HOUSING
COMMUNITY
ECONOMIC

LACDA

Los Angeles County Development Authority

November 19, 2019

The Honorable Board of Supervisors
County of Los Angeles
Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

The Honorable Board of Commissioners
Los Angeles County Development Authority
Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

26 November 19, 2019

Celia Zavala

CELIA ZAVALA
EXECUTIVE OFFICER

Dear Supervisors/Commissioners:

INTRODUCTION OF AMENDMENT TO INTERIM MOBILEHOME RENT REGULATION ORDINANCE AND INTRODUCTION OF A PERMANENT MOBILEHOME RENT STABILIZATION ORDINANCE (ALL DISTRICTS) (3 VOTES)

SUBJECT

Pursuant to your Board's direction on February 13, 2018, the Department of Consumer and Business Affairs (DCBA) and the Los Angeles Community Development Authority (LACDA) (formerly the Los Angeles County Community Development Commission) recommend your Board introduce and set for adoption the attached Mobilehome Rent Stabilization Ordinance to regulate rent increases for mobilehome spaces in all mobilehome parks in the unincorporated areas of Los Angeles County (County), and direct DCBA and LACDA to take necessary steps to implement the ordinance. Additionally, DCBA and LACDA recommend your Board extend the Interim Mobilehome Rent Regulation Ordinance through March 31, 2020.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that these actions are exempt from the California Environmental Quality Act (CEQA), for the reasons stated in this letter and in the record;

2. Introduce, waive reading, and place on the Board of Supervisors' agenda for adoption on November 26, 2019, the attached Permanent Mobilehome Rent Stabilization Ordinance (Ordinance) to regulate mobilehome space rent in the unincorporated areas of County, while providing mobilehome park owners a process to request rent increases to ensure a fair and reasonable return on their investment and to pass through up to 50 percent of the cost of certain eligible capital improvements, to be effective on April 1, 2020;

3. Introduce, waive reading, and place on the Board of Supervisors' agenda for adoption on November 26, 2019, the attached amending ordinance to the Interim Mobilehome Rent Regulation Ordinance (Interim Amending Ordinance) to extend the expiration date from December 31, 2019 to March 31, 2020, to be effective on December 26, 2019;

4. Authorize the Director of DCBA, or his designee, to retain consultants as necessary to implement the Ordinance and Interim Amending Ordinance;

5. Instruct the Director of DCBA, or his designee, to work with the Chief Executive Officer (CEO) to identify funding and resources necessary to implement the Ordinance and Interim Amending Ordinance in the FY 2019-20 mid-year budget adjustment letter and the FY 2020-21 regular budget process;

6. Instruct the CEO, or her designee, in consultation with County Counsel, DCBA and the LACDA, to identify up to $967,000 in one-time funding for costs related to the activities concerning rent stabilization, tenant protections, and other related matters; and

7. If necessary, authorize the CEO, or her designee, to execute, and or amend, a Funding Agreement with the LACDA to transfer an amount not to exceed $967,000 and alternatively, if necessary, authorize the County Counsel to amend the Memorandum of Agreement with the DCBA and/or LACDA for use of the funds for enforcement of consumer protection laws.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE LOS ANGELES COUNTY DEVELOPMENT AUTHORITY:

1. Authorize the Executive Director of LACDA, or her designee, to retain consultants as necessary to implement the Ordinance and Interim Amending Ordinance;

2. Instruct the Executive Director of LACDA, or her designee, in consultation with the CEO, County Counsel, and DCBA, to identify up to $967,000 in one-time funding for costs related to the activities concerning rent stabilization, tenant protections, and related matters;

3. If necessary, authorize the Executive Director, or her designee, to execute, and or amend, a Funding Agreement with the County for an amount not to exceed $967,000, alternatively, if necessary, authorize the Executive Director to amend the Memorandum of Agreement with DCBA and/or CEO for use of the funds for enforcement of consumer protection laws; and

4. Authorize the Executive Director, or her designee, to accept and incorporate up to $967,000 as needed into the LACDA's approved FY 2019-20 budget and future fiscal year budgets.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On February 13, 2018, the Board instructed the Executive Director of LACDA, along with the Director of Regional Planning, Director of Consumer and Business Affairs (DCBA), the Chief Executive Office, and County Counsel to report back within 180 days with a mobilehome rent regulation ordinance, placing a cap on space rent increases and providing protections for residents; and recommendations for the structure and formation process for an ordinance oversight body. The Board also instructed that the Ordinance and recommendations be informed by appropriate legal analysis, surveys on existing conditions, market analysis, best practices from other jurisdictions, and stakeholder engagement. The departments listed above formed a working group to prepare a permanent Mobilehome Rent Stabilization Ordinance.

The working group determined that an interim mobilehome space rent moratorium was appropriate to maintain the status quo and prevent unreasonable space rent increases until the permanent mobilehome rent regulation ordinance was prepared. On September 4, 2018, the Board enacted an Interim Rent Regulation Ordinance (Interim Ordinance). That Interim Ordinance imposed a 180-day moratorium on annual space rent increases in excess of three percent (3%) for mobilehome spaces that were leased for a period of 12 months or less in all mobilehome parks in unincorporated County. To provide the time needed to develop a permanent ordinance, prepare for implementation, and ensure that there is no gap in coverage between the expiration of the Interim Ordinance and adoption of a permanent ordinance, on March 19, 2019, the Board approved and adopted an amendment to the Interim Ordinance extending its expiration to December 31, 2019.

Since February 13, 2018, the working group has engaged in a comprehensive process to develop the permanent Mobilehome Rent Stabilization Ordinance. The working group has conducted extensive community outreach, hosting 5 mobilehome park owner meetings and 10 mobilehome space renter meetings. The group has also conducted one mobilehome space renter survey, gathering 205 responses, and one mobilehome park owner survey, gathering 21 responses, representing, 25% of the parks in unincorporated County and 30% of park spaces. The working group has also identified and worked with various legal and subject-matter experts, from public agency staff to consultants to industry representatives, to inform the policies and procedures set forth in the proposed Mobilehome Rent Stabilization Ordinance (See Appendices 1-4).

The Ordinance would limit space rent increases, require park owners to register their park(s) on an annual basis, allow park owners to pass through the fifty (50) percent of the cost of certain capital improvements, and provide due process for park owners who feel they are not receiving a fair return on their property. The Ordinance also provides for vacancy control, which limits the amount of and the instances in which space rent can be increased upon the sale or transfer of a mobilehome located on a space. Reductions in service are considered space rent increases under the Ordinance. Additionally, the Ordinance allows space renters a process to protest any space rent increases in excess of the allowable limit or capital improvement applications.

The working group reviewed best practices for owner and renter dispute resolution, including the San Diego Mobilehome Communities Issues Committee. Ultimately, the working group recommends expansion of DCBA's landlord-tenant dispute resolution program to complement implementation of the Ordinance. DCBA's landlord-tenant dispute resolution program is well established and has achieved a high success rate resolving disputes arising under the Interim Ordinance. DCBA will work with CEO during the regular budget process to identify appropriate positions and funding for an expanded landlord-tenant dispute resolution program.

The working group also reviewed best practices for tenant financial assistance programs, including the Manufacturing Housing Educational Trust (MHET) Program, a successful rental assistance program funded by park owners, which provides rent reductions to low-income seniors, families, or people with disabilities. Because the program is not available in jurisdictions with rent stabilization ordinances, the working group recommends LACDA administer a similar rental assistance program, also funded by park owners. The program should only be made available to renters not covered by the Mobilehome Rent Stabilization Ordinance. Finally, DCBA is developing an education and outreach plan to be implemented after approval of the Ordinance.

The Ordinance will go into effect on April 1, 2020. Accordingly, the Interim Ordinance is being extended to March 31, 2020.

FISCAL IMPACT/FINANCING

During the FY 2019-20 recommended budget phase, DCBA received $1.79M from Consumer Protection Settlement (CPS) funds to create the Rent Stabilization Unit (RSU), which includes 12.0 staff and the cost for services and supplies. Should a permanent ordinance be adopted, DCBA estimates that it will require an additional $2.38M in CPS for 17.0 additional staff and funds to cover operational expenses. LACDA estimates that it will require $340,000 in CPS to fund 3.0 staff and cover operational expenses for capital improvement passthroughs and relocation requests.

The total expected cost to support implementation of the Mobilehome Rent Stabilization Ordinance and the Rent Stabilization Ordinance, and to provide staff support for the Rental Housing Oversight Commission – in FY 2020-21 is $5.60M. This total includes $4.97M for DCBA and $627,000 for LACDA to fund staff and cover operational expenses.

DCBA and LACDA expect to collect registration fees in FY 2020-21. Additional CPS funding may be required depending on actual fee collections during the fiscal year. The program is expected to be cost neutral, as registration and application fees will cover the cost of the program as it matures.

The recommended actions will identify up to $967,000 in one-time funding for costs for the LACDA for related activities concerning rent stabilization, tenant protections, and related matters. The funds will be incorporated, as needed, into LACDA's approved FY 2019-20 budget and included in future fiscal year budgets, accordingly.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Allowable Space Rent Increases

The Mobilehome Rent Stabilization Ordinance allows for mobilehome space rent increases of seventy-five percent (75%) of the change in Consumer Price Index (CPI) over twelve months (12) as determined for the County region by the US Department of Labor. In years where seventy-five percent (75%) of the CPI is less than three percent (3%), the maximum allowable rent increase will be three percent (3%). In years where seventy-five percent (75%) of the CPI exceeds eight percent (8%), the maximum allowable rent increase will be eight percent (8%).

