SENATE JUDICIARY COMMITTEE
Senator Hannah-Beth Jackson, Chair
2019-2020 Regular Session

SB 999 (Umberg)
Version: February 13, 2020
Hearing Date: May 22, 2020
Fiscal: No
Urgency: No
TSG

SUBJECT

Mobilehome park residencies: rent control: exemption

DIGEST

This bill removes a provision in state law that exempts mobilehome leases from any otherwise applicable local rent control ordinance if, among other specified conditions, the lease term is greater than one year.

EXECUTIVE SUMMARY

Mobilehomes are an important source of affordable housing in California. Despite their name, however, mobilehomes are usually difficult or impossible to relocate. To protect the affordability of mobilehome living and in recognition that mobilehome owners cannot simply move out in response to large rent increases, many local jurisdictions in California have passed ordinances that control how much a mobilehome park can increase the rent it charges to residents. Since 1985, however, state law has preempted the application of local rent control laws to mobilehome leases that are more than one year long. As a result, mobilehome parks can avoid local efforts to control the rate of mobilehome rent increases by entering into long-term leases with residents. This bill would phase out the statewide exemption for such long-term leases, thus restoring full local control over restrictions on mobilehome rent increases, regardless of the length of the mobilehome lease in question.

The bill is sponsored by the Los Angeles County Board of Supervisors and the Golden State Manufactured Homeowners' League. Support is from affordable housing advocates and local governments with a significant population of mobilehome residents. Opposition is from mobilehome park owners and managers. They contend the bill unconstitutionally interferes with existing contracts and argue that long-term leases that are exempt from rent control can be beneficial to both mobilehome park owners and residents alike.

PROPOSED CHANGES TO THE LAW

Existing state law:

1) Allows local jurisdictions to impose mobilehome rent control laws, provided that parks can still earn a fair return on their investment. (*Cacho v. Boudreau* (2007) 40 Cal.4th 341, 350.)

2) Exempts a mobilehome lease from any otherwise applicable local mobilehome rent control ordinance adopted, if the lease meets all of the following:
   a. the rental agreement is in excess of 12 months' duration;
   b. the rental agreement is entered into between the management and a homeowner for the personal and actual residence of the homeowner;
   c. the homeowner was given at least 30 days from the date the rental agreement is first offered to accept or reject the rental agreement;
   d. the homeowner was given 72 hours after receiving a copy of the signed rental agreement in specified manners. (Civ. Code § 798.17.)

This bill:

1) Makes state law preempting the application of local rent control ordinances to mobilehome leases that are over a year in length and meet other specified conditions inapplicable to leases entered into on or after January 1, 2020.

2) Repeals the exemption from local rent control ordinances for all mobilehome leases that are over a year in length, effective January 1, 2025.

3) Contains a severability clause.

COMMENTS

1. Background

Tension between local and state authority is a recurring theme in the history of rent control in California. With respect to residential rental housing, rent control measures first sprung up in a number of local jurisdictions in the 1970s and 1980s. Landlord associations and property rights advocates challenged these measures in court, but, subject to certain constitutional limitations, the courts ultimately upheld local authority to enact rent control. (*Birkenfeld v. Berkeley* (1976) 17 Cal.3d 129.) Opponents of rent control therefore turned to the Legislature for help reining in local rent control laws. A prolonged legislative battle culminated in passage of the Costa-Hawkins Act. (AB 1164, Hawkins, Ch. 331, Stats. 1995.) Costa-Hawkins greatly limits how strict a local residential rent control measure can be and how broadly it can be applied. (Civ. Code §§ 1954.50-1954.535.)

