

GUIDELINES FOR IMPLEMENTATION OF THE
MOBILEHOME SPACE RENT CONTROL ORDINANCE

These Guidelines are intended to assist the Board in implementing the Ordinance. However, the purpose of the Ordinance and the provisions of the Ordinance are controlling.

I. Purpose and General Principles

A. The purpose of the Ordinance is to protect the homeowners who rent spaces in mobilehome parks in the City from excessive rents and to allow Park Owners to earn a "just and reasonable" or "fair" return on investment. Mobilehome owners ("homeowners") are a uniquely vulnerable group of tenants due to the investment made in purchasing and maintaining their homes and the high cost and difficulty involved in attempting to move a home. Additionally, many of the homeowners in the City are seniors on fixed incomes and many have low or moderate incomes. Unlike apartment tenants, homeowners cannot just pack their personal belongings and move if rents increase to a level they cannot afford. In order not to lose the considerable investment made in purchasing and maintaining their homes, they must either sell their home in place in the park or move their home if they cannot afford the rent. However, it is very costly to move a home and even when vacant spaces are available in the surrounding area, the parks having those vacant spaces often restrict them to rental by new mobilehomes and will not accept homes being relocated from another park. Thus, moving the mobilehome is not generally a feasible alternative. A homeowner who can no longer afford the rent must sell the home quickly to avoid being evicted or defaulting on the mortgage on the home. However, excessive rents make a home difficult to sell and often require the homeowner to sell the home at a price which is insufficient to allow recovery of the investment made in the home.

B. Prior approval of the Board is required before any rent increase may be charged unless a specific exception is provided in the California Mobilehome Residency Law, Civil Code § 798, et seq. That Law exempts spaces subject to long term leases meeting its requirements from local regulation. It also exempts increases in utility charges under certain circumstances and exempts newly constructed spaces, as defined by the Mobilehome Residency Law.

C. The Ordinance assumes that the profit earned by park owners when the Ordinance was adopted provided a fair return because it was based on rents chosen by the owners prior to regulation. (see §I(F) re rebutting this assumption) The Ordinance, therefore, uses the factors in § 4704(g) to focus on changes in a park's income, expenses and circumstances, including changes in the general economy, to determine whether a rent increase is appropriate to allow the owner to keep earning a fair return, and when a rent increase is appropriate to determine the amount of that increase. The factors also require the Board to

consider any changes in the maintenance, services and amenities provided and rents for spaces in comparable mobilehome parks in the City and any change in the Consumer Price Index ("CPI") since the last hearing on an application by a park. A decrease in, or elimination of, services, maintenance or amenities may constitute a de facto rent increase in violation of the Ordinance and increases in the CPI may, in certain circumstances, indicate the need for a rent increase to offset the erosion of profit by inflation.

D. No one factor in the Ordinance is determinative and the factors must be considered together and balanced in light of the purposes of the Ordinance and all the relevant evidence. The Ordinance does not mandate the use of any formula or guarantee increases equal to the increase in the CPI, or any percentage of the CPI.

E. Each park owner had the right to rebut the assumption that the rents set before the Ordinance was adopted provided a fair return when the park owner applied for the park's first rent increase, but cannot challenge the decisions of the Board except by legal challenge as provided in Ordinance §4798(c). When the Board grants a rent increase it is making a determination that the rent approved is "fair, just and reasonable." In other words, the Board determined that the rent approved was not excessive and allowed the park owner a fair return. The Board cannot reconsider its decisions on a rent adjustment application after they have been embodied in a formal written resolution setting forth the findings of the Board. Therefore, each rent increase application after the first application is evaluated only on the basis of changes in income, expenses, profit, the CPI, maintenance, amenities and services that have occurred since the date of the last increase approved by the Board. A park owner or homeowner who wishes to challenge the decision may do so by seeking review in the courts, as set forth in §4708(c) of the Ordinance.

F. Notwithstanding Section D above, each park owner has the right to apply for an increase on the ground that existing rents do not allow the park owner to earn a fair return, as set forth in §IV below, in addition to an increase based on the factors in § 4704(g).