Rental Housing Oversight Commission

A separate ordinance will create a rental oversight board, called the Rental Housing Oversight Commission (Commission), which will be comprised of nine members appointed by your Board. Each Supervisor will appoint one of the first five members. The last four must represent mobilehome park space renters, mobilehome park owners, multifamily property owners, and multifamily property renters, respectively, and will be appointed by the Board of Supervisors after an application and interview process. The Commission will be responsible for conducting public hearings on appeals arising from implementation of this Ordinance, as well as enforcing rules and/or guidelines consistent with the provisions of the Ordinance as adopted by the Board.

Registration

The Ordinance will also require park owners to register their properties annually with updates for new leases, specifying their park's name, address, rent rates, services, amenities, and other necessary information to implement the Ordinance. Registration will require payment of an initial fee, and an annual fee thereafter, to support maintenance of the registration system and implementation of the program. If the park owner properly registers by the annual deadline, the Ordinance allows for fifty percent of that fee to be passed through to mobilehome park space renters.

Rent Adjustments and Passthroughs

Acknowledging the mobilehome park owner's right to a fair return, if the park owner believes that the regulations on rent increases will prevent the park owner from receiving a fair return due to exceptional expenses or circumstances in the base year (which will be the 12 months prior), under the Ordinance, the park owner may request a rent adjustment by application to DCBA. Additionally, the Ordinance allows for a variety of other fees and costs to be passed through to the mobilehome space renter, including governmentally-required services and new property taxes. With DCBA approval, up to fifty percent (50%) of the cost of any eligible capital improvement expense may be passed through to mobilehome park space renters by the park owner. Capital improvement expenses eligible for this passthrough must have a useful life of at least five (5) years and cannot include regular maintenance or repairs. Such expenses can only be claimed and passed through once the work is complete and will be amortized for ten years.

After receiving a required notice of a capital improvement passthrough application, mobilehome space renters will have 30 days to file an objection. If fifty percent (50%) of the impacted tenants raise objections, the objections will be considered with the application to determine whether the increase is allowable under the provisions of the Ordinance. Capital improvement expenses, when added to any allowable space rent increases, may not exceed eight percent (8%) of the prior year's base rent.

The Ordinance states that space rent may increase by no more than 10% upon the sale or transfer of a mobilehome located on a space. Space rent increases are forbidden if a mobilehome park space renter replaces an existing mobilehome with another in the same space, or if the mobilehome title is transferred to a family member.

Notice Requirements

The Ordinance includes specific language summarizing material terms of the ordinance, which must be included in a notice that is provided at the time that any rental agreement is executed after the effective date of the Ordinance. Amongst other information, the notice informs mobilehome space renters that the Ordinance is only applicable to leases equal to or shorter than 12 months, and that space renters and prospective space renters have the right to request a short-term lease with the same terms as a longer lease.

Rent Reductions

Mobilehome space renters may request reductions in space rent due to non-compliance or a service reduction on the part of the park owner by submitting a request to DCBA and notifying the park owner of their filing.

Enforcement

Any person violating any of the provisions or failing to comply with any of the requirements of this chapter shall be guilty of a misdemeanor, punishable by a fine of not more than $1,000.00 per day or by imprisonment in the county jail for a period of not more than six months, or by both.

Your Board may adopt the Mobilehome Rent Stabilization Ordinance pursuant to the State Mobilehome Residency Law, (California Civil Code Sections 798 - 798.14), which expressly states that the setting and/or increasing of rent for the use and occupancy of a mobilehome space may be regulated by cities and counties throughout the State.

Outreach

DCBA will contract with Community Based Organizations (CBOs) to conduct a culturally competent outreach campaign for the Mobilehome Rent Stabilization Ordinance. The conducted outreach will ensure that property owners, tenants, park owners, mobilehome owners and other stakeholders are made aware of their rights and responsibilities under the Ordinance. Additionally, DCBA has a dedicated phone number, website, and email address for the Rent Stabilization Program that interested parties may reach out to for counseling and additional information.

Future Board Actions

As stated above, LACDA is conducting a fee study to establish appropriate fees for the program. In addition, DCBA and LACDA will develop guidelines and rules to implement the policies identified in the ordinance, which must be adopted by your Board. DCBA and LACDA expect to return to your Board in the first quarter of 2020 with any necessary ordinance amendments to establish appropriate fees, adopt implementation guidelines, and approve other program components.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Adoption of this Ordinance will protect mobilehome park residents and provide greater housing stability for those who are more vulnerable to displacement. The Ordinance provides a mechanism to ensure that park owners are able obtain a fair return on their investment and establishes a process for resolution of park owner and mobilehome space renter disputes.

Implementation of the Ordinance will impose significant responsibilities on DCBA, the LACDA, and possibly other County departments, including Regional Planning. Sufficient staff and budget resources will be required to ensure the successful implementation of this Ordinance.

ENVIRONMENTAL DOCUMENTATION

By adoption of the Ordinance and the Interim Amending Ordinance, the Board finds that the implementation of the Ordinance and the Interim Amending Ordinance are exempt from the provisions of California Environmental Quality Act (CEQA), pursuant to State CEQA Guidelines 15061(b)(3) in that the Board finds there is no possibility that the implementation of the Ordinance and the Interim Amending Ordinance may have significant effects on the environment.

CONCLUSION

Upon Board approval, please return one adopted copy of this letter to the Los Angeles County Development Authority and the Department of Consumer and Business Affairs.

Respectfully submitted,

MONIQUE KING-VIEHLAND	JOSEPH M. NICCHITTA
Executive Director	Director
Los Angeles County Development Authority	Department of Consumer and Business Affairs
MKV:KCD:kg	JMN:DP:sl

HR&A
Analyze. Advise. Act.
700 South Flower Street, Suite 2995, Los Angeles, CA 90017
T: 310-581-0900 | F: 310-581-0910 | www.hraadvisors.com

MEMORANDUM

To:	KeAndra Cylear Dodds, Community Development Commission of the County of Los Angeles
From:	HR&A Advisors, Inc.
Date:	November 21, 2018
Re:	Analysis of Mobile Home Resident and Household Characteristics in Los Angeles County

To support the informed development of a rent stabilization ordinance for mobile home parks within unincorporated portions of Los Angeles County (the "County"), HR&A Advisors, Inc. ("HR&A") has completed a preliminary evaluation of the socioeconomic and demographic characteristics of mobile home park residents within the County. The purpose of the following analysis is to inform discussion of how rent stabilization may impact residents that could be impacted by such an ordinance. As described in detail in the methodology section of this memorandum, HR&A used Public Use Microdata Samples (PUMS) from the U.S. Census Bureau to isolate the socioeconomic conditions of mobile home residents and households.

Through its analysis, HR&A identified the following key takeaways:

- ***Mobile home residents are different from conventional home residents on nearly every measure***. The data analysis suggests that mobile home residents, on average, are substantially older, earn lower incomes, and have lower educational attainment levels than their conventional home counterparts. There is also a much higher rate of living alone, especially for residents over 65 and for females, in particular.

- ***Reflective of the dual renter-owner status of mobile home park occupancy, residents share traits with both renter-occupied households and owner-occupied households, but on different characteristics***. Mobile home households are more similar to renter-occupied conventional homes in general, and especially in terms of average incomes, household sizes, and shares of residents with an Hispanic or Latino ethnicity. However, mobile home households are more similar to owner-occupied conventional households in terms of resident age distribution, length of household tenure, and share of Caucasian residents.

- ***Mobile home residents appear to be more economically and physically vulnerable than both renters and owners of conventional homes***. Mobile home residents are more likely to have a disability than conventional home residents, rely on government assistance at higher rates, and are less likely to have worked in the past twelve months than renters or owners of conventional homes.

- ***Mobile home owners are likely paying at least between 21 and 41 percent of household income in homeowner costs, with some households paying much more and some paying much less***. Mobile home costs typically include pad rent, utilities, insurance, and common area charges in addition to other mobile home ownership costs, which may include a mortgage. The analysis shows that both pad rents and utility costs range widely across the County.

Methodology

To conduct its analysis, HR&A used the U.S. Census Bureau's Public Use Microdata Sample ("PUMS") from the 2016 American Community Survey (ACS) to analyze the key demographic differences between residents of mobile homes in Los Angeles County as compared with the renters and owners of "conventional" homes in the County. The term "conventional" household is used to describe any land-affixed apartment, condominium, single-family attached, or single-family detached home in this memorandum. Because of mobile home park residents' unique status as both owners (of their mobile homes) and renters (of the land beneath their homes), throughout the analysis HR&A compares mobile home residents to residents of both owner- and renter-occupied households.

The PUMS data consists of anonymous individual responses to the ACS survey, which covers over 35 topics and surveys 3.5 million households each year. The PUMS data represents a one percent sample of the survey's responses; the sample is also accompanied by household and person "weights" which enable estimates of geography-wide characteristics based on the one percent sample. Through cross-tabulations of the microdata, HR&A used the PUMS dataset for Los Angeles County to customize new measures with combinations of person and/or household variables.