A similar dynamic has played out in the context of rent control as applied to mobilehomes. Even more than other residential tenants, mobilehome owners cannot simply pick up and move in response to rent increases. Despite their names, many mobilehomes cannot, in fact, be moved, and for those mobilehomes that can be moved, the cost is generally quite high. Recognizing the particular leverage that this dynamic gives to mobilehome parks over their residents, approximately a hundred local jurisdictions within California have enacted some form of mobilehome rent control. In response, the Legislature has passed legislation partially preempting local governments' authority in this area. For example, state law blocks local jurisdictions from imposing rent control on newly constructed mobilehome spaces, defined as newly constructed spaces initially held out for rent after January 1, 1990. (Civ. Code §§ 798.7 and 798.45.) Another example is the provision at issue in this bill, Civil Code § 798.17, a state law which exempts leases of over one year from any otherwise applicable local rent control ordinances.

As originally enacted, Civil Code Section 798.17 simply exempted a mobilehome lease from local rent control if the lease was greater than a year in length and so long as prominent language in the lease informed the mobilehome tenant about the exemption. (SB 1352 (L. Greene, Ch. 1084, Stats. 1985.) Almost immediately, however, the Legislature added more preconditions to the contractual circumstances that would support the exemption. Specifically, the Legislature required parks to give residents at least 30 days before deciding whether to accept or reject the offer. Additionally, the Legislature mandated that parks give residents a 72-hour period in which to void a long-term, rent control exempt lease after signing it. These "cooling off" provisions appear to recognize the danger that mobilehome residents might be pressured or incentivized to enter quickly into long-term, rent control exempt leases without immediately realizing what they were giving up. Finally, the Legislature established that mobilehome residents who reject the long-term, rent control-exempt lease offered to them must be given a shorter, rent controlled lease on the same essential terms. (SB 2026, Petris, Ch. 1416, Stats. 1986).

The park owners who oppose this bill assert that these basic procedural protections are sufficient to ensure that parks cannot take advantage of park residents. According to this viewpoint, if park residents choose to enter into long-term, rent control-exempt leases, it is only because they perceive some benefit in such a lease that outweighs the value of rent control. The author and proponents of this bill, conversely, believe that the protections in existing law do little to overcome the fundamental asymmetry at the heart of this bargaining relationship. In contrast to most mobilehome residents, park owners are constant and repeat players in mobilehome lease negotiations, they are versed in mobilehome law, and they often have ready access to sophisticated legal counsel.

2. What the bill does and does not do

In considering the merits of this bill, the Committee may find it helpful to distinguish between what the bill does and does not do.

Nothing in the bill prohibits residents and parks from entering into long term leases. The only difference would be that, where a local rent control ordinance is in place, the terms of any long-term lease would have to comply with that rent control ordinance.

Nothing in the bill requires any local jurisdiction to adopt rent control for mobilehomes if it does not wish to do so. Local jurisdictions would maintain their current authority to adopt mobilehome rent control measures – or not – as they see fit. Only the scope of that local authority would change. Under existing law, local governments are powerless to force leases of over a year in length to comply with their mobilehome rent control ordinances. Under this bill, local governments would have that option.

Nothing in the bill requires local jurisdictions to apply rent control to long-term leases. Any local jurisdiction that likes the currently existing exemption from rent control for long-term leases would be free to maintain it, or add it, as a provision of their local ordinance.

What the bill does do is lift a statewide limitation on the authority of local governments to apply rent control to long-term mobilehome leases. It would mean, thus, that any jurisdiction which has elected to enact rent control for mobilehomes could also decide whether that rent control should apply to long-term mobilehome leases – or not – at its own discretion and without the interference of a statewide mandate.

3. Constitutional considerations

There are no constitutional concerns about application of this bill to mobilehome leases executed after the bill enters into force. Two components of the bill would have the practical effect of modifying some existing mobilehome leases, however. They therefore warrant review for constitutionality.

First, upon enactment, the bill would apply retroactively to all mobilehome leases executed on or after January 1, 2020. Thus: if a resident and a park executed a lease during this calendar year, if that lease is greater than one year long, if that lease corresponds to a mobilehome space that is covered by a local mobilehome rental control ordinance, and if that lease provides for greater rent increases over time than the local mobilehome rent control permits, then this bill would operate to limit the rent increases under the lease to the maximum permissible under the ordinance. The purpose behind this provision is to prevent mobilehome parks from anticipating enactment of this bill and evading its intended effect by rushing to sign residents to long-term, rent control-exempt leases before the bill becomes operative.

