

**SENATE JUDICIARY COMMITTEE**  
**Senator Thomas Umberg, Chair**  
**2021-2022 Regular Session**

AB 978 (Quirk-Silva)  
Version: June 14, 2021  
Hearing Date: June 22, 2021  
Fiscal: No  
Urgency: No  
TSG

**SUBJECT**

Mobilehome parks: rent caps

**DIGEST**

This bill limits mobilehome parks located in, and governed by, more than one incorporated city from increasing the space rent that mobilehome owners must pay by more than three percent plus inflation, up to a maximum cap of five percent, annually. The bill also extends to tenants renting park-owned mobilehomes the same protections against arbitrary eviction and rent-gouging that tenants in other types of residential rental housing possess.

**EXECUTIVE SUMMARY**

Many California tenants currently devote a large percentage of their income to paying for housing. In this context, sudden, large rent increases can be financially devastating. Many times these increases force tenants out of their homes, with little prospect for finding something more affordable. To address this problem, in 2019 California restricted arbitrary evictions and capped annual rent increases at five percent plus inflation, up to a maximum of 10 percent, for many residential tenants statewide – though not all. The Legislature decided to leave out mobilehome residents, based on the recognition that the mobilehome context is different from “conventional” residential rental housing. This bill now partially reverses that decision. Specifically, the bill grants to tenants renting park-owned mobilehomes the same protections against arbitrary eviction and sudden, large rent increases that existing law already provides for many conventional residential tenants. At the same time, the bill prohibits parks located in, and governed by, more than one incorporated city, from raising the rent on the spaces beneath mobilehomes by more than three percent plus inflation, up to a maximum cap of five percent, each year.

The bill is author-sponsored. Support comes from advocates for low-income tenants. Opposition comes from park owners and realtors, who argue that limitations on rent increases may hamper the parks’ ability to invest in upgrades and maintenance.

**PROPOSED CHANGES TO THE LAW**

Existing law:

- 1) Establishes the Mobilehome Residency Law (MRL), which regulates the rights, responsibilities, obligations, and relationships between mobilehome park management and park residents. (Civ. Code § 798, *et seq.*)
- 2) Requires mobilehome rental agreements to be in writing and to include certain information including the length of the tenancy, the rent, and the rules and regulations of the park. (Civ. Code § 798.15 *et seq.*)
- 3) Requires park management to provide a homeowner written notice of any increase in rent at least 90 days before the increase takes effect. (Civ. Code § 798.30)
- 4) Prohibits a mobilehome owner from charging a renter or sublessee more than the amount necessary to cover the cost of space rent, utilities, and scheduled loan payments on the mobilehome, if any. (Civ. Code § 798.23.5(c).)
- 5) Sets forth the exclusive grounds upon which a mobilehome park may terminate the tenancy of a mobilehome owner including, among others, nonpayment of rent, breach of the terms of the lease, and closure or conversion of the park. (Civil Code Section 798.56.)
- 6) Establishes the Tenant Protection Act of 2019 which applies to specified rental agreements for residential real property and includes the following provisions:
  - a) limits gross rent increases in a 12-month period to the lower of five percent plus the change in the cost of living up to a maximum cap of 10 percent (Civ. Code § 1947.12);
  - b) creates eviction protections which require landlords to have and to state a “just cause” for terminating a tenancy (Civ. Code § 1946.2); and
  - c) exempts certain properties from its provisions, including units built in the last 15 years, tenancies which have not lasted at least 12 months, units subject to a more protective local measure, and single-family homes and condominiums unless owned by a real estate trust or corporation. (Civ. Code §§ 1947.12 and 1946.2.)

This bill:

- 1) Makes a series of findings and declarations regarding California’s current housing affordability crisis and specific examples of rent spikes in certain mobilehome parks in particular.
- 2) Prohibits the management of a mobilehome park located within and governed by two or more incorporated cities from increasing the gross rental rate for a space in

the park by more than three percent plus the percentage change in the cost of living, as defined, up to a maximum total of five percent, of the lowest gross rental rate charged for the immediately preceding 12 months.

- 3) Provides tenants renting a park-owned mobilehome with the same anti-rent gouging and “just cause” eviction protections given to tenants in rental properties under the Tenant Protection Act of 2019.
- 4) Clarifies that local ordinances apply if they impose greater restrictions on rent increases or evictions than those contained in this bill.
- 5) Expires on January 1, 2030.