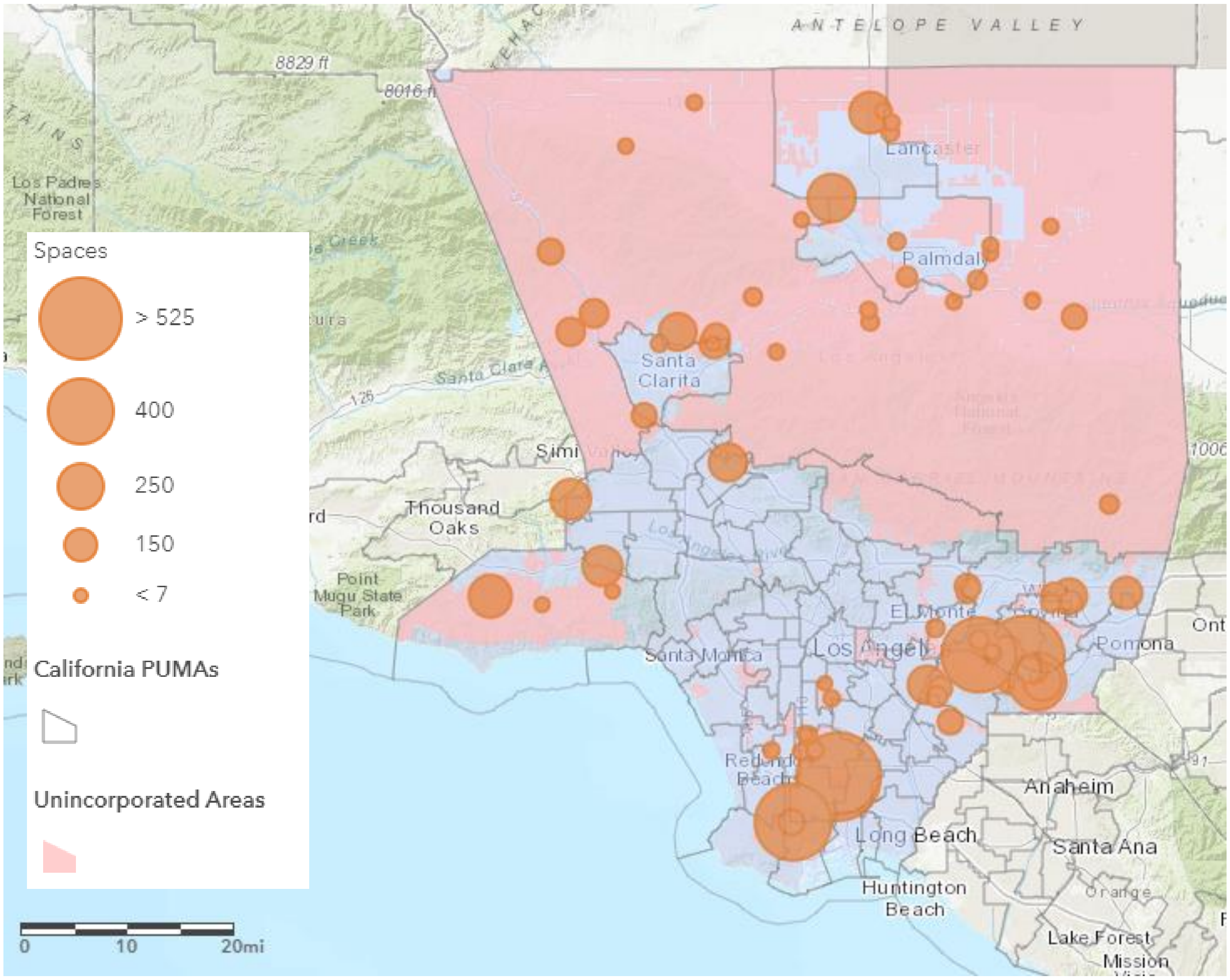
There are several limitations to the PUMS data. First, while PUMS data enables statistical analysis of sub-County geographies through Public Use Microdata Areas ("PUMA"), these geographies generally do not align well with the boundaries of incorporated or unincorporated communities. Unfortunately, there is no way to accurately distinguish between mobile home respondents in the incorporated or unincorporated County within any Los Angeles County PUMAs in order to generalize about the socioeconomic conditions of residents likely to be impacted by a potential mobile home park rent stabilization ordinance. As shown in Figure 1 on the following page, mobile home parks in the unincorporated areas are distributed widely across the County, and therefore their residents and households are unlikely to be significantly different than in mobile home parks within the County as a whole.

To test this assumption, HR&A compared demographic characteristics for mobile home residents in five PUMAs which appear to have the highest concentration of mobile home residents living in the unincorporated County (identified in Appendix Table 1). Through this evaluation, HR&A determined that the characteristics of residents in these five PUMAs correlate strongly to those of the County sample as a whole, lending a degree of confidence in using the Countywide sample as a proxy to evaluate the characteristics of those who may be impacted by the rent stabilization ordinance.

Second, while survey respondents can be categorized by housing type, there is no way to isolate mobile home resident respondents living within a mobile home park from other mobile home residents. Therefore, mobile home households and residents represented in this report are both mobile park residents and non-mobile home park residents.

Third, while the PUMS data do include annual costs related to owning a mobile home, HR&A omitted this data due to irregularities in the data responses. In lieu of this aggregate cost measure, HR&A includes the average pad rent for mobile home parks in Unincorporated Los Angeles County reported in the Del Richardson & Associates ("DRA") survey, and separately includes other homeowner costs reported by mobile home residents in the 2016 ACS (i.e., mortgage payments and utilities). This still may exclude utility and common area charges paid by mobile home owners to mobile home park owners or operators.

Figure 1: Mobile Home Parks in Unincorporated Los Angeles County by Number of Spaces



Source: LA County Department of Regional Planning, Esri, HR&A.

Demographic Data

The Public Use Microdata Sample of the 2016 American Community Survey is based on a total population size of 10,139,789 residents in Los Angeles County, about 1.3 percent of which are residents of mobile homes, 48.5 percent are residents of owner-occupied conventional homes, and 49.9 percent are residents of renter-occupied conventional homes. As shown in Figure 2, mobile home households represent about 1.5 percent of Los Angeles County households, with owner-occupied conventional homes and renter-occupied conventional homes representing 45 and 53.2 percent of households, respectively.

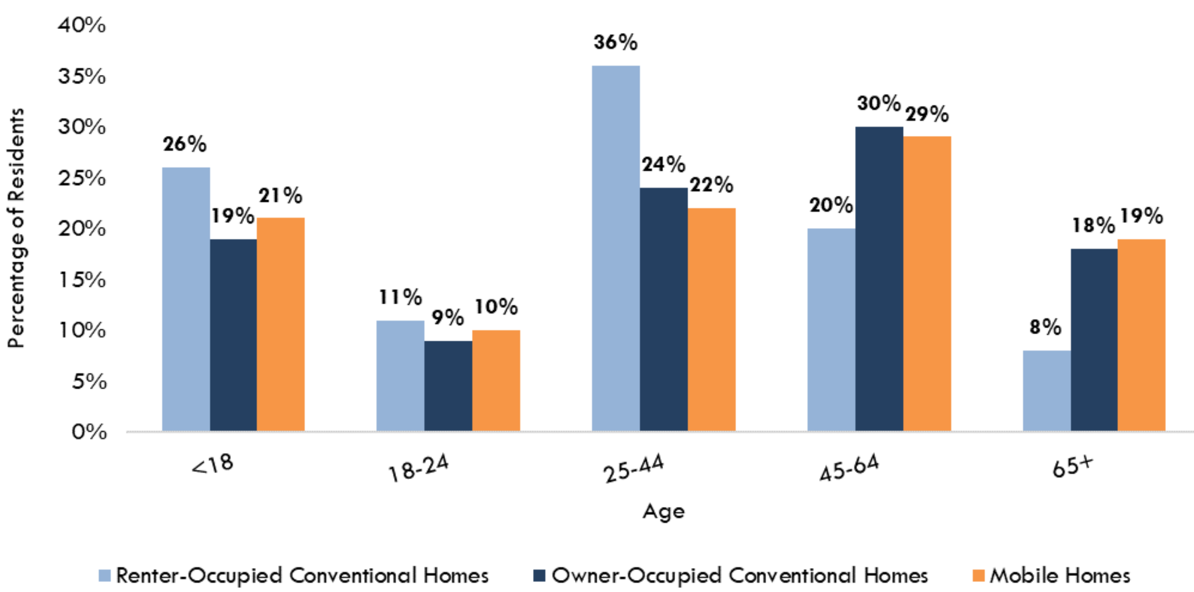
Figure 2: Population by Housing Type, Los Angeles County

	Residents		Households	
Mobile Homes	135,548	1.3%	49,907	1.5%
Estimate within Unincorporated LA County Mobile Home Parks	*23,094*	*0.2%*	*8,503*	*0.3%*
Owner-Occupied Conventional Homes	4,932,749	48.5%	1,492,151	45.0%
Renter-Occupied Conventional Homes	5,071,492	49.9%	1,763,529	53.2%
Total	10,162,883	100%	3,314,090	100%

Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

Residents of mobile homes in Los Angeles County skew older than residents of conventional homes as a whole. As shown in Figure 3, nearly half (48 percent) of mobile home residents are over the age of 45, which is the same as the percentage of owner-occupied conventional home residents over the age of 45. However, this share is 20 percentage points higher than for renter-occupied conventional home residents (28 percent).