Second, in four years' time, the bill acts to repeal the state preemption preventing application of local mobilehome rent control laws to leases of greater than one year, regardless of when they were executed. Thus, beginning January 1, 2025, all mobilehome leases, regardless of length, would become subject to any locally applicable mobilehome rent control ordinance from that point forward. As a result, if the terms of any then-existing mobilehome lease, no matter when executed, call for higher rent increases greater than what is permissible under the local rent control ordinance, the provisions of the local rent control ordinance would supersede the terms of the lease going forward.

In opposition to the bill, both the California Mobilehome Parkowners Association and the Western Manufactured Home Association (WMA) assert that these two aspects of the bill amount to unconstitutional interference with contracts.

The Contracts Clause of the U.S. Constitution provides that "[n]o state shall … pass any Law impairing the Obligation of Contracts." (U.S. Const. Art. I, § 10, cl. 1). The California Constitution, similarly, declares that "[a]… law impairing the obligation of contracts may not be passed." (Cal. Const., art. 1, § 9.) Because the two provisions are parallel, the same legal analysis applies to both. (*Campanelli v. Allstate Life Ins. Co.* (9th Cir. 2003) 322 F.3d 1086, 1097, citing *Calfarm Ins. Co. v. Deukmejian* (1989) 48 Cal.3d 805.)

Though the contract clauses speak in absolute terms, courts have long held that they do not prohibit all state action that results in the modification of a contract. (*Lyon v. Flournoy* (1969) 271 Cal.App.2d 774, 782.) Instead, as the U.S. Supreme Court recently articulated in *Sveen v. Melin* (2018) 138 S. Ct. 1815, whether a state law violates the Contracts Clause must be determined through a two-step test. The threshold question is whether the state law operates as a "substantial impairment of a contractual relationship." If not, the state law does not violate the Contracts Clause. If so, then the state law may still be constitutional if it is drawn in an "appropriate" and "reasonable" way to advance "a significant and legitimate public purpose." (*Id*. at 1821-22.)

a. Is the impairment substantial?

In deciding whether a state law substantially impairs a contract or not, courts consider the extent to which the law undermines the contractual bargain, interferes with a party's reasonable expectations, and prevents the party from safeguarding or reinstating the party's rights. (*Sveen v. Melin* (2018) 138 S. Ct. 1815, 1821-22.)

Applying this standard to the bill, it would appear to be a close case. This bill would not change the base rent due under the lease nor would it alter any other essential term of the lease. It would, however, modify the amount by which the rent could be increased under the lease. The extent of that modification would depend, in each instance, on how much the rent increases demanded by the lease deviate from those permitted under the applicable rent control ordinance. Yet, even that calculation is somewhat speculative

and might overstate the extent of the modification, since most local rent control ordinances contain a provision enabling parks to petition for approval of rent increases beyond the generally permissible amount, if the park contends that the higher increase is necessary for it to achieve the "fair return" to which it is constitutionally entitled. (*Cacho v. Boudreau* (2007) 40 Cal.4th 341, 350.) So it is hard to say to what extent the bill does or does not undermine the lease.

What seems clearer is that the possibility of such a modification falls within the parties' reasonable expectations. A reviewing court would likely take into consideration that the residential rental housing industry, and rental rates in particular, have long been the subject of government regulation in California. In determining whether a law effects a "substantial impairment" or not, courts "are to consider whether the industry the complaining party has entered has been regulated in the past." (*Allied Structural Steel Co. v. Spannaus*, 438 U.S. 234, at 242, n. 13, citing *Veix v. Sixth Ward Bldg. & Loan Assn.* (1940) 310 U.S. 32, 38 ("When he purchased into an enterprise already regulated in the particular to which he now objects, he purchased subject to further legislation upon the same topic."). Here, the record is pretty plain. As detailed in Comment 1, above, the residential rental housing industry, and rental rates in particular, have long been the subject of government regulation in California. Just last year, the Legislature deliberated at length over whether to impose a statewide rent control measure and eventually enacted one. (*See* AB 1482, Chiu, Ch. 597, Stats. 2019.) Although mobilehomes were excluded from the final version of that bill, earlier versions did encompass them. Moreover, just four years ago, the Legislature considered a bill nearly identical to this one. (AB 2351, R. Hernández, 2016.)