II. Income, Operating Expenses And Profit * MNOI

A. An applicant must provide the most current data which is reasonably available concerning its income, expenses and profit. In general, an application should include expenses, income and profit documentation for all years subsequent to those for which data was supplied with the last application through at least six months prior to the date of the application. An application that does not provide income, expense and profit data for the period between the date of the data submitted for the last increase application through six months prior to the date of

* Documentation Requirements

the current application will be deemed incomplete unless satisfactory reason is shown why such data cannot be supplied. (For example, records destroyed by fire, flood, etc., new owner cannot obtain files going back to date of last application.) The necessary data may be provided by calendar year, fiscal year or any other 12 month period selected by the applicant provided that the same 12 month period is used for all data supplied and the applicant utilizes the same 12 month period (e.g., July 1, 1993 through June 30, 1994, January 1, 1993 through December 31, 1993, April 1, 1993 through March 31, 1994) each time it applies for a rent increase. If an applicant changes the 12 month reporting period used, the applicant will have to supply calendar year data for the years since the last increase as well as data presented according to the newly selected 12 month reporting period.

1. Income includes rents, fees for services not included in the rent such as RV parking, cable TV, security, etc., and any other income derived from the Park. Income from utilities is not income within the meaning of the Ordinance. No fee may be charged in addition to the rent for a service that was included in the rent charged when the Ordinance was adopted, except as otherwise provided in the Mobilehome Residency Law. ** income*

2. Examples of operating expenses are taxes, utility costs paid to a public utility if not billed separately, maintenance (except maintenance of utilities which is to be paid for from utility income pursuant to PUC ruling), repairs, management and accounting services. All expenses may be reviewed for reasonableness. ** expenses*

a. Owner performed labor is generally an allowable operating expense so long as the amount and type of labor performed is documented and is not duplicated by expenses paid to others.

b. Fees paid to management companies not in excess of 5% of gross rents are generally allowable; higher fees are not generally allowed unless justified by the applicant. Costs incurred for resident managers are allowable in addition to off-site management expenses so long as there is no evidence of duplication of services. *SKS*

c. Land lease payments are generally an allowable operating expense only when paid to a landowner other than the park owner. Lease payments made by a park owner to an entity owned by the park owner will generally be deemed profit rather than an operating expense. ***

d. Debt service incurred prior to adoption of the Ordinance to purchase or operate the park is generally an allowable operating expense.

e. Debt Service necessarily incurred to operate the park after adoption of the Ordinance is generally an

allowable operating expense if the financing arrangements were prudent and consistent with customary business practice.

f. Debt service incurred after adoption of the Ordinance to purchase a park may be an allowable operating expense if the purchase price paid was reasonable in light of the rents allowed under the Ordinance and involved prudent and customary financing practices. An applicant shall have the burden of establishing the reasonableness of the purchase price and financing procedures. If the applicant relies on an appraisal, the appraiser must be available for questioning at the hearing. Any other person relied upon must also be available at the hearing. When it is determined that some increase in debt service was reasonably necessary to acquire the park, but that the amount incurred was not reasonable in light of the Ordinance and customary and prudent financing practices, then only the appropriate portion of the debt service incurred may be allowed as an operating expense. The reason for these general rules is that passing on increased debt service due to purchases at prices above those that can be justified by the income earned by the park under rent control or incurred by unusual financing methods, such as 100% financing, would defeat the purpose of rent control.

→ explain

* non-allowable expense
↓

g. Debt service incurred in making capital improvements to a park may be recovered pursuant to the Capital Improvement Rent Increase provisions set forth below and is not an allowable operating expense.

h. Principal payments on a mortgage are not an allowable operating expense.

i. Reasonable attorneys' fees directly incurred in operating a park are generally allowable operating expenses. Attorneys' fees incurred in presenting applications to the Board, for enforcing court rules or for eviction are examples of fees that are allowable operating expenses. Examples of attorneys' fees which are not allowable are those incurred in connection with challenging the Ordinance or decisions of the Board or in connection with litigation seeking to recover damages or reimbursement from third parties or the City.

j. Charitable and political contributions are not allowable operating expenses.

k. If the operating expenses submitted for a park show a significant increase in expenses which is not due to the increased cost of regular operating expenses, is for an item which is not normally recurring, or is due to accumulating significant expenses in a single year instead of spreading them pursuant to a regular maintenance schedule, or if the expenses for a year are unusually low, the Board may consider the average of the park's last three years of expenses. The Board may consider the pattern of a park's income and expenses instead of

* 3-year Average for MNDI

focusing on the income and expenses for a single year in order to avoid unreasonable results.