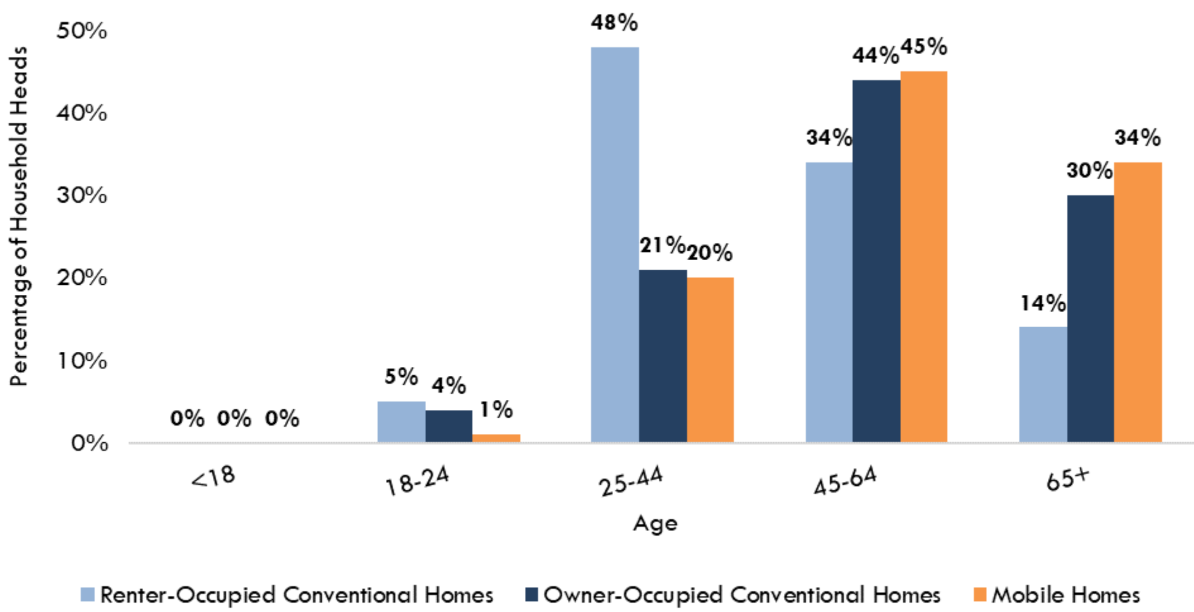
Figure 3: Residents by Age, Conventional and Mobile Homes in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

Further, there is a notable difference in the average age of heads of households in conventional homes and mobile homes, as demonstrated in Figure 4. In general, mobile home heads of household are more similar to owner-occupied conventional home households. Seventy-nine percent of mobile home household heads are over the age of 45, compared to 74 percent of heads of household in owner-occupied conventional homes and only 48 percent of heads of household in renter-occupied conventional homes. Renter-occupied conventional homes skew much younger, with 48 percent of household heads between the ages of 25 and 40, compared to only 20 percent for mobile home households.

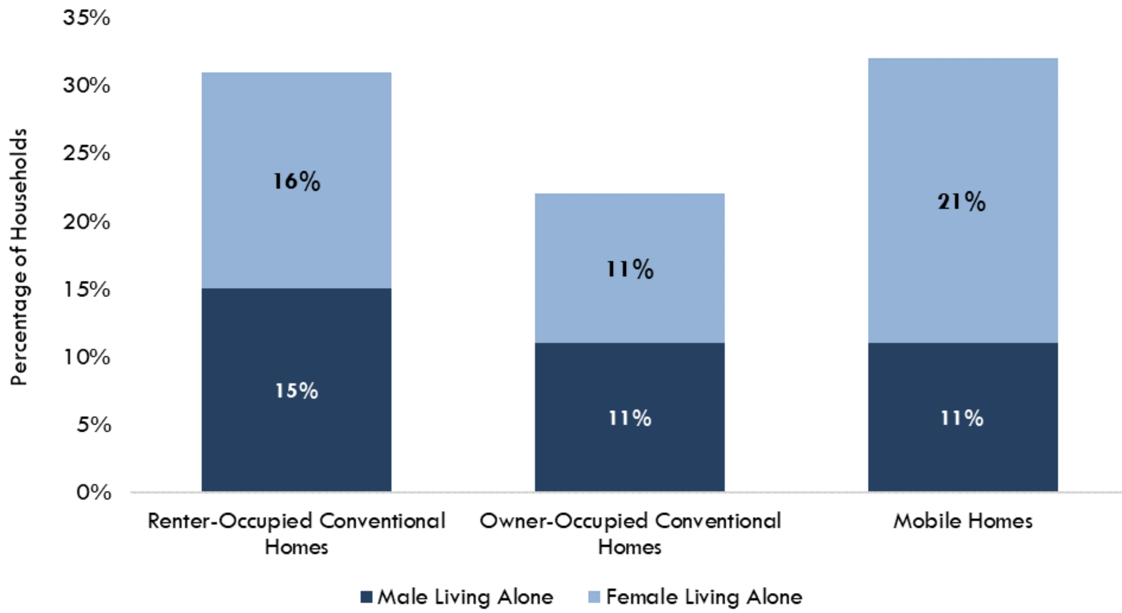
Figure 4: Age of Household Head, Conventional and Mobile Homes in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

As demonstrated in Figure 5 on the following page, individuals living alone make up a greater percentage of mobile home households than conventional home households. In addition, there is a significantly higher percentage of mobile home households with female householders living alone (21 percent) than in owner- or renter-occupied conventional households (11 percent and 16 percent, respectively). On the other hand, single male households within mobile homes is on par with owner-occupied conventional homes (11 percent), and less than renter-occupied conventional homes (16 percent). The overall percentage of mobile home households with male and female householders living alone is 32 percent.

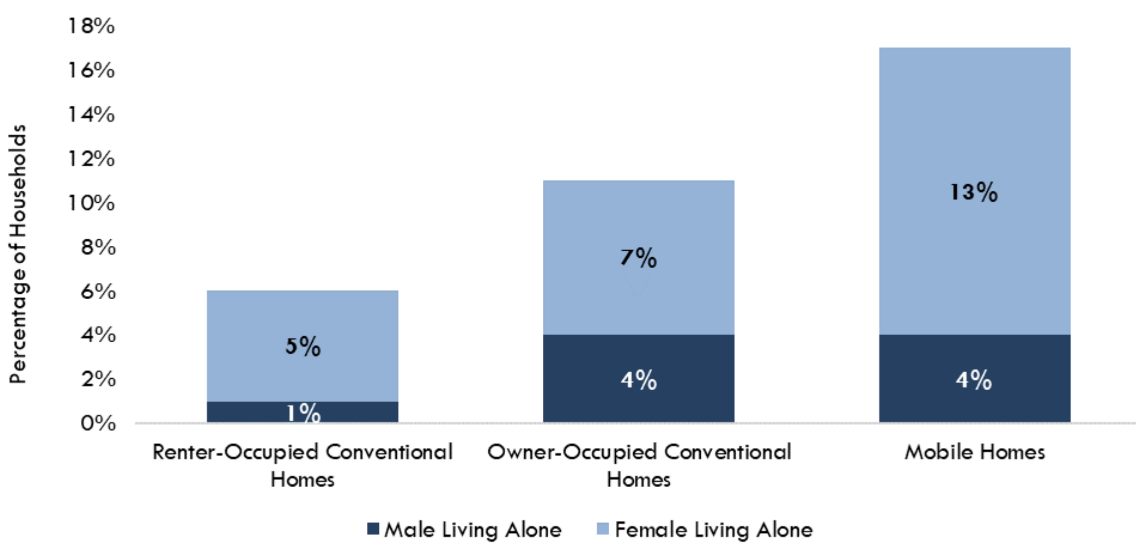
Figure 5: Living Alone as Percentage of Total Households, Conventional and Mobile Homes in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

The percentage of mobile home households in which the occupant is living alone is most pronounced in the oldest segment of the population, as shown in Figure 6. Thirteen percent of mobile home residents are females over the age of 65 living alone, as compared with just 7 percent of owner-occupied conventional homes and 5 percent of renter-occupied conventional homes. The percentage of males over the age of 65 living alone in mobile homes (4 percent) is the same as in owner-occupied conventional homes.

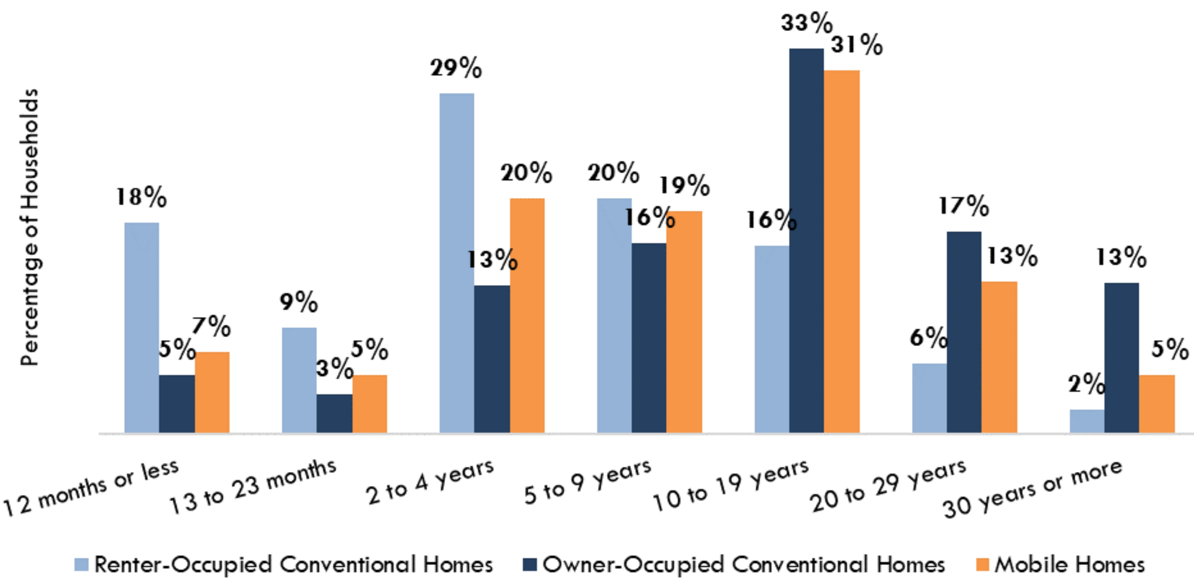
Figure 6: 65+ and Living Alone as Percentage of Total Households, Conventional and Mobile Homes in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

Mobile home households in Los Angeles County tend to have longer tenures than conventional rental households, but shorter tenures than conventional homeowners. As shown in Figure 7, forty-nine percent of mobile home heads of household have lived in their homes for ten years or longer, compared with 63 percent of conventional owner household heads and just 24 percent of conventional rental household heads. There are very few mobile home households with tenures of 30 years or more: only five percent of mobile home households have a tenure of at least 30 years, compared with 13 percent of owner-occupied conventional households, but only two percent of renter households.