b. Is the bill drawn in an appropriate and reasonable way to advance a significant and legitimate public purpose?

Modern case law makes it clear that the state and federal contracts clauses do not strip states of their police powers:

> [T]he Contract Clause does not operate to obliterate the police power of the States. "It is the settled law of this court that the interdiction of statutes impairing the obligation of contracts does not prevent the State from exercising such powers as are vested in it for the promotion of the common weal, or are necessary for the general good of the public, though contracts previously entered into between individuals may thereby be affected. (*Allied Structural Steel Co. v. Spannaus* (1978) 438 U.S. 234, 241, citing *Manigault v. Springs* (1905) 199 U.S. 473, 480.)

Even where a state law does substantially impair a contract, therefore, it still passes constitutional muster so long as it is drafted in a reasonable and appropriate way to

advance a significant and legitimate public purpose. (*Sveen v. Melin* (2018) 138 S. Ct. 1815, 1821-22.)

Few would argue that maintaining affordable housing generally and protecting vulnerable tenants from being priced out of their mobilehomes, specifically, are illegitimate or insignificant government interests. Statistical evidence amply supports the widespread impression that California is experiencing a rental housing affordability crisis. Rents throughout California have been increasing at astronomical rates throughout much of the past decade. According to media reports, the average annual rent increase in Oakland, San Francisco, and San Jose was over 10 percent in 2014.[1] Southern California has not fared much better. Average rent increases in Los Angeles County between 2011 and 2018 were 34 percent.[2] As a result, a majority of California tenant households qualify as "rent-burdened," meaning that 30 percent or more of their income goes to the rent. Over a quarter of California tenant households are "severely rent-burdened" meaning that they spend over half their income on rent alone.[3]

Both supporters and opponents of this bill agree that, within this wider context, California's mobilehome communities represent a bastion of relative affordability. Perhaps for that reason, some of California's most vulnerable populations are heavily represented among mobilehome residents. The author proposes to offer amendments in committee that highlight how the current COVID 19 pandemic and its economic consequences further increase the financial stress that mobilehome residents are under.

If maintaining affordable housing and keeping vulnerable mobilehome residents from being priced out of their homes are significant and legitimate public interests, that leaves the question of whether the bill is drawn in a reasonable or appropriate way to advance those interests. The two components of the bill that would operate to modify existing leases are drafted to respond to specific policy concerns. The first provision – applying any local rent control to long-term leases executed after January 1, 2020 – prevents mobilehome parks from pressuring residents into executing long-term leases while this bill is under consideration and thereby evading its purpose. In that regard, however, the provision could be drafted more appropriately. The bill in print would apply to all leases executed beginning on January 1, 2020. Since the bill was not introduced publicly until February 13, 2020, however, it makes better logical sense for

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[1] Pender, *After Lull, Bay Area Rents Are Rising Again, But Not Like Before* (Jan. 12, 2019) San Francisco Chronicle https://www.sfchronicle.com/business/networth/article/After-lull-Bay-Area-rents-are-rising-again-but-13528213.php (as of May 15, 2020).
[2] Snibbe and Collins, *California Rents Have Risen to Some of the Nation's Highest* (Feb. 15, 2018) Los Angeles Daily News https://www.dailynews.com/2018/02/15/california-rent-rates-have-risen-to-some-of-the-nations-highest-heres-how-that-impacts-residents/ (as of May 15, 2020).
[3] Kimberlin, *California's Housing Affordability Crisis Hits Renters and Households With the Lowest Incomes the Hardest* (Apr. 2019) California Budget & Policy Center https://calbudgetcenter.org/resources/californias-housing-affordability-crisis-hits-renters-and-households-with-the-lowest-incomes-the-hardest/ (as of May 15, 2020).

the bill to apply to leases executed after that date as opposed to the simple, but otherwise arbitrary use of January 1, 2020 as the starting point.

