 for the months of July, August and September plus \$2.05 for the month of October bringing the total to \$8.20, due on October 1, 1990. The increase will be \$2.05 per space, per month thereafter.

FISCAL IMPACT:

If approved by the Commission, the Pass-Thru Adjustment of \$2.05 per space, per month for all 159 month-to-month spaces will go into effect on July 1, 1990. A lump sum of \$8.20 for the months of July, August, September and October shall be due on October 1, 1990.

CONCLUSION:

Staff recommends the Commission approve the pass-thru adjustment for Lamplighter Mobile Home Park subject to the following finding and decision.

FINDINGS:

- A) The subject park is located at 4660 North River Road, Oceanside, California.
- B) The subject park consists of 161 spaces. Of the 161 spaces 159 are month-to-month spaces and 2 are gratis/manager spaces.
- C) The current costs for trash service included in space rent as previously approved by the Commission is \$16,833.81.
- D) The new rate for trash service projected is \$21,753.48.
- E) The allowable adjustment amount is \$3,973.31.
- F) An adjustment of \$2.05 per space, per month shall be effective on July 1, 1990.
- G) A lump sum payment of \$8.20 for the months of July, August, September and October shall be due on October 1, 1990.

DECISION:

- 1) The subject park is within the jurisdiction of this Commission.

- 2) The space rent per month for all 159 month-to-month spaces which was in effect on February 1, 1990, pursuant to Resolution No. 90M-04 shall be increased by \$2.05.
- 3) All other provisions of Resolution No. 90M-04 shall be applicable to the park except the increase that is approved by the Commission herein.
- 4) No rents or other charges shall be imposed upon the 159 month-to-month spaces, other than charges approved by this Commission.
- 5) Nothing herein shall authorize any increase or change in any rent or other charge imposed on the residents not in compliance with State Law.
- 6) The decision herein shall be binding upon applicants and any of their successors in interested assigns, or transferees and shall be binding upon every resident/tenant of any space in said park.
- 7) The procedures and determination herein have been carried out in compliance with the Oceanside Manufactured Home Fair Practices Ordinance.

PREPARED BY:

SUBMITTED BY:

SHARON A. TORABI
Housing Specialist

RICHARD V. GOODMAN
Housing Director

RVG:SAT:arm

STAFF REPORT



CITY OF OCEANSIDE

TO: Chairman and Members of the Manufactured Home Fair Practices Commission

FROM: Richard V. Goodman, Housing Director

DATE: September 19, 1990

SUBJECT: RETROACTIVE PAYMENTS OF ANNUAL ADJUSTMENT

PURPOSE:

To consider different alternative for the retroactive payments of Annual Adjustment.

ANALYSIS:

At the March 21, 1990 public hearing for the Annual Permissive Adjustment for Rancho San Luis Rey Mobile Home Park, Ms. Bledsoe, a resident of the park stated that many of the residents face a hardship with the due date of the retroactive payments immediately following the Commission meeting, because of their fixed income. Commissioner Peckham felt that adding an additional thirty (30) days to the April 1st due date may help the residents to raise the needed amount and it should not cause a problem to the billing procedure.

Staff was asked to study the possibilities of an alternative for the April 1st due date and report the result to the Commission. According to the Ordinance, the effective date for Annual Adjustments is February 1st of each year. The retroactive payments become necessary because the increase is based on the percentage increase in the CPI (Consumer Price Index) which is not released by the Bureau of Labor Statistics until late February. The information is required to calculate the adjustment and hold a public hearing is not available until March. All the residents receive a sixty (60) day rent increase notice from the park management in December. Additionally they receive a notice directly from the City Clerk's office indicating the amount of the increase, after the CPI percentage increase is released by the Department of Labor. The residents can also call the Bureau of Labor Statistics to find out the approximate predicted CPI increase for the year.

Since the retroactive payment is only two months of the increased amount (typically about \$30), and the residents have been notified in advance that the retroactive payment will be due, staff is of the opinion that the retroactive payment should not cause an undue hardship on the park residents.

In order to remind the residents of the retroactive amount that will be due, staff can include the approximate lump sum payment that is due on the first of April in the Notice of Public Hearing in addition to the predicted monthly increase. This way the residents will know the monthly increase plus the total amount that will be due in April, and plan accordingly.

However, in the alternative, if the cumulative total of the retroactive rent increase payments is not made as soon as possible to the park owner the hardship on the park owner may be greater than the hardship on any individual park resident.

RESIDENT:

Staff recommends that the due date for retroactive payments be the first day of the month immediately following the hearing.

PREPARED BY:

SUBMITTED BY:

SHARON A. TORABI
Housing Specialist

RICHARD V. GOODMAN
Housing Director

RVG:SAT:arm

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OCEANSIDE CITY CODE

§ 16B.9

or an increase equal to the percentage increase in the CPI for the calendar year in which the application is filed as reported by the Bureau of Labor Statistics.