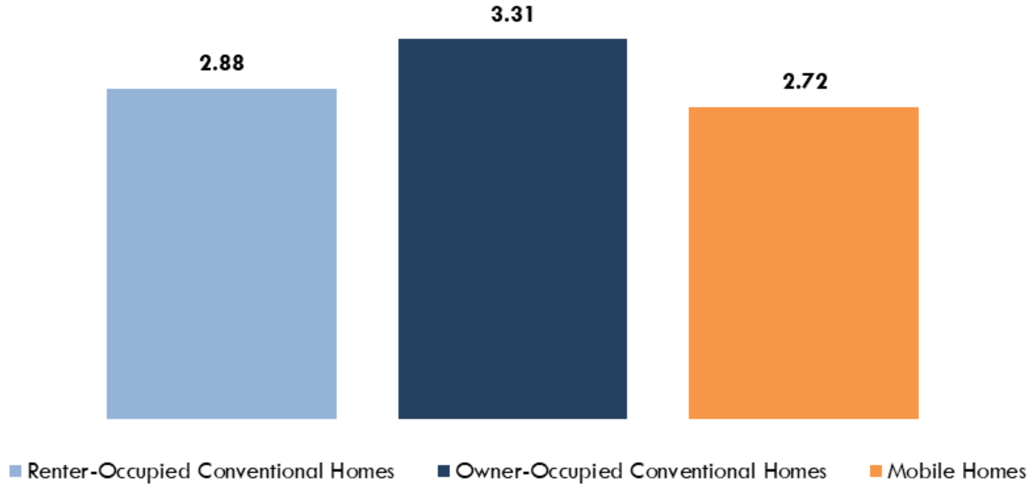
Figure 7: Households by Length of Tenure, Renter- and Owner-Occupied Conventional Homes, Mobile Homes in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

The average household size for mobile home households in Los Angeles County is 2.72 members, as documented in Figure 8 on the following page. This is less than in owner-occupied conventional homes (3.31 average household members) and in renter-occupied conventional homes (2.88 average household members).

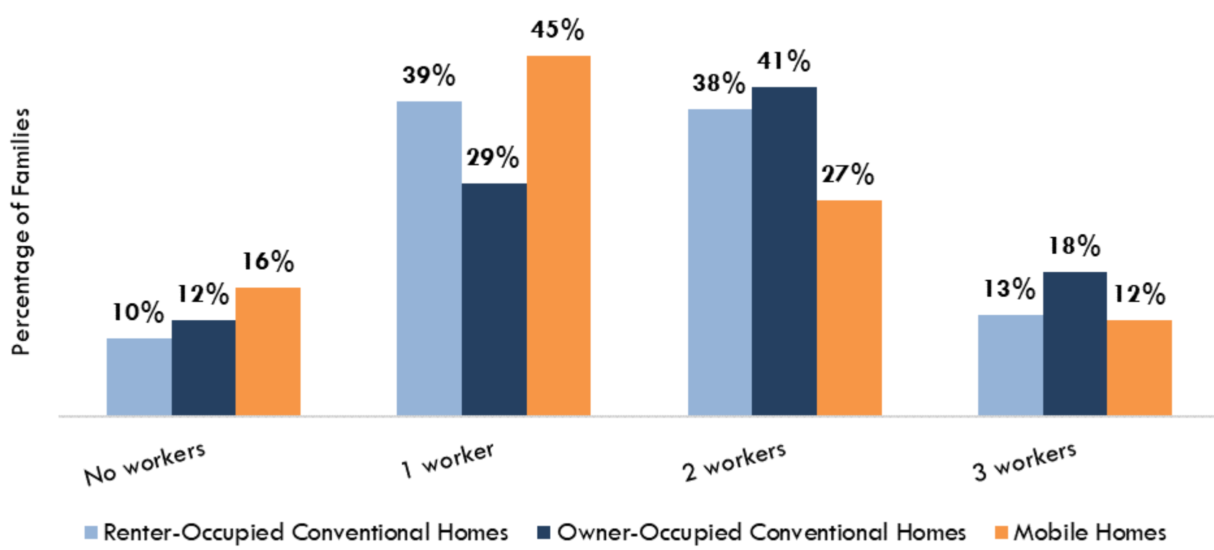
Figure 8: Average Household Size, Conventional and Mobile Homes in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

There is a higher percentage of mobile home households in which no members of the family worked during the past twelve months (16 percent), as shown in Figure 9 below. This may possibly be correlated to the higher percentage of older persons living in mobile home households. Mobile home households also have a higher percentage of households in which only one member of the household worked during the past twelve months.

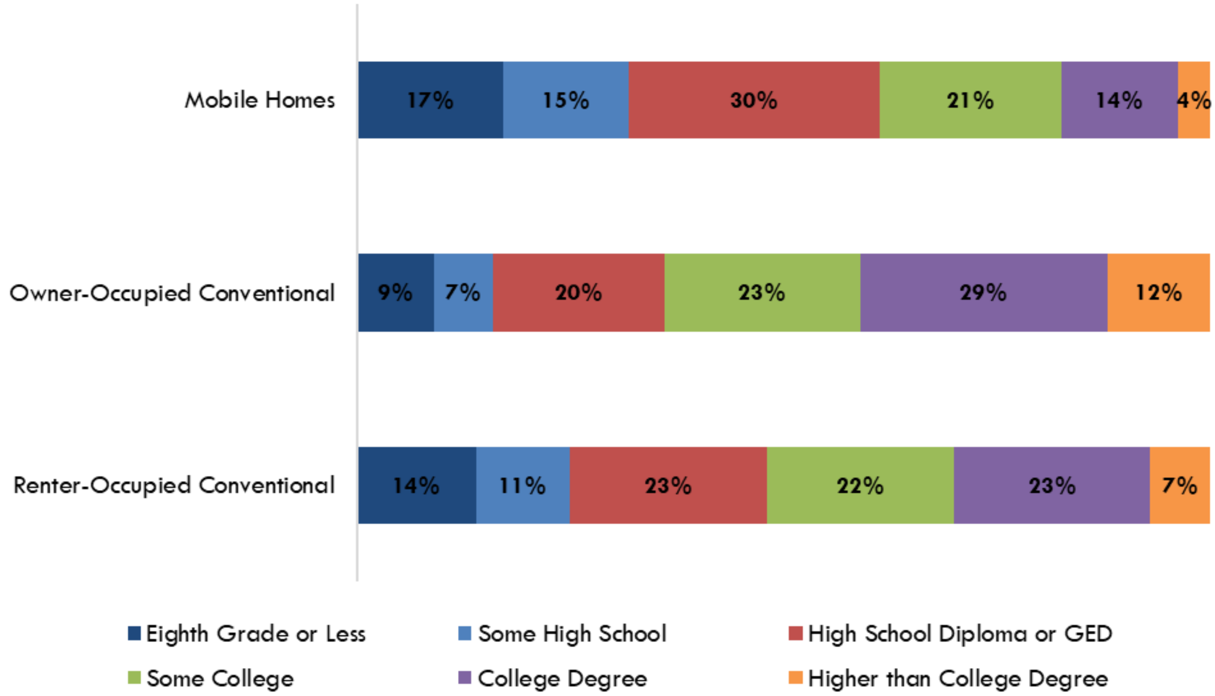
Figure 9: Workers in the Family During the Past 12 Months, Conventional and Mobile Homes in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

Mobile home residents have lower overall educational attainment than conventional home residents in Los Angeles County. As seen in Figure 10, sixty-two percent of mobile home residents have a high school diploma or less, compared with 36 percent of owner-occupied conventional homes and 47 percent of renter-occupied conventional homes. Only 18 percent of mobile home residents have a college degree or higher, as compared with 41 percent of owner-occupied conventional home residents and 30 percent of renter-occupied conventional home residents.