The second provision – applying any local rent control to all long-term mobilehome leases beginning January 1, 2025 – strikes a policy balance. On the one hand, it responds to the reality that many mobilehome owners occupy their space under lengthy, multi-year leases. If the bill did not apply to all existing leases within a few years, therefore, it would be many years before many mobilehome residents would obtain any of the rent control protections that local governments may have adopted and that this bill seeks to make available. On the other hand, lifting the state's preemption on application of local rent control immediately gives parks and residents little time to adjust to the change. The author explains that "[g]iving advance notice of the January 1, 2025 repeal date creates certainty for both park owners and space renters as to when they will be subject to local rent stabilization laws."

There is disagreement, as evidenced by the opposition to this bill, about whether giving local governments the discretion to apply rent control to long-term mobilehome contracts is wise policy, but there does appear to be a clear nexus between the bill's goals – to maintain affordable housing and protect vulnerable mobilehome residents – and the means it employs to reach those goals. Whatever the policy disagreements, therefore, as a legal matter it seems hard to argue that the bill is drawn in a way that is either unreasonable or inappropriate for the interests it seeks to advance.

c. Conclusion and relevance of the severability provision

Though opponents of the bill argue that it violates the state and federal constitutional prohibition on impairment of contracts, the weight of jurisprudence appears to suggest that a court would not find such a violation. Even if a reviewing court ruled that the bill substantially impairs the mobilehome leases in question, it would likely conclude that the bill is an appropriate and reasonable way to advance California's need to address its affordable housing crisis, protect vulnerable mobilehome park residents, and respond to problems associated with the asymmetric bargaining relationship between mobilehome parks and mobilehome residents when negotiating leases.

Nonetheless, anticipating the possibility that a court could come to the opposite conclusion, the bill contains a severability clause. In the event that a court did strike down the bill's effect on existing mobilehome leases, therefore, the bill should still apply to all mobilehome leases entered into after the bill becomes operative. The date upon which the bill would begin to apply to new leases might vary greatly, however, depending on exactly how the severability clause got applied. If the court struck subdivision (i) of the bill in print entirely, then the bill would not begin to apply to any new leases until 2025. If the court struck subdivision (i) and (j) completely, the entire purpose of the bill would be frustrated. This should not happen, given that the severability clause states that "[i]f any provision of this section or its application is held

invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application." Nonetheless, out of an abundance of caution and assuming the bill passes out of Committee, the author may at some point wish to consider amendments that further delineate, through separate subdivisions, how the bill applies to leases according to when the parties enter or entered into those leases.

4. Impacts on the prevalence of long-term leases and their asserted benefits

As previously mentioned, nothing in this bill would prohibit residents and parks from entering into long-term leases. Nonetheless, in opposing the bill, Western Manufactured Housing Communities Association (WMA) asserts that it would "effectively prohibit" long-term leases. Although WMA does not explain exactly how the bill would have this effect, it makes logical sense that fewer parks will be inclined to offer long-term leases if doing so does not free the parks from the constraints of rent control. In other words, though the bill would not prohibit long-term mobilehome leases, where a local rent control ordinance is in place, the bill would reduce the parks' financial incentive to offer long-term leases to residents. The likely result is that, while not prohibited, long-term leases would become less prevalent.