1. An operating expenditure which covers expenses for more than one year may be pro-rated over the years to which it is attributable even if the cost thereof is paid all in one year in order to avoid unreasonable results. An example of such an operating expense is an insurance premium which covers two or three years. An operating expense which is financed shall also be pro-rated over the life of the loan by which it was financed.

B. Gross Profits Maintenance Analysis. In evaluating a rent increase application, the Board may consider, in addition to the factors specified in §4704(g) of the Ordinance, a "gross profits maintenance analysis," which compares the gross profit level expected from the last rent increase granted to the park prior to the current application ("target profit") to the gross profit shown by the current application. This analysis will be included in the staff report to the Board in addition to analysis concerning the eleven factors when there is sufficient data to permit such an analysis.

* GPM
+ 11 factors

The analysis is intended to provide an estimate of whether a park is earning the profit estimated to provide a fair return, as established by the immediately prior rent increase, with some adjustment to reflect any increase in the CPI. The analysis is an aid to assist the Board in applying the factors in the Ordinance and is to be considered together with the factors in §4704(g), other relevant evidence presented and the purposes of the Ordinance. The analysis is not intended to create any entitlement to any particular rent increase.

III. Comparable Parks and Changes in Services, Maintenance and Amenities

A. Comparable Parks. The Ordinance directs the Board to consider rents in comparable parks in the City. Consideration of the rents for spaces in comparable mobilehome parks can assist the Board in determining the range of reasonable rents for a particular park. The reason the Ordinance specifies parks in the City is that comparison to rents in parks outside the City which are not subject to rent control would promote the excessive upward pressure on rents that the Ordinance is designed to avoid. Rents in unregulated markets are the result of the unequal bargaining power which arises from the shortage of spaces for relocating homes and the cost and difficulties inherent in trying to relocate a home. The Ordinance is designed to prevent the excessive rents that can occur in such a market absent regulation. Even if evidence were submitted showing a park in a neighboring jurisdiction with rent control to be comparable in quality, amenities, services and location, evidence would be required concerning the nature of the rent control regulations in effect in that jurisdiction during the period from 1979 to the

present before the Board could determine whether the park was comparable within the meaning of the Ordinance. Parks subject to the Los Angeles County mobilehome rent regulation ordinance have not been subject to rent regulation at all times since the adoption of the Carson Ordinance and were not and are not now subject to similar rent regulation. Therefore, rents in spaces in parks in unincorporated areas of Los Angeles County are not comparable within the meaning of the Ordinance. Newly constructed spaces, as defined by the Mobilehome Residency Law, are also not comparable spaces within the meaning of the Ordinance even when they are located in City because the rents for those spaces are exempt from rent control and have never been subject to rent regulation.

B. Changes in Park Amenities, Services and Maintenance.

There is a range of rents or zone of reasonableness which will permit a fair return. Decreases in amenities, services and maintenance may indicate that a lesser increase within the zone of reasonableness is appropriate and increases in services, amenities and maintenance may indicate that a greater increase within the zone of reasonableness is appropriate. Further, the elimination of or decrease in maintenance, services and amenities may constitute a de facto rent increase imposed without the approval of the Board in violation of the Ordinance and may, in some circumstances require a decrease in the rent increase that might otherwise be granted or the denial of a rent increase.