- (2) *NOI adjustment:* In the event a park owner does not receive a just and reasonable return on park property after receiving the maximum permissive adjustment provided for above, a park owner may file an application with the commission for an adjustment of the space rent ceiling.

A park owner shall be entitled to an adjustment of the space rent ceiling so as to enable the park owner's net operating income (NOI) for the subsequent year to be increased by a rate equal to the lesser of: a) the percentage increase in the CPI for the calendar year in which the application is filed as reported by the Bureau of Labor Statistics multiplied by that percentage of the CPI which composes the expenditure category of housing or the equivalent thereof, or b) forty (40) percent of the percentage increase in the CPI for the calendar year in which the application is filed as reported by the Bureau of Labor Statistics.

- (3) *Effect of previous annual adjustment:* No annual adjustment shall become effective if a previous annual adjustment became effective within the previous twelve (12) months. An annual adjustment may, however, be approved by the commission within such twelve-month period provided that such an adjustment shall not become effective within such twelve-month period.

(d) *Pass-Thru Adjustments:*

- (1) A manufactured home owner may, at any time, file an application with the commission for a pass-thru adjustment of the space rent ceiling to enable the park owner to pass on increases in governmental assessments and utility rates where such utilities are included in the space rent. The application shall be submitted on such a form as may be provided by the commission.
- (2) Pass-thru adjustments shall be available for the following utility costs: Gas, electricity, water, trash and sewer service.

11/26/90

After living five years in an El Cajon mobile-home park, Edy Mason is moving to a plot of land in the mountains of Colorado.

Price of mobile-home life getting steep

Costs are problems for both residents and park owners

By Bob Rowland, Staff Writer

Edy Mason, 69, has lived most of her adult life just one heartbeat away from the road.

Her one-bedroom house, a mere 10 feet wide and less than 50 feet long, is billed as a "mobile home." A misnomer, Mason readily acknowledges. Her vintage coach in the El Capitan Mobile Home Park in El Cajon sits like an outcrop on a narrow plot of land.

"For all practical purposes, this place is about as mobile as the Smithsonian," Mason said, stroking a lean gray cat asleep in her lap.

"But this kind of life is perfect for me," she said. "I never want to be packed into an apartment block, with somebody stomping around on top of me. Here, I can putter around outside, plant flowers if I want to."

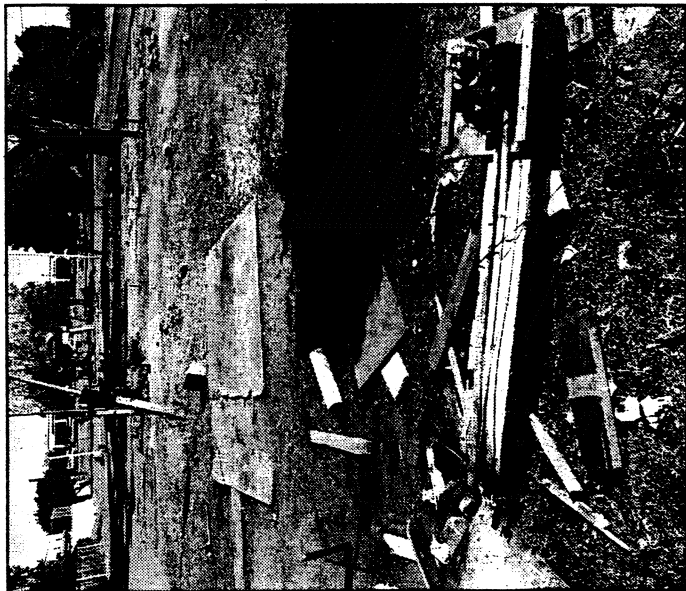
"And I own my own home," she said, staring straight ahead. "My own home."

Like most of the nearly 69,000 mobile-home residents in San Diego County, Mason and her neighbors own the coaches in which they live, but not the ground underneath them. Monthly space fees, which in most cases are not regulated by municipal codes, range from \$120 to nearly \$1,000.

In recent years, escalating land prices, coupled with the unrelenting press of development and frequent rent increases, have strained the mobile-home lifestyle to the breaking point.

Edy Mason is at that point.

It has been five years since she parked her coach in the El Capitan and started calling the place home. Two weeks ago, she was clearing out the familiar nooks of



The San Diego Union/Charles Starr
Not much is left of Lloyd's Mobile Home Park in Chula Vista, which closed recently.

her narrow living room, preparing for a move to Colorado.

There were boxes to pack — papers, books, photographs, cat food.

"So much stuff for just the two of us," she said.