The opposition to this bill argues that there are many benefits to long-term mobilehome leases beyond the park's ability to increase rents without limitation. According to the opposition, though they may contain higher rents over time:

> Long-term leases provide certainty and stability for mobilehome park residents. For residents and owners of mobilehome parks, entering into a long-term lease is beneficial for many reasons, including, but not limited to, long-term security in the event of a park sale, the ability to secure home financing, and assurances that park amenities that make the location desirable remain intact. Leases protect residents from abrupt policy changes as a result of park sales, including rent increase due to property tax changes, park sales price increase, and general park improvements, including, but not limited to road improvements, utility upgrades and general park maintenance.

To obtain these benefits, they argue, park residents ought to have the option of giving up their locally applicable rent control protections.

Supporters of the bill question whether, in practice, any negotiated exchange of benefits ever occurs. According to four affordable housing advocacy groups, the idea that tenants would obtain a better deal for themselves by giving up rent control is based upon flawed assumptions about how mobilehome lease negotiations really take place:

> The main one was that residents would have some actual bargaining power in negotiating a long-term lease with park owners, often mom-and-pops owners. But that has not proven true. In fact, residents are often presented with long, hard to comprehend leases that lock them into terms for 10 years or more. Predatory terms, including large rent increases are common. Residents are often convinced they must sign the lease. For those facing language barriers, the risks are even more acute.
>
> Moreover, gone are the mom and pops. Park ownership patterns have changed drastically, especially in the last few years. In 2019 it was reported that the top 50 park owners own more than 680,000 units nationwide, with private equity and institutional investors owning more than 150,000 units. Corporate and private equity firms have zeroed in on mobilehome parks as attractive investments.
>
> Today, faceless corporate and private equity owners, out of the community and often out-of-state, lean toward adhesion leases with "take it or leave it" terms. Negotiated leases, once rare, are now essentially extinct. […]
>
> SB 1352 has far outlived whatever marginal utility it may have had decades ago in a different mobilehome world. [Footnotes omitted.]

5. Proposed amendments

In order to address the issues set forth in the Comments, above, the author proposes to incorporate amendments into the bill that would:

- add findings and declarations setting forth the importance of rent control for mobilehome residents, particularly in light of the COVID-19 pandemic and its economic consequences; and
- make the bill apply to mobilehome leases entered into from the time of the bill's introduction on February 13, 2020, rather than from the beginning of the calendar year 2020.

A mock-up of the amendments in context is attached to this analysis.

6. Arguments in support of the bill

According to the author:

> The approximately one million fixed to modest-income seniors, disabled individuals, veterans, and immigrants living in

> mobilehomes throughout California are at the center of our affordable housing crisis. […]
>
> The immobility of these individuals heightens their need for consumer protections. With the prospect of moving so difficult, mobilehome residents simply cannot refuse extortionate rent increases through participation in the free market.
>
> Instead of offering protections, state law has imposed multiple loopholes that have effectively prevented local governments from instituting local rent control ordinances for mobilehome residents. Mobilehome residents and advocates deserve to enjoy the protections they have fought to earn on the local level. SB 999 would restore local control and help ensure rent affordability for mobilehome residents by removing a state imposed loophole in local mobilehome rent stabilization ordinances.

As sponsor of the bill, the Golden State Manufactured Home Owners League writes:

> Today, the housing crisis has become a humanitarian one.
>
> When we ask local governments to do everything in their power to address the housing crisis, and they do, why then is the state saying we didn't mean it with state-imposed loopholes. […]
>
> The bill says there is no longer a state-imposed loophole that prevents mobilehome tenants from benefitting from what local government pass into law on the issue of affordability.

As co-sponsor of the bill, the Los Angeles County Board of Supervisors writes:

> Mobilehome park residents […] have generally been regarded as some of the most vulnerable low-income homeowners. A significant portion of mobile homeowners or tenants are also senior citizens who live on limited or fixed incomes.
>
> […] SB 999 is an important step toward ensuring rent stabilization protections are in place for vulnerable homeowners and tenants by creating price stability and certainty and removing the risk of unexpected and substantial rent increases.