### COMMENTS

#### 1. The context: the acute rental housing affordability crisis impacts mobilehomes

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 this decade. According to media reports, the average annual rent increase in Oakland, San Francisco, and San Jose was over 10 percent in 2014.<sup>1</sup> Southern California has not fared much better. Average rent increases in Los Angeles County between 2011 and 2018 were 34 percent.<sup>2</sup> 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.<sup>3</sup> Although rental prices briefly dipped in some urban centers after the onset of the COVID-19 pandemic, they are now rising once again. There is no indication that this will abate any time soon. Average incomes, meanwhile, have not kept pace.<sup>4</sup>

Although mobilehomes remain widely hailed as an important bastion of affordability in the midst of California’s well-documented housing crisis, they have not been immune to significant rent increases. There are reports, including a number of instances

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<sup>1</sup> 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 Jun. 16, 2021).

<sup>2</sup> 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 Jun. 16, 2021).

<sup>3</sup> 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 Jun. 16, 2021).

<sup>4</sup> *Income*, Department of Finance, State of California <http://www.dof.ca.gov/Forecasting/Economics/Indicators/Income/> (as of Jun. 16, 2021).

submitted to the Committee, in which mobilehome parks have imposed double-digit rent annual increases on park residents. These mobilehome rent increases coincide with reports that investors have become interested in buying mobilehome parks and are obtaining remarkable returns by, among other things, raising rents.<sup>5</sup>

In addition to a general concern over rising mobilehome rents, the author points to a particular incident in her district as part of the impetus for this bill. In that case, new ownership took over the Rancho La Paz mobilehome park in February 2019 and announced rent increases of \$200 to \$400 a month.<sup>6</sup> According to media reports and documentation submitted to the Committee, these rent increases have been reduced somewhat after negotiations, but still range from 15 to 19 percent over the next three years.

To complicate matters, Rancho La Paz straddles the border of two cities, Anaheim and Fullerton. According to documentation about the incident submitted to the Committee, residents on the Fullerton side of the park have been more successful negotiating concessions from the new park owner because the City of Fullerton seriously entertained the possibility of enacting some form of rent control for mobilehomes. By contrast, residents on the Anaheim side of the park have not had the same leverage with which to negotiate because the Anaheim City Council has flatly rejected the idea.

## 2. Existing protections against arbitrary evictions and sudden rent spikes for California tenants and why mobilehomes are excluded from them

To try to protect California tenants against the most egregious rent increases, in 2019, California enacted AB 1482, the Tenant Protection Act. (Chiu, Ch. 597, Stats. 2019.) AB 1482 had two main provisions. First, the bill created protections against sudden, dramatic rent increases, sometimes known as “rent-gouging.” Specifically, the bill prohibited landlords from imposing annual rent increases of more than five percent plus inflation, up to a maximum cap of 10 percent. Second, AB 1482 established a statewide “just cause” for eviction requirements, meaning that landlords could no longer evict tenants without providing a justification for doing so. In situations in which the tenant was not at fault for the eviction, AB 1482 also required landlords to provide tenants with very modest compensation, in the form of one-month’s rent, to help defray their moving expenses.

When AB 1482 came before this Committee for consideration, however, some mobilehome owners raised concerns about what its impact might be in the unique

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<sup>5</sup> See, e.g., Dezember, *This Stock Has Returned 4,100% Since the Housing Crash* (Feb. 25, 2020) The Wall Street Journal <https://www.wsj.com/articles/this-stock-has-returned-4-100-since-the-housing-crash-11582632000> (as of Jun. 16, 2021).

<sup>6</sup> Park, *Fullerton May Consider a Moratorium on Rent Hikes for Mobile Home Parks* (Jul. 22, 2019) Orange County Register <https://www.ocregister.com/2019/07/22/fullerton-may-consider-a-moratorium-on-rent-hikes-for-mobile-home-parks/> (as of Jun. 16, 2021).

context of mobilehomes, where ownership is often split between the structure and the land underneath. When park residents own their mobilehome but the park owns the land underneath, that split means that mobilehome owners not only risk having to move if rent becomes unaffordable; they also risk losing a major asset – the mobilehome – which may be among the only assets they possess. Moreover, the in-place value of a mobilehome depends greatly on the rental rate for the ground underneath it. The higher the rent for the space, the lower the sale value of the mobilehome. In that context, just a small percentage change in the rent takes on heightened significance. Some mobilehome residents worried that enactment of AB 1482 was going to have the perverse effect of encouraging parks to raise rents more than they would without it. With those concerns in mind, this Committee voted to amend AB 1482 to exclude mobilehomes altogether.