Mason is divorced and lives alone. She and her cat will be making the trip to the mountains together. She will sell the small green and white coach rather than

risk damages on a long haul.

"Me and a friend, we bought 35 acres out in the mountains near Colorado Springs," Mason said. "There's lots of trees and plenty of fresh air there."

"I got asthma," she said, taking a long drag from a filter cigarette. "I need fresh air, and lots of it."

But it is more frustration and economics than air quality that pushed Edy Mason out. For years, she had spearheaded unsuccessful attempts to secure rent controls or subsidies for about 2,700 mobile-home owners living in El Cajon.

Mason said that she'll pay \$152 a month toward the purchase of the Colorado land as opposed to the \$240 she was paying to rent space in El Capitan.

"I want to own my own property, and put my own home on it, and never have to worry about these things again," said Mason, who plans to buy another coach.

El Cajon is by no means the exception. Bitter struggles between park owners and tenants have surfaced in virtually every city in the county. In almost any given week, groups of residents appear before a city council or planning commission, pleading their cases for rent control or some other form of protection.

Then the park owners and their representatives take their turns on the podium, arguing with equal conviction for their right to a fair return on their investments.

The stakes are high. The nearly 69,000 residents are on 487 mobile home-parks in the county, according to a report issued in March by the county Department of Housing and Community Development. Approximately 80 percent of those residents are over 62 and live on Social Security and individual pensions.

Typical rents for coach space and utilities — not

See **Mobile home** on Page B-2

Continued

Mobile home: Cost of lifestyle problem for residents, park owners

"Rental parks are dinosaurs — they can't survive. But you've got this generation of residents who want to live out their lives there."

Don Olmsted

including the cost of the mobile home — were \$309 in 1989, up from \$211 six years earlier. The median annual income for a mobile home family was \$15,900, slightly more than half the income for the typical family in San Diego County.

Over the past decade, escalating rents have outstripped increases in Social Security and pensions, straining the resources of park residents, the county study found.

Park tenants also are feeling the crush of a "closed and diminishing marketplace," according to Don Olmsted, former district director of the Golden State Mobile Home Owners League, a statewide advocacy group for park tenants.

"Rental parks are dinosaurs — they can't survive," Olmsted said. "But you've got this generation of residents who want to live out their lives there."

"They've sunk everything they've got into their homes, and now they're in trouble," said Olmsted, 70, who rents space in a Vista mobile-home park. "They're being squeezed out, and they have no place to go."

In the 1950s and '60s, mobile-home park development was a booming business in San Diego County. But by the 1970s the boom was over, crushed by changes in tax laws, escalating property values, and soaring development costs.

Despite their affordability, "mobile homes are currently threatened with elimination from the housing stock," according to the county's Mobile Home Task Force.

"If these people can't afford to pay the rent, and they have no place else to go, their homes become junk," Olmsted said. "The end result of their life savings is sold off at salvage value. I've seen it happen."

Tom Kenny, owner of Lloyd's Mobile Home Park in Chula Vista, offers an equally grim forecast. However, like other park owners, Kenny sees manipulation of complex laws and unyielding alliances of mobile home owners as the chief culprits in the slow death of mobile home parks.

"You can't believe what goes on," Kenny said. "Everything keeps going up. Taxes, trash pickup, insurance, everything. So then you go to raise the rent to try to keep up, and everybody's up in arms."

"Investment in a mobile home park is becoming less and less attractive all the time," Kenny said. "In my opinion, before long, you're not going to find too many people willing to venture it."

Kenny cites himself as a prime example. Several weeks ago, he shut down Lloyd's Mobile Home Park. The tiny wedge of land in the Montgomery District of Chula Vista is eerily quiet now. Once a community of 22 families, the park was strangled, Kenny said, by red tape.

He said he closed the park after years of frustrating rent negotiations, mediation, arbitration and the growing sense that gradually, he was losing his investment.

"Each year that you're unable to raise rents just to keep up with expenses, you lose a little bit more," he said. "I didn't want to wake up in 10 or 15 years and find I had nothing."

Kenny expressed sympathy for low-income seniors living in mobile home parks, but said that their fate should be a shared responsibility.

"I feel sorry for a lot of them, but it isn't the park owner's problem," he said. "It's society's problem, and to lay it at the feet of the owners is ridiculous."

Having accepted the grim future of rental mobile-home parks, tenant advocates are pushing for resident ownership — in which mobile home parks are owned jointly by tenants.

First introduced in Fallbrook and Vista in 1984, park conversions in the county have since taken place in El Cajon, Encinitas, San Marcos, Escondido, Carlsbad and Chula Vista. The conversions affected 2,184 families and cost \$65.2 million.