7. Arguments in opposition to the bill

In opposition to the bill, Western Manufactured Housing Communities Association

writes:

> In addition to our objection to this legislation on constitutional grounds, there are ample policy reasons to oppose the measure. Long-term leases provide certainty and stability for mobilehome park residents. […] SB 999 also effectively eliminates federal affordable housing financing opportunities through the FHA program. […] This legislation would also interfere with leases that balance rents over time. […] In jurisdictions were rent control has been imposed on mobilehome parks, the irony is that rent control limits the supply of affordable housing that can be financed by prospective homebuyers. The reason for this conundrum is actually quite simple – if rents are capped, the sales price of the home increases. […] WMA is additionally concerned that SB 999 will have the unintended consequence of stifling mobilehome park amenities and upgrades. Long-term leases are often required by institutions providing credit to parkowners. Without these leases, it will likely be more expensive to borrow money for park improvements […].

In further opposition to the bill, California Mobilehome Parkowners Alliance writes:

> SB 999 would repeal Civil Code section 798.17 […] which was originally cosponsored by park residents and park owners […] to encourage the use of long-term leases out of recognition that they are beneficial to both park owners and residents. […]
>
> While the proponents of SB 999 refer to Civil Code 798.17 as a loophole in state law, it is an option which provides homeowners the protections they need to negotiate on even terms with a prospective landlord.

SUPPORT

Golden State Manufactured Home-Owners League (Co-Sponsor)
Los Angeles County Board of Supervisors (Co-Sponsor)
California Alliance for Retired Americans
California Rural Legal Assistance Foundation
Public Advocates
Public Interest Law Project
Public Law Center
YIMBY Law
Western Center on Law & Poverty

OPPOSITION

California Association of Realtors
California Mobilehome Parkowners Alliance
Western Manufactured Housing Communities Association

RELATED LEGISLATION

Pending legislation:

AB 2690 (Low, 2020) repeals the state law exemption from local mobilehome rent control ordinances for all newly constructed mobilehome park spaces, defined as spaces initially held out for rent after January 1, 1990. AB 2690 is currently pending consideration on the Assembly Floor.

SB 915 (Leyva, 2020) temporarily prohibits mobilehome parks from evicting residents who timely notify park management that they have been impacted, as defined, by COVID 19. The bill further mandates that mobilehome parks give COVID 19-impacted residents a reasonable time to comply with demands to repay outstanding rent, utilities or other charges, or to cure violations of park rules and regulations, and prohibits parks from increasing rent or other charges during the period of repayment or cure. SB 915 is currently pending consideration before the Senate Judiciary Committee.

Prior legislation:

AB 2351 (R. Hernández, 2016), would have repealed Civil Code 798.17, thus removing the exemption from local rent control for mobilehome rental agreements longer than 12 months. AB 2351 died in the Assembly Housing and Community Development Committee.

AB 1938 (Williams, Ch. 477, Stats. 2012) allowed a homeowner in a mobilehome park to void a lease within 72 hours of receiving a copy of the signed agreement, if the lease would be exempt from any otherwise applicable local rent control.

SB 2026 (Petris, Ch. 1416, Stats. 1986) added preconditions before a mobilehome lease for more than a year could be exempt from local rent control. Specifically, the bill required that the mobilehome resident be given 30 days to accept or reject such a lease offer as well as a 72-hour period after executing such a lease to void it. Additionally, the bill gave residents the option to reject the exempt lease and instead accept, at the same rental rate, a rent-controlled lease of less than 12 months in duration. Finally, the bill clarified that parks could offer residents gifts, but not reduced rent, as an incentive to sign leases over a year in length.

SB 1352 (L. Greene, Ch. 1084, Stats. 1985) created a statewide exemption to local rent control ordinances for owner-occupied mobilehome leases of greater than one year.

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Amended Mock-up for 2019-2020 SB-999 (Umberg (S))

Mock-up based on Version Number 99 - Introduced 2/13/20

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) Based on data released by the Department of Finance in May of 2019, there are approximately 560,000 mobile and manufactured homes in the state of California.

(b) The economic hardships brought on by the COVID-19 pandemic will likely cause many households difficulty in remaining current on their rental or mortgage housing payments through no fault of their own.