IV. OTHER RELEVANT EVIDENCE AND FAIR RETURN

A. The Ordinance is based on the assumption that the rents in effect before the adoption of the Ordinance provided a fair return and park owners attempted to rebut that presumption when they first applied for an increase. Most applications submitted to the Board have been based on the factors in the Ordinance and Park Owners rarely offer evidence concerning their investment in a park, the return being earned on the park or the return being earned by comparable mobilehome parks. However, an applicant may file an application based on the claim that a rent increase is necessary because the park cannot earn a fair return without an increase greater than that permitted by application of the factors in the Ordinance as well as on the grounds provided by the factors in the Ordinance. Such an application must be made at the same time as a regular rent increase application and must include the following information, including supporting documentation and testimony, as well as the information concerning income, expenses and profit which is ordinarily required:

1. The date the applicant purchased the park and the purchase price of the park. If the park was purchased after the adoption of the Ordinance, the applicant shall also provide the rents charged, the net operating income of the park prior to the purchase and an appraisal of the park at the time of purchase. Net operating income means gross income minus allowable operating

* Fair Return
Analysis

expenses (as set forth above) minus debt service. The appraiser performing the appraisal and preparing any appraisal report will be required to attend the hearing on the rent increase application.

2. Any down payment made upon purchase of the park and the total amount of equity in the park on the date of the application. Any refinancing of the park since the date of purchase and whether the proceeds of the refinancing were used to improve the park or for other purposes.

3. Any capital improvements made to the park, the cost thereof and whether that cost was recovered by a capital improvement rent increase.

4. The Overall Rate of Return (ratio of net operating income to purchase price) being earned by comparable mobilehome parks in jurisdictions with and without rent control at the time of the application. The Overall Rate of Return being earned by the applicant's park (after making any adjustments to the purchase price necessary as a result of purchase after the adoption of rent control). Other measures of the rate of return being earned on the applicant's park and comparable parks and other evidence considered relevant by the applicant may also be submitted, but the Board is concerned with return on investment. It will not consider return based on the current fair market value of a park or the value of park property for purposes other than use as a mobilehome park. Any expert relied upon concerning the return being earned by the applicant or comparable parks or investments must be available for testimony and questioning at the hearing. Since mobilehome parks are unique investments, it is unlikely that the return on other types of investments would be found relevant by the Board. Thus, the return on investments which do not have the potential for appreciation in value are not relevant. Similarly, comparison to the return being earned by other residential rental property is not likely to be relevant since the owners of such properties must maintain the actual housing units whereas the owners of mobilehome parks do not have this responsibility or expense because mobilehome owners are responsible for maintaining them and the spaces which they rent. The owners of apartment complexes incur expenses in re-renting vacant units which are not incurred by mobilehome park owners and apartment owners experience a much higher vacancy rate. In the case of mobilehome parks, the existence of a vacant space is uncommon since homes are usually sold in place and rent is generally paid on a space so the home can remain on the space until it is sold even if the owner has moved out. Further, the residents of mobilehome parks invest in improvements which enhance the applicant's investment and this does not occur in other types of residential rental properties.

V. MISCELLANEOUS

A. Evidence concerning the income of the park owner from sources other than the mobilehome park is not relevant and will not be considered. Evidence of the income of homeowners will generally not be considered because the need to protect low income homeowners is one of the reasons for adopting the Ordinance, which is designed to protect them and all homeowners from excessive rents.

B. Evidence concerning expenses, income, profit or changes in services, maintenance and amenities that was considered at the last hearing on a rent increase application by a park will not be reconsidered.

C. The Board cannot grant an increase greater than that specified in the application. Considering a larger increase could deprive affected homeowners of an opportunity to oppose the larger increase. Residents are given notice of the specific increase requested and decide whether to submit written opposition or appear to testify concerning the application based, in part, on the amount of the increase noticed. Although a resident might not oppose the noticed increase and not be present to testify at the hearing for that reason, that resident might have appeared to oppose a larger increase.

VI. Capital Improvement Rent Increases

A. Definition and Examples. Capital Improvement is defined by Section 4701(c) of the Mobilehome Space Rent Control Ordinance to mean "improvements to a mobilehome park and major rehabilitation of a mobilehome park that involve more than ordinary maintenance and repairs."

1. Normal routine maintenance and repair of a park is not a capital improvement. For example, patching of potholes and slurring of asphalt streets and roadways constitute ordinary repairs and are not capital improvements within the meaning of the Ordinance.