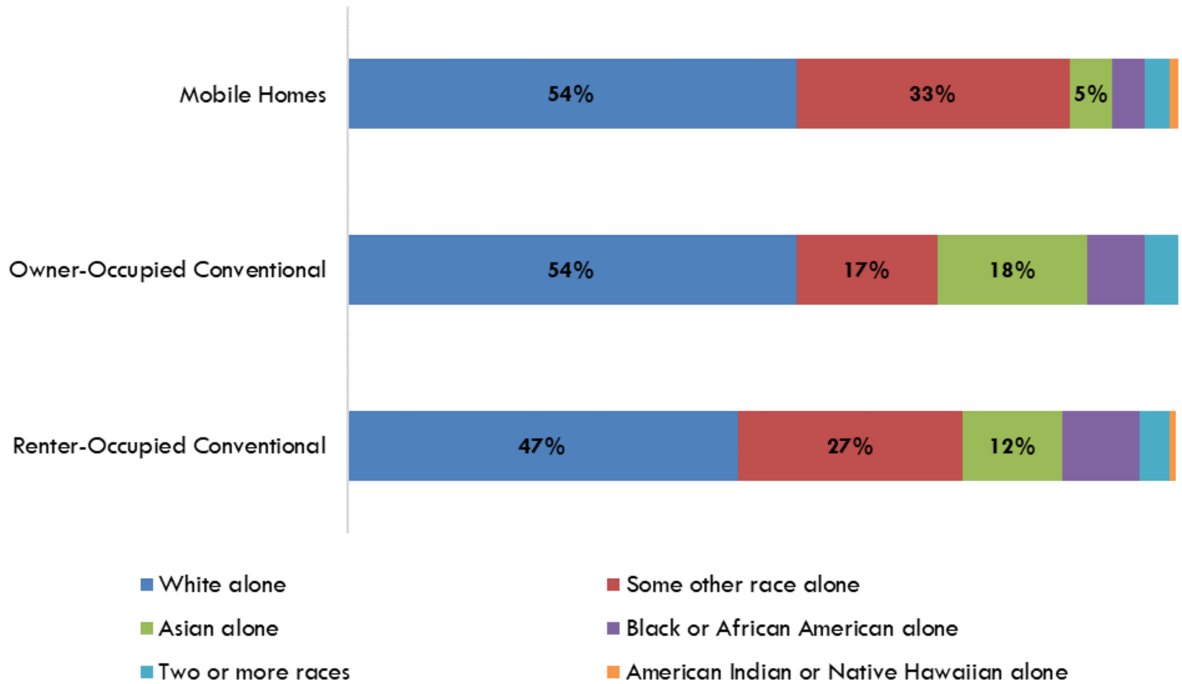
Figure 10: Educational Attainment, Conventional and Mobile Home Residents in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

The same percentage of mobile home residents and owner-occupied conventional household residents in Los Angeles County reported their race as "white alone," 54 percent each, compared with 47 percent of renter-occupied household residents, as demonstrated in Figure 11 on the following page. A smaller percentage of mobile home residents reported being Black or African American Alone, or Asian alone, but a higher percentage of mobile home residents reported being "some other race alone."

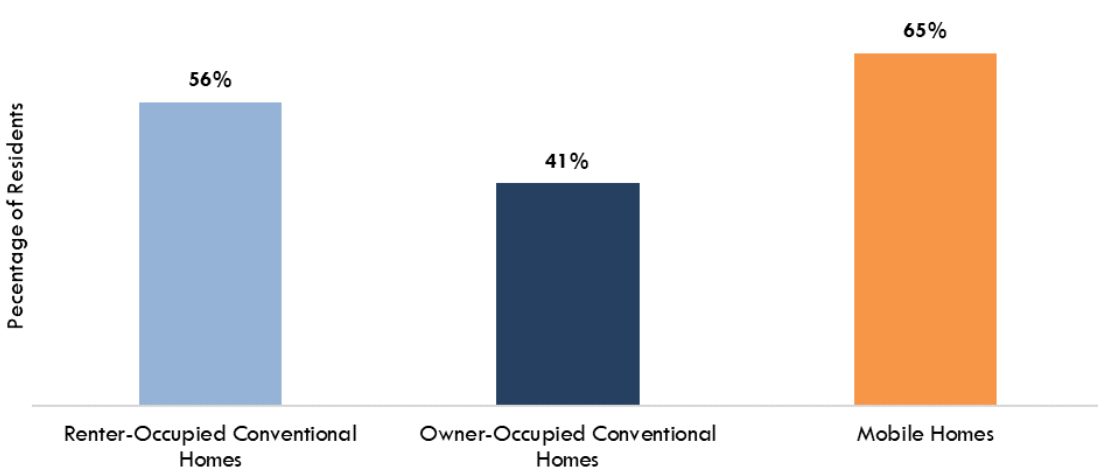
Figure 11: Reported Race, Conventional and Mobile Home Residents in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

As demonstrated in Figure 12, a higher percentage of Los Angeles County mobile home residents reported that their ethnicity is Hispanic, Latino, or Spanish as compared to residents of owner- or renter-occupied conventional homes. Nearly two-thirds of County mobile home residents identified as having an Hispanic, Latino, or Spanish ethnicity.

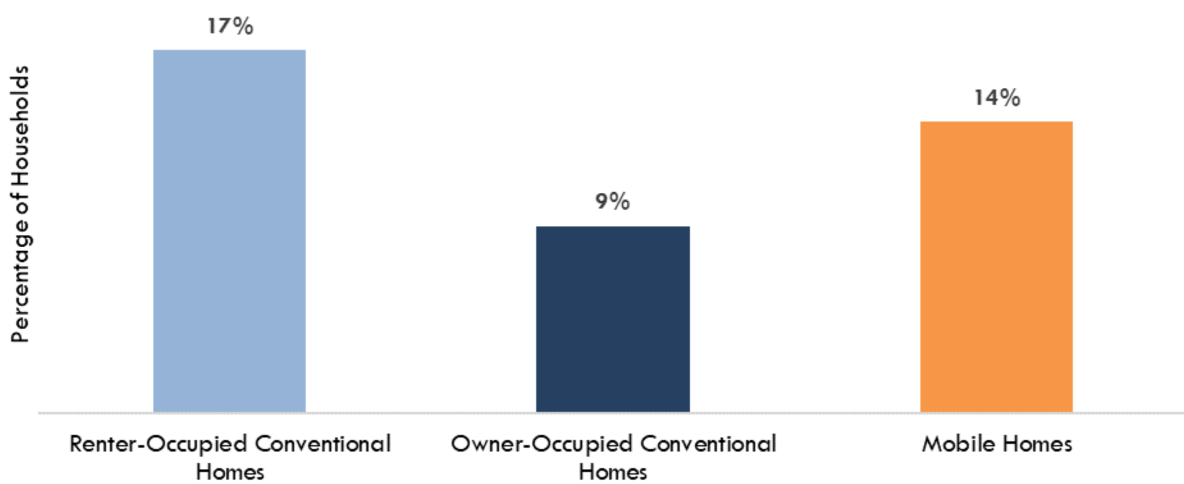
Figure 12: Hispanic/Latino/Spanish Ethnicity, Conventional and Mobile Home Residents in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

About 14 percent of mobile home households have limited ability in the English language, defined by ACS as no one over the age of fourteen in the household speaking English "very well," as demonstrated in Figure 13. This is a higher percentage of households with limited English than owner-occupied conventional households (9 percent) but a lower percentage than in renter-occupied conventional households (17 percent).

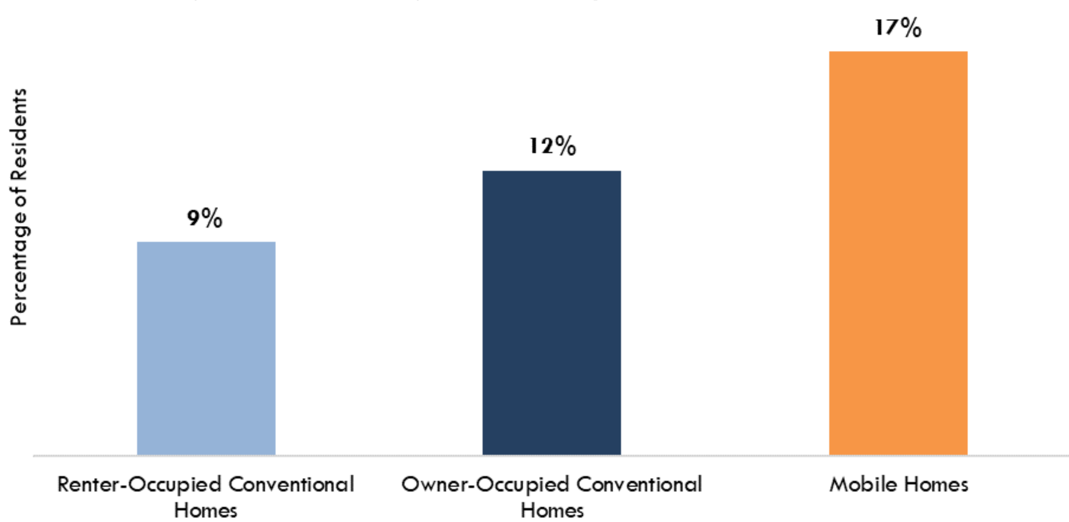
Figure 13: Limited English-Speaking Households, Conventional and Mobile Homes in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

The data analysis also suggests that mobile home residents in the County are more likely to have a disability than those living in conventional homes. Shown in Figure 14, a higher percentage of mobile home residents have one or more disabilities (17 percent) than residents of owner occupied conventional households (11 percent) and renter-occupied conventional households (9 percent).