(c) A study released in June of 2017 by the Rosen Consulting Group and the University of California, Berkeley, suggests that the economic and health impacts of a widespread economic crisis, such as the one currently being experienced due to the COVID-19 pandemic, is likely to disproportionately impact mobilehome residents, who are typically older than the general population.

(d) Without emergency action to prevent the displacement of mobilehome residents that have fallen behind on space rental payments, there will likely be a significant increase in homelessness, exacerbating the ongoing homelessness crisis in the state.

(e) Those experiencing homelessness will not be able to comply with public health order related to social distancing and self-quarantining nor will they have access to facilities for maintaining good hygiene.

(f) According to the Mobile Home Park Owners Allegiance, as of March 3, 2020, there were 9 counties and 83 cities throughout California that enacted mobilehome rent stabilization ordinances, that provide residents with tenant protections against unexpected and substantial rent increases.

(g) There is a current and immediate threat to the public health, safety, and welfare of California residents and a need for the immediate preservation of the public peace, health, and safety that warrants this act, based upon the fact set forth in this section.

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

798.17. (a) (1) Except as provided in subdivisions (i) and (j), 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 a rental

agreement meeting the criteria of subdivision (b) shall prevail over conflicting provisions of 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.

(2) In the first sentence of the first paragraph of a rental agreement entered into on or after January 1, 1993, pursuant to this section, there shall be set forth a provision in at least 12-point boldface type if the rental agreement is printed, or in capital letters if the rental agreement is typed, giving notice to the homeowner that the rental 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 this section shall 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 rental agreement.

(4) The homeowner who signs a rental agreement pursuant to this section may void the rental agreement by notifying management in writing within 72 hours of returning the signed rental agreement to management. This paragraph shall only apply if management provides the homeowner a copy of the signed rental agreement at the time the homeowner returns the signed rental agreement.

(5) The homeowner who signs a rental agreement pursuant to this section may void the agreement within 72 hours of receiving an executed copy of the rental agreement pursuant to Section 798.16. This paragraph shall only apply if management does not provide the homeowner with a copy of the signed rental agreement at the time the homeowner returns the signed rental agreement.

(c) If, pursuant to paragraph (3) or (4) of 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 rental agreement was to have begun. In the event the homeowner elects to have a rental agreement for a term of 12 months or less, including a month-to-month rental agreement, the rental agreement shall contain the same rental charges, terms, and conditions as the 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 rental agreement.

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

(e) With respect to any space in a mobilehome park that 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 homeowner for rent, and notwithstanding any ordinance, rule, regulation, or initiative measure, a mobilehome park shall not be assessed any fee or other exaction for a park space that is exempt under subdivision (a) imposed pursuant to any ordinance, rule, regulation, or initiative measure. No other fee or other exaction shall be imposed for a park space that is exempt under subdivision (a) for the purpose of defraying the cost of administration thereof.

(f) At the time the rental agreement is first offered to the homeowner, the management shall provide written notice to the homeowner of the homeowner's right (1) to have at least 30 days to inspect the rental agreement, and (2) to void the rental agreement by notifying management in writing within 72 hours of receipt of an executed copy of the rental agreement. The failure of the management to provide the written notice shall make the rental agreement voidable at the homeowner's option upon the homeowner's discovery of the failure. The receipt of any written notice provided pursuant to this subdivision shall be acknowledged in writing by the homeowner.

(g) No rental agreement subject to subdivision (a) that is first entered into on or after January 1, 1993, shall have a provision which authorizes automatic extension or renewal of, or automatically extends or renews, the rental agreement for a period beyond the initial stated term at the sole option of either the management or the homeowner.

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

(i) This section shall not apply to any rental agreement entered into on or after ~~January 1~~February 13, 2020.

(j) This section shall remain in effect until January 1, 2025, and as of that date is repealed. As of January 1, 2025, any exemption pursuant to this section shall expire.

(k) The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.