2. Replacement or major reconstruction of an existing facility or improvement constitutes a capital improvement. For example, the replacement and/or reconstruction of streets or roadways, constitute capital improvements. Repairs to common areas where such work is part of a major rehabilitation, refurbishment, reconstruction, or remediation project, are also examples of capital improvements.

3. Addition of new facilities in a park, such as a new office or utility room, a sauna, jacuzzi, pool or an addition to a recreation room, are also examples of capital improvements.

4. The costs of major rehabilitation or refurbishment necessitated by acts of nature (earthquake, fire, flood, storm) or major remediation work such as environmental clean-up are also examples of capital improvements.

5. Capital improvements which would otherwise form the basis for a capital improvement rent increase cannot be the basis of such an increase if the park owner charges a fee for the use of the improvement. For example, additional washers and dryers installed for the use of residents cannot be the basis for a capital improvement rent increase if the tenants must pay to use them.

6. Portable items, such as pool furniture and landscaping or gardening equipment, do not constitute capital improvements, unless they are part of a major rehabilitation or refurbishment.

7. Costs of any capital improvement that have been recovered by the owner through any insurance claim, litigation, or other right of indemnity shall be excluded for purposes of determining the amount of any capital improvement.

B. Determination of Allowable Increases.

1. Amortization Periods

In amortizing capital improvements, the following schedule shall be used to determine the amortization period of the capital improvement. For those items not listed, the amortization period for an improvement which has similar characteristics shall be used. The amortization period below may be increased or decreased depending upon the quality of the improvement, the conditions placed upon it or any other relevant factors affecting amortization. The Board may rely upon Department studies or reports it deems appropriate in establishing a greater or lesser amortization period or an amortization period for any item not listed below:

<u>Expenditure</u>	<u>Years</u>
<u>Appliances</u>	
Major Appliances, residential	10-18
Garage door openers	8-11
Garbage disposers, washing machines	6-12
Home electronics	5-12
Telephone systems	9-12
Vacuum-cleaning system	12-17
<u>Exterior</u>	
Awnings and window screens	3-9
Canopies and patio covers	12-19
Exterior paint	3-7
sealers, silicone, etc.	1-5

** this is a range how do you choose what to go with? → depends on the amount, as the capital improvement eg: larger longer smaller shorter*

Fireplaces, chimneys, masonry	35-55
metal	20-35
Shutters	3-7
Storefronts	18-25
entrance doors, automatic	7-20
Floor Covering	
Access (Computer) floor	10-18
Carpet and pad	4-10
Carpet tiles	5-10
Ceramic, quarry, precast terrazzo	
tile/pavers	25-40
Indoor-outdoor carpet	3-10
Linoleum	10-20
Rubber mats	3-6
Terrazzo, bonded or epoxy	25-50
Vinyl composition tile or sheet	7-19
Vinyl or rubber tile or sheet	12-24
Wood flooring	20-35
Hazardous Waste Removal/ Environmental Clean-up	
	10-20
Interior	
Acoustical ceiling tiles or panels	8-15
Cabinets	15-35
Countertops, laminates	10-35
Doors, hollow core	18-25
solid	25-50
shower	5-25
Drapery	6-12
Lighting	15-35
Paint	3-10
Tile, glazed	20-45
Vertical blinds	5-16
Wallpaper	7-18
Heating, Ventilating and Air Conditioning	
Solar-heating systems	5-15
Exhaust and ventilating fans	6-18
Air ducts, galvanized steel	17-30
aluminum	15-32
fiberglass	14-28
duct insulation	12-24
Fans and motors	14-20
Heating and cooling coils	10-17
Plumbing	
Plumbing fixtures	17-30
enameled steel	5-14
fiberglass	10-20
Faucets and valves	8-16