Other cities have created protections ranging from mediation to rent control. Some provide money to help residents purchase their own parks. Others have taken on the role of landlord after purchasing mobile-home parks in an effort to cap steadily increasing space rents.

In the county, the Coronado City Council is alone in bypassing the mobile-home controversy. City codes bar the development of mobile-home parks.

Meanwhile, the struggle over escalating park rents has galvanized the county, and throughout the state.

Key issues extend well beyond rent control, however. In Chula Vista last year, a group of Hispanic tenants launched an unsuccessful campaign to require park owners to provide Spanish-speaking tenants with contracts and related notices written in Spanish.

At the time, the City Council took no action, citing doubts about how such an ordinance would be applied.

Mayor-elect Gayle McCandliss was among those who expressed concern that any protections for Spanish-speaking renters would have to apply to tenants beyond the scope of mobile-home parks.

In El Cajon, exasperated city officials so far have resisted mounting pressure from mobile-home activists, primarily members of the Golden State Mobile Home Owners League and a group called Homeowners Striving to Attain General Equality, who have appeared en masse at City Council meetings throughout the year.

Escondido, Oceanside and San Marcos have been embroiled in legal battles over the validity of laws holding down space rents.

In San Marcos, where mobile-home park residents account for

Continued...

nearly 25 percent of the population, voters have enacted stringent controls over park rent increases.

Santee's mobile-home rental assistance program provides subsidies of up to \$600 annually for elderly tenants living on less than \$1,133 a month.

Poway has gone a step further, purchasing two of the city's four mobile-home parks in its aggressive approach to rent stabilization. City officials currently are entering into an agreement to buy a third park — Poway Royal Mobile Estates — for \$21.6 million, according to city manager Jim Bowersox.

With 398 spaces, Poway Royal is the largest mobile-home community in the city.

Poway launched the acquisition program in 1988 with the \$10 million purchase of Poinsettia mobile home park, which has 265 spaces. The following year, the city used \$6 million in redevelopment money to buy the 70-space Haley mobile-home park.

"Frankly, I was disappointed when I heard that the city was coming in," said Janice Walker, manager of Poway Royal for the past two years.

"The owners were wonderful," Walker said. "They'd just completed the first phase of an upgrade and were planning to move forward."

Poway Royal belies the commonly held belief that mobile home parks are cluttered, unsightly communities. Built in the early 1970s, the lush, 50-plus-acre park is nestled among rolling green and brown hillsides that frame the city's portrait.

Residents of the family park in the southern reaches of Poway have access to two clubhouses, three swimming pools, tennis courts, a sauna and a library. There is a playground with slides and swings. Just over the hill to the north is Poway Community Park.

"It's always peaceful here, a really beautiful place," said Walker, who has lived at Poway Royal with her husband since 1988.

Bill Ghiselin, chairman of the Poway Royal Homeowners Association, paints a decidedly different picture.

"The management was victimizing elderly people in the park by hiking the rents," said Ghiselin, a six-year resident.

"It was a losing battle for the residents," he said. "They felt they were being held hostage."

Ghiselin said his monthly rent was \$240 when he brought his mobile home to Poway Royal. Most residents reportedly were paying more than \$300 when the city agreed to purchase the park. Under the proposed acquisition by the city, monthly rents will be frozen at \$425 until 1992, Bowersox said. Residents who

currently pay less than \$425 will not see a change in their rents, for now, he said. Any future increases in monthly fees will be decided by the City Council.

While the city's action was well-intentioned, many park residents are finding it increasingly difficult to pay their rent, Ghiselin said.

"Unless the city can help out in the form of subsidies, you're going to see a lot of people forced out. They're just not going to be able to keep up with it."

The vast majority of mobile home park residents applaud government involvement on behalf of the tenants, most of whom are elderly. But critics, most notably park owners, say

the intervention unfairly pits owners and tenants against one another in a form of class warfare.

In a minority report issued by the county's Mobile Home Task Force, park owners Bert Caster, Alan Tarlov and Norman Mann describe rent stabilization as "the most disastrous form of political interference in the economy."

"When government intervenes with this type of ordinance, only the lawyers make the profits," they wrote.

Olmsted, the former officer with the statewide mobile-home advocacy group, has lived in a relatively spacious coach (a "double-wide," in industry jargon) in Vista for 13 years.

Like many of his contemporaries, he was drawn to the mobile-home lifestyle when he reached retirement age.

"There was a time when these places really appealed to seniors," he said. "They didn't want to stay in the big houses where they raised their kids, but at the same time they were accustomed to living in their own four walls."

"Here, they could plant their little flower beds, and yet not have lawns to mow. They could relax, have their bridge tournaments down at the clubhouse, have coffee klatches in the morning. And they could afford to stay put for the rest of their lives. Or so they thought."

End

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