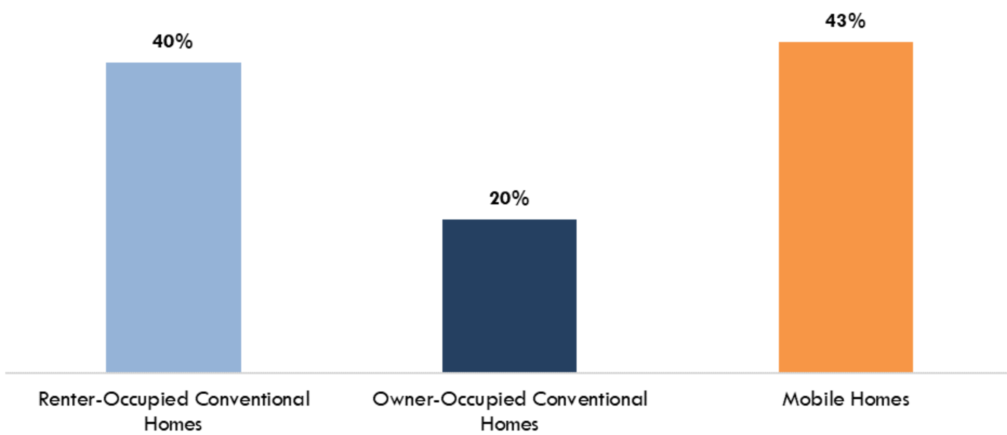
Figure 14: Percentage of Residents Living with a Disability, Conventional and Mobile Homes in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

As shown in Figure 15 below, 43 percent of mobile home households are receiving Medicaid, medical assistance, or some kind of government-assistance plan for those with low-incomes or a disability, as compared with 40 percent of renter-occupied conventional home households and 20 percent of owner-occupied conventional home households.

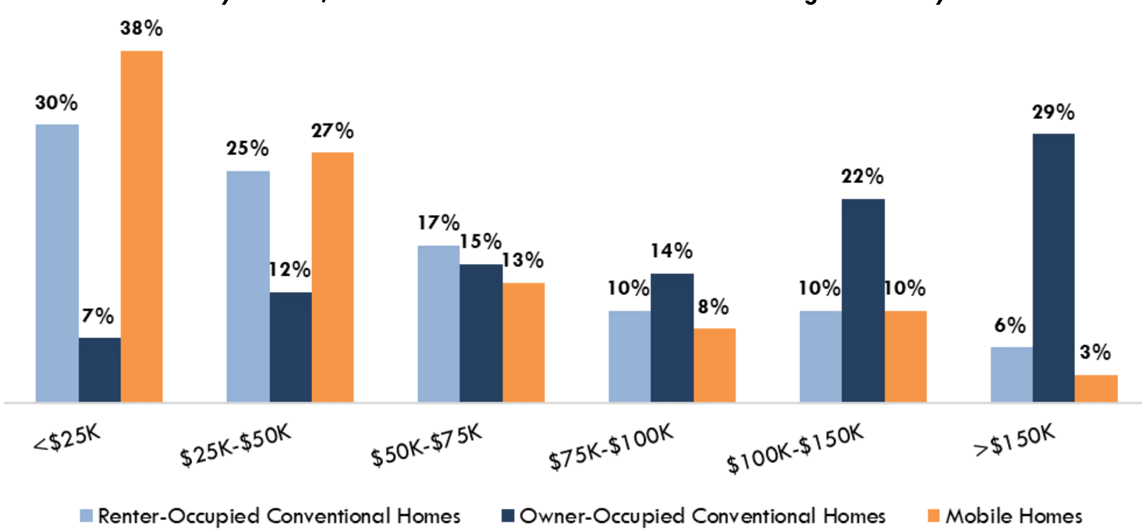
Figure 15: Percentage of Residents Receiving Medicaid, Medical Assistance, or any kind of government-assistance plan for those with low-incomes or a disability, Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

In terms of income, nearly two-thirds of mobile home households in the County (65 percent) have an annual household income that is less than $50,000, a rate that is higher than either conventional home category, as shown in Figure 16. Renter-occupied conventional home households share a similar income distribution, with 55 percent of households earning less than $50,000 annually and a declining share of households in higher income categories. Households in owner-occupied conventional homes, however, have the reverse distribution across income categories, with 51 percent of households earning greater than $100,000 annually.

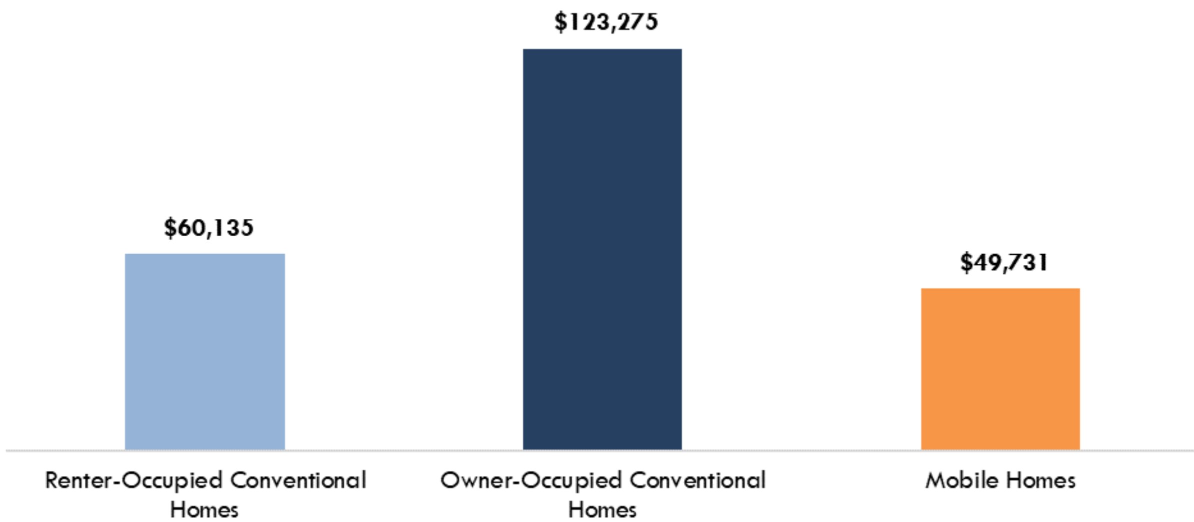
Figure 16: Households by Income, Conventional and Mobile Homes in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

Similarly, the average household income in mobile home households ($49,731) is seventeen percent lower than households in renter-occupied conventional homes ($60,135). As shown in Figure 17, these households stand in stark contrast with households living in owner-occupied conventional homes, which have an average annual income that is more than twice as high ($123,275).

Figure 17: Average Household Income, Conventional and Mobile Homes, Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

Mobile Home Resident Housing Costs Data

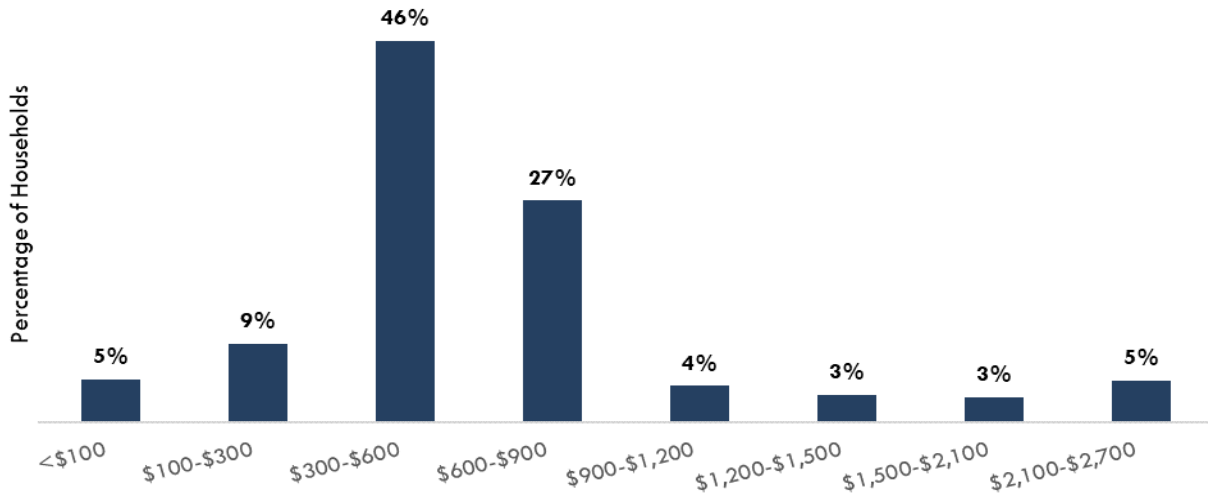
The following section provides a brief evaluation of housing costs associated with mobile home residency in Los Angeles County. Due to the unique situation of mobile home park occupants being both renters and owners, it is methodologically challenging to interpret certain data outcomes for mobile home park residents that are derived from their answers to standard ACS questions, which are generally geared toward residents living in conventional homes. Therefore, HR&A primarily evaluated ACS data as it relates to discrete cost questions such as monthly utility costs. To round out a preliminary estimate of housing costs, HR&A also reviewed survey data collected by DRA in its 2018 survey of mobile home park owners in unincorporated Los Angeles County.

According to DRA's recent survey of mobile home parks in the unincorporated County, which provides a range of mobile home pad rents for 35 parks located in unincorporated LA County, the average pad rent for those surveyed is approximately $889 per month.[1] However, pad rent alone does not paint a complete picture of housing costs faced by mobile home households, many of whom are also paying mortgages on their coach, as well as other monthly bills for utilities and insurance.