Water heaters, residential	3-12
commercial	8-20
Pumps, sump and well	8-15
Pipe, galvanized	12-30
copper	20-35
plastic	15-33
Sprinkler and fire protection systems	20-30
residential smoke detectors	10-17
smoke and heat detectors	13-20
fire hose and misc. equip	7-13
Miscellaneous pumps, motors, controls	3-10
Rehabilitation Expenses (Earthquake, fire, flood, storm)	
Architectural and Engineering Fees	3-5
Emergency Services	
Clean-up	3-5
Fencing and Security	3-5
Management	3-5
Tenant Assistance	3-5
Structural Repair and Retrofitting	
Foundation Repair	5-10
Foundation Replacement	15-20
Foundation Bolting	15-20
Iron or Steel Work	15-20
Masonry-Chimney Repair	15-20
Shear Wall Installation	5-10
Grading	15-20
Roofing	
Built-up tar and gravel	10-20
Composition shingles	12-30
Elastomeric	12-25
Metal	13-45
Slate or copper	50-60
Tile, concrete or clay	30-50
Wood shakes	20-35
Wood shingles	16-30
Exposed insulation	19-24
Gutters and downspouts	10-30
Site Improvements	
Bulkheads, concrete	30-40
steel	25-35
wood	20-30
Culverts, concrete	30-40
Curbing, concrete	15-25
Flagpole	16-30

Fencing, chain link	13-20
masonry walls	20-35
wood	6-12
wind screens	4-7
Landscaping, decorative shrubs, trees, etc.	7-20
Outdoor furniture	3-10
Outdoor lighting fixtures	10-20
Parking lot bumpers	3-7
guard rails	7-13
Paving, asphalt	5-17
concrete/brick	10-20
Railings	5-10
Signs	8-14
Sprinklers, galvanized pipe	10-25
plastic pipe	15-28
controllers and pumping systems	8-13
Stairway and decks, wood	7-15
cement composition	12-25
Structural Additions (utility room, offices, guardhouses)	10-20
Swimming pool, commercial, concrete	15-30
Mechanical equipment	10-20
Spas	3-12
Solar pool equipment	7-20
Synthetic sports surfaces	3-8
Tennis court	18-25
asphalt/colored concrete	
resurfacing	3-7
nets	1-3
Underground sewer and water lines	22-32

2. Calculation

The monthly rent increase for each mobilehome space based on a capital improvement shall be calculated according to the following formula: Cost of the capital improvement, including interest, divided by the amortization period; the result of that calculation divided by twelve (12) months; and the result of that calculation by the number of all spaces.

For example, the allowable capital improvement rent increase for a street replacement (paving) costing \$10,000 (including interest) and having a useful/amortizable life of ten (10) years is calculated as follows:

$$\begin{aligned} \frac{\$10,000.00}{10 \text{ years}} &= \$1,000.00 \text{ annual amortization cost.} \\ \frac{\$1,000.00}{12 \text{ months}} &= \$83.33 \text{ monthly amortization cost.} \\ \frac{\$83.33}{30 \text{ spaces}} &= \$2.78 \text{ monthly rent increase per space} \\ &\text{for ten years} \end{aligned}$$

3. In general, a capital improvement should not be amortized over a period which would yield a monthly per space increase of over ten percent (10%). In such a case, a longer amortization period may be appropriate. The percent increase represented by a particular capital improvement rent increase shall be calculated by dividing the proposed capital improvement rent increase by the amount of the existing base rent. Thus, in the case of the above street replacement example, the percent increase is calculated as follows:

$$\frac{\$2.78 \text{ (proposed capital improvement rent increase)}}{\$130 \text{ (existing base rent)}} = 2.1\% \text{ (rent increase)}$$

In cases where a longer amortization period is used to avoid a monthly per space increase of over ten percent (10%), interest at the legal rate of interest shall be allowed over the entire amortization period.

4. Notwithstanding the subsections above, based upon the circumstances of a particular case, the Board shall have the discretion to determine capital improvement costs or appropriate amortization in any alternative manner necessary to protect the residents of the mobilehome park from excessive rents while ensuring the park owner receives a fair return.