As a result, unless there is a local ordinance in place that says otherwise, mobilehome parks are currently free to raise rents by as much as the market will bear. This is true both for the space rent – that is, the amount that parks charge mobilehome owners for the land underneath their mobilehomes – and the rent that parks charge tenants who rent out park-owned mobilehomes. The situation regarding just cause for eviction is a little different. Since the Mobilehome Residency Law already requires parks to have and state a cause in order to evict a mobilehome owner from the park, the exclusion of mobilehomes from AB 1482's just cause for eviction provisions made little difference for mobilehome owners. For tenants in park-owned mobilehomes with month-to-month leases, however, the exclusion of mobilehomes from AB 1482 means that parks can still arbitrarily terminate the tenancy at any time on just one or two months' notice.

3. Adapting existing tenant protections to tenants renting mobilehomes from mobilehome parks

This bill revisits the application of AB 1482's protections in the mobilehome context. Rather than fully applying those protections to the mobilehome context, as AB 1482 proposed to do originally, or fully excluding mobilehomes from those protections, as AB 1482 did in the end, this bill now cuts a nuanced middle path. The bill extends AB 1482's protections against arbitrary evictions and sudden, large spikes in rent to tenants who rent their mobilehomes from the park, as that is the circumstance most akin to conventional rental housing. By contrast, the bill does not extend AB 1482's protections to mobilehome owners, since their situation is quite different.

In the very narrow context of mobilehome parks that are located within, and governed by, two incorporated cities, however, the bill does provide a set of protections against sudden, large rent increases for mobilehome owners that is similar to the protections offered by AB 1482. Whereas AB 1482 allows annual rent increases of five percent plus inflation up to a maximum cap of 10 percent, this bill only allows the parks to which the bill is applicable to raise space rents by three percent plus inflation up to a maximum cap of five percent.

It is not clear how many mobilehome parks are located within, and governed by, two incorporated cities and are therefore impacted by this aspect of the bill. According to the Housing and Community Development Department (HCD), there are roughly 5,244 mobilehome parks in California. According to the League of Cities, there were 482 municipalities in California as of 2011. Given these figures, it seems quite possible that the scenario at Rancho La Paz mobilehome park is repeated elsewhere in the state, though a search of HCD records was not able to confirm that. Even if Rancho La Paz' situation is unique for now, however, the general applicability of the law, its rationale of avoiding the application of different rent control laws within any one mobilehome park, its non-punitive nature, and the fact that it could apply to other mobilehome parks in the future, should all ensure that the bill, if amended, does not run afoul of constitutional prohibitions on special legislation or bills of attainder. (*Law School Admission Council, Inc. v. State of California* (2014) 222 Cal.App.4th 1265, 1297-9.)

#### 4. Ensuring intent language is consistent with what the bill achieves

Recent amendments to the bill added an uncodified section setting forth findings and declarations. These findings and declarations provide important context and background to the bill. The final subdivision of the findings and declarations, subdivision (i), also contains intent language. It states that "it is the intent of the Legislature to enact this act to protect mobilehome residents that have been subject to rent increases and reside in counties" within a specified population range according to the last census count. The only California county within that particular population range right now is Orange County, though that could change in the future.

It is true that the bill will protect some mobilehome residents who reside in counties of the requisite size and have been subject to rent increases. Yet the current intent language is susceptible to the misinterpretation that the Legislature intends the bill to protect *every* mobilehome resident that has been subject to a rent increase in such a county. The bill does not do that; it protects *some* mobilehome residents in such a county; specifically those owning mobilehomes in parks that are located in, and governed by, more than one incorporated city.

To eliminate any confusion that might otherwise result, the author proposes to offer amendments in Committee that will ensure that the intent language cannot be misconstrued.

#### 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:

- clarify the intent language.

The specific amendment would replace subdivision (i) of Section 1 of the bill with the following:

*(i) In enacting this legislation, it is the intent of the Legislature to protect mobilehome owners in qualified mobilehome parks that have been subject to rent increases that reside in counties with populations between 2,500,000 and 3,250,000 according to the last census count.*

6. Arguments in support of the bill

According to the author:

California's housing crisis and homeless issue our state faces has only become worse since the COVID-19 pandemic. The Tenant Protection Act was signed into law in 2019 provided crucial rent stabilization and eviction protections to the millions of California Renters. Unfortunately, mobile homes were not included. In my district, residents of Rancho La Paz Mobile Home Park, which is uniquely situated between two cities; Fullerton and Anaheim, have been facing huge rent increases annually since a new owner bought the park. Additionally, they had to fight for help from not one, but two cities. Most of the residents are seniors and veterans on a fixed income. This bill will give them reprieve from the stress and struggles over the last three years by requiring a limit on annual rent increases and allow them to remain in their homes.