C. Cost of the Capital Improvement. The applicant shall provide documentary evidence of the actual cost incurred for the capital improvement. The cost thereof shall include the interest expense incurred on money borrowed to pay for the capital improvement. In those cases where the park owner finances the capital improvement or a part thereof with his/her own funds, interest at the legal rate of interest computed over a reasonable amount of time shall be included as a part of the capital improvement cost. In determining the reasonable amount of time over which interest shall be allowed, the Board shall be guided by the current practices of state and federally chartered banks and/or savings & loan associations as to the length of time for repayment of improvement loans, provided, however, that the time shall not exceed the amortization period used in calculating the allowable capital improvement rent increase. The staff report shall provide data to the Board concerning the reasonable amount of time over which interest shall be allowed.

D. Application Procedures.

1. An applicant may, but is not required to, submit an application for a capital improvement rent increase at the same time as the application for a general rent increase. However, if an application for a general rent increase and an application for a capital improvement rent increase for the same park are submitted together they will be considered on the same hearing date except in unusual circumstances.

2. An application for a capital improvement rent increase is to be evaluated and heard separately from an application for a general rent increase. A separate application form must be submitted for each type of rent increase application. When a general rent increase application and a capital improvement rent increase application are filed together, the capital improvement rent increase application shall be heard first.

3. A fee shall be charged for each rent increase application. However, if an application for a capital improvement rent increase and an application for a general rent increase for the same park are submitted together, only one fee will be charged.

4. When the owner submits an application for both a general rent increase and a capital improvement increase at the same time and they are set for hearing on the same date, the notice to tenants prepared and sent by staff shall indicate that both increases are requested and will be heard on the same hearing date but will be heard separately. On the hearing date set to consider the applications the Board shall hold a separate public hearing on each application and the capital improvement rent increase application shall be heard first.

Section 5
RESOLUTION NO. 06-149

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, AMENDING RESOLUTION NO. 98-010 ADOPTING REVISED GUIDELINES FOR IMPLEMENTATION OF THE MOBILEHOME SPACE RENT CONTROL ORDINANCE, CHAPTER 7, ARTICLE IV, OF THE CARSON MUNICIPAL CODE

WHEREAS, the City Council hereby finds that it is necessary to assure the supply of affordable housing within the City of Carson, and that one important source of such affordable housing are the various mobilehome parks located throughout the community; and

WHEREAS, the City Council hereby finds that is appropriate to amend the current guidelines that govern the administration of the City's mobilehome space rent control ordinance, and to do so as to better assure that residents of mobilehome parks are protected from excessive rent increases that could reduce the supply of affordable housing in the community; and

WHEREAS, the City Council hereby finds that amendment of the current guidelines that govern administration of the City's mobilehome space rent control ordinance will provide additional analytical tools to evaluate pending applications for rent increase, and that such analytical tools will also help to assure that the mobilehome park owners within the City receive a constitutional fair return on their investments.

NOW, THEREFORE, the City Council of the City of Carson, California, does hereby FIND, DETERMINE, and RESOLVE as follows:

1. The foregoing recitals are true and correct.
2. Resolution No. 98-010, entitled "A Resolution of the City Council of the City of Carson Adopting Revised Guidelines for Implementation of the Mobilehome Space Rent Control Ordinance, Chapter 7, Article IV, of the Carson Municipal Code and Replacing the Policy Guidelines for Capital Improvement Rent Increase," shall be, and the same hereby is, amended to add a new Section II.C., to read, in its entirety, as follows:

"C. Maintenance of Net Operating Income (MNOI) Analysis. In addition to the analysis set forth in Sub-Section II. B., above, the Board may also consider, a "maintenance of net operating income analysis," which compares the net operating income (NOI) level expected from the last rent increase granted to a park owner and prior to any pending rent increase application (the so-called "target NOI") to the NOI demonstrated in any pending rent increase application.

1. Where relevant to any pending rent increase application, a MNOI analysis shall be included in the staff report to the Board, along with the analysis set forth in Sub-Section II.B., above, and in addition to the analysis considering and evaluating the eleven (11) factors set

forth in Municipal Code § 4704(g), and where there is sufficient data submitted by the applicant to permit such an analysis.

2. An MNOI analysis is intended to provide another method to estimate whether any applicant for a rent increase is earning a constitutional fair return, as established by the immediately prior rent increase, with appropriate adjustment(s) to reflect changes in the CPI, and is a methodology approved by the courts in which changes in debt service expenses are not to be considered in the analysis (unlike a gross profits maintenance analysis, where such changes may be considered). The analysis is another aid to assist the Board in applying the factors in the Ordinance, and is to be considered in company with the factors in Municipal Code § 4704(g), and all other relevant evidence presented and the statutory purposes of the mobilehome space rent control ordinance. An MNOI analysis is not intended to create any entitlement to any particular rent increase."

3. Resolution No. 98-010, entitled "A Resolution of the City Council of the City of Carson Adopting Revised Guidelines for Implementation of the Mobilehome Space Rent Control Ordinance, Chapter 7, Article IV, of the Carson Municipal Code and Replacing the Policy Guidelines for Capital Improvement Rent Increase," shall be, and the same hereby is, amended to add a new Section VII. to read, in its entirety, as follows:

"VII. Assuring a Constitutional Fair Return. Notwithstanding any other provision of these guidelines, nothing shall preclude the Board, either in the exercise of its sound discretion during review of any petition for a rent increase, including any fair return adjustments, or in response to a court order, from granting an increase that is necessary in order to meet constitutional fair return requirements and to take into account factors that must be considered in making a fair return determination."

4. Resolution No. 98-010, entitled "A Resolution of the City Council of the City of Carson Adopting Revised Guidelines for Implementation of the Mobilehome Space Rent Control Ordinance, Chapter 7, Article IV, of the Carson Municipal Code and Replacing the Policy Guidelines for Capital Improvement Rent Increase," shall be, and the same hereby is, amended to revise the 4th full sentence in Section VI.B.3., to read, in its entirety, as follows:

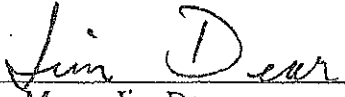
In cases where a longer amortization period is used to avoid a monthly per space rent increase of over ten percent (10%), the allowable interest rate shall equal to the average rate for thirty year fixed rate for mortgages plus one (1%) percent. The average rate shall be the rate Freddie Mac last published in its weekly Primary Mortgage Market Survey (PMMS) as of the date of the initial submission of the rent increase application."

Amortization
interest

5. Resolution No. 98-010, entitled "A Resolution of the City Council of the City of Carson Adopting Revised Guidelines for Implementation of the Mobilehome Space Rent Control Ordinance, Chapter 7, Article IV, of the Carson Municipal Code and Replacing the Policy Guidelines for Capital Improvement Rent Increase," shall be, and the same hereby is, amended to revise the 3rd full sentence in Section VI.C., to read, in its entirety, as follows:

"The allowable interest rate for capital improvements shall equal the average rate for thirty year fixed rate for mortgages plus one (1%) percent. The average rate shall be the rate Freddie Mac last published in its weekly Primary Mortgage Market Survey (PMMS) as of the date of the initial submission of the rent increase application."

PASSED, APPROVED, and ADOPTED this 31 day of October, 2006.



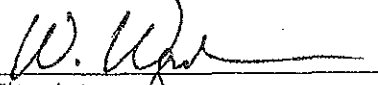
Mayor Jim Dear

ATTESTED:



City Clerk Helen S. Kawagoe

APPROVED AS TO FORM:
ALESHIRE & WYNDER, LLP



City Attorney

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.
CITY OF CARSON)

I, Helen S. Kawagoe, City Clerk of the City of Carson, California, do hereby certify that the whole number of members of the City Council is five; that the foregoing resolution, being Resolution No. 06-149 was duly and regularly adopted by said Council at a special joint meeting duly held on the 31st day of October, 2006, and that the same was passed and adopted by the following vote:

AYES:	COUNCIL MEMBERS:	Mayor Dear, Ruiz-Raber, Santarina, Williams and Gipson
NOES:	COUNCIL MEMBERS:	None
ABSTAIN:	COUNCIL MEMBERS:	None
ABSENT:	COUNCIL MEMBERS:	None

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City Clerk Helen S. Kawagoe