As support of the bill, California Rural Legal Assistance Foundation and Western Center on Law & Poverty write:

A significant number of renters live in mobilehomes. Just as rents for houses and apartments have seen dramatic increases in much of the state in recent years, so have rents for mobilehomes. Mobilehome tenants need these ongoing protections. Given California's ongoing affordable housing crisis and the pandemic-induced economic crisis, it is more important than ever to protect and stabilize vulnerable renters, regardless of the type of home they rent.

In further support, the AIDS Healthcare Foundation writes:

While much attention in recent years has focused on the skyrocketing rents in apartments that are forcing low income tenants out of their homes, the problem has arisen among countless mobile home owners who must rent or lease the land below their homes. Space rents across the state have often risen at more

astronomical rates than apartments, sometimes approaching 50 percent. Compounding the tragedy is the fact that many mobile homes dwellers are senior citizens on fixed incomes. When cost of living increases for this population barely nudge 2-3% each year, rent hikes often crush the minimal CPI augmentation. Mobile home dwellers are at as much risk, if not more so in some cases, as apartment tenants of being forced out of their homes or, at least, forced from the parks where they have lived for years.

7. Arguments in opposition to the bill

In opposition to the bill, Western Manufactured Housing Communities Association writes:

If AB 978 is approved as drafted, our concern is that it will be increasingly difficult for our parkowners to continue providing the park upgrades and maintenance that ensure manufactured housing communities remain an attractive alternative to traditional housing options for hundreds of thousands of Californians. Once again, WMA respectfully requests that AB 978 [...] allow for a “re-set” of base rent to current market conditions with respect to mobilehome parks upon turnover of the space – otherwise known as vacancy decontrol. Finally, WMA believes [...] there should be an allotted amount of time for new manufactured housing construction to recoup costs for expanding [...] to encourage the construction of new housing opportunities for people in California who may not be able to afford traditional “site-built” homes.

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

[The bill’s] rent control provision are applied only to homes owned by a park, and not to homes owned by park residents. CMPA does not believe rent control is a good policy tool for addressing the state’s housing crisis, but it is especially inappropriate that a tenant of a mobilehome parkowner will enjoy the benefit of rent control while the tenant of a park resident in the exact same community will not.

In further opposition to the bill, the Yolo Healthy Aging Alliance writes:

Many residents of mobile home parks are senior citizens on fixed incomes, relying mainly on Social Security for their income. Social Security cost of living increases have been averaging 1 - 1.4 percent annually for the last 6 years. Meanwhile, mobile home residents



who are still employed are generally working in low income jobs, making minimum wages. In neither case, are rent increases of 10 percent sustainable and would exacerbate the increasing lack of affordable housing for two vulnerable populations. AB 978 is financial disaster for senior and low income mobile home residents.

### **SUPPORT**

AIDS Healthcare Foundation  
East Bay for Everyone  
California Rural Legal Assistance Foundation  
National Association of Social Workers – California Chapter  
Western Center on Law & Poverty

### **OPPOSITION**

California Association of Realtors  
California Mobilehome Parkowners Alliance  
Rancho Yolo Community Association, Board of Directors  
Western Manufactured Housing Communities Association  
Yolo Healthy Aging Alliance  
Yolo MoveOn Action Committee

### **RELATED LEGISLATION**

Pending Legislation: AB 861 (Bennett, 2021) confirms and codifies existing law which provides that if a mobilehome park prohibits park residents from renting or subleasing their mobilehomes, then the park itself is bound by the same rule as to mobilehomes that the park itself owns.

Prior Legislation:

AB 2895 (Quirk-Silva, 2020) would have limited rent increases on mobilehome owners to no more than 5 percent plus inflation over a 12-month period. This bill was never heard in the Senate Judiciary Committee due to the COVID-19 pandemic.

AB 1482 (Chiu, Ch. 597, Stats. 2019) limited rent-gouging in California by placing an upper limit on annual rent increases: five percent plus inflation up to a hard cap of 10 percent. To prevent landlords from engaging in rent-gouging by evicting tenants, the bill also required that a landlord have and state a just cause, as specified, in order to evict tenants who have occupied the premises for more than 12 months. Both the rent cap and the just cause provisions are subject to exemptions including, among others: housing built in the past 15 years and single family residences unless owned by a real estate trust or a corporation. AB 1482 sunsets after ten years and does not preempt any local rent control ordinances.

**PRIOR VOTES:**

Assembly Floor (Ayes 50, Noes 19)

Assembly Housing and Community Development Committee (Ayes 5, Noes 2)

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