[1] The DRA survey provided ranges of pad rents by mobile home park. HR&A derived average pad rent by taking a weighted average of the mid-point of each range based on the number of spaces in the mobile home park. HR&A excluded data collected from resident owned mobile home parks for the purposes of approximating space rents for the vast majority of parks in the unincorporated County, which are under traditional ownership.

Of mobile home residents in Los Angeles County, 17 percent reported mortgage payments associated with their mobile homes. As shown in Figure 19, of those respondents, 46 percent of households reported monthly mortgage payments in the range of $300 to $600. The average monthly mobile home mortgage payment for respondents was $659.

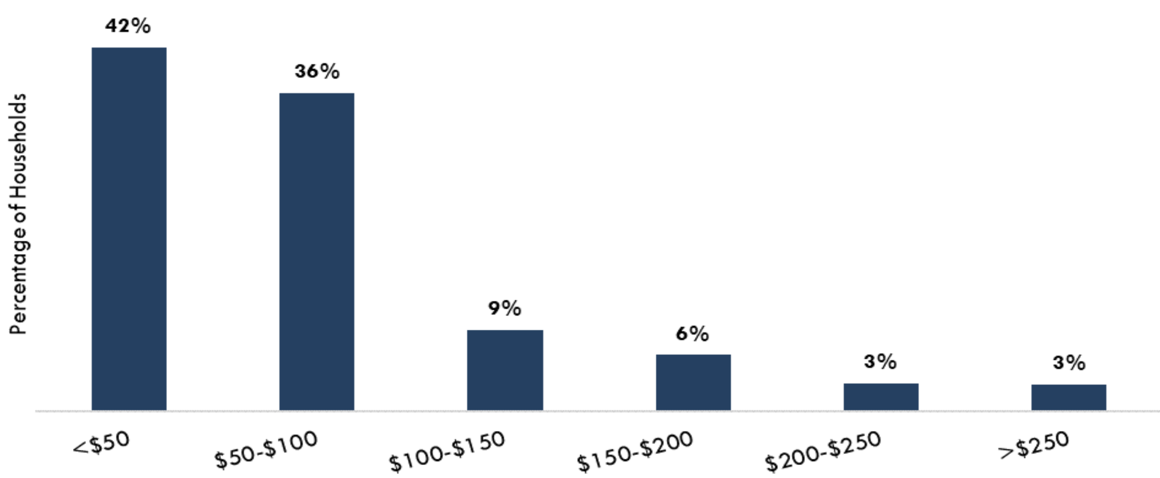
Figure 18: Monthly Mortgage Payments for Mobile Home Owners, Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey.

According to the Census Bureau data, the average monthly electricity payment reported by mobile home residents in Los Angeles County was $74.32.[2] 89 percent of mobile home households in Los Angeles County reported that the cost of electricity was not included in their monthly rent.

Figure 19: Monthly Electricity Cost, Mobile Home Residents in Los Angeles County

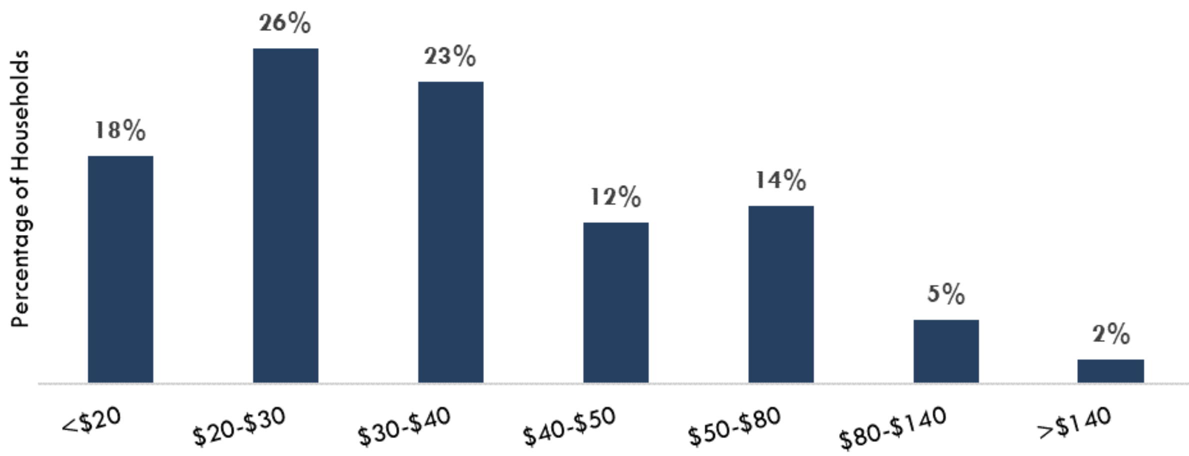


Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey.

[2] In addition to the monthly electricity cost and the monthly gas cost shown in Figure 20, K. Baar, Ph.D., in his May 2011 study "The Economics of Mobilehome Ownership and Mobilehome Park Ownership in the City of Los Angeles," also reported that a majority of mobile home park tenants in the City of Los Angeles pay for sewer, water, and/or trash collection expenses, and that each of those costs averages in the range of $15 to $19 per month.

The average monthly gas payment reported by mobile home residents in Los Angeles County was $34.80. 84 percent of mobile home households in Los Angeles County reported paying for the cost of gas that was not included in their monthly rent.

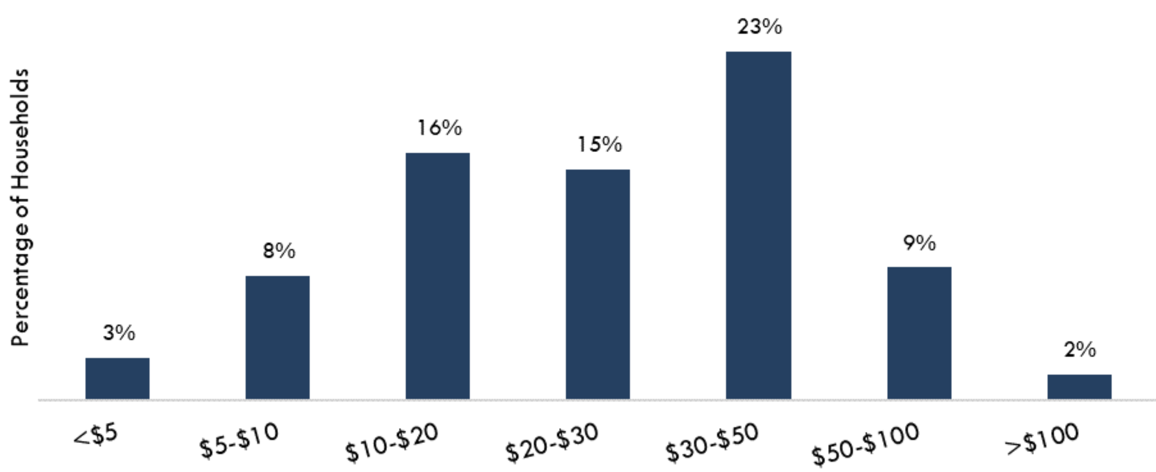
Figure 20: Monthly Gas Cost, Mobile Home Residents in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey.

Of mobile home households, 56 percent reported paying a fee for water not included in their monthly rent payments. The average annual cost of water for these respondents was $27.37 per month.

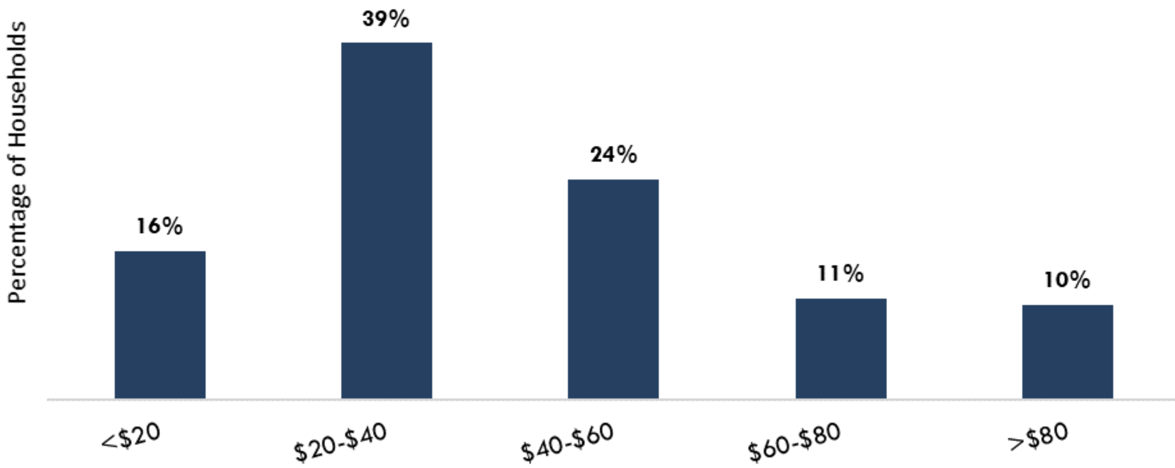
Figure 21: Monthly Water Cost, Mobile Home Residents in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey.

Of mobile home households, 40 percent reported paying insurance for floods, fires, or other hazards on their mobile homes. The average monthly cost of insurance for these respondents was $44.98 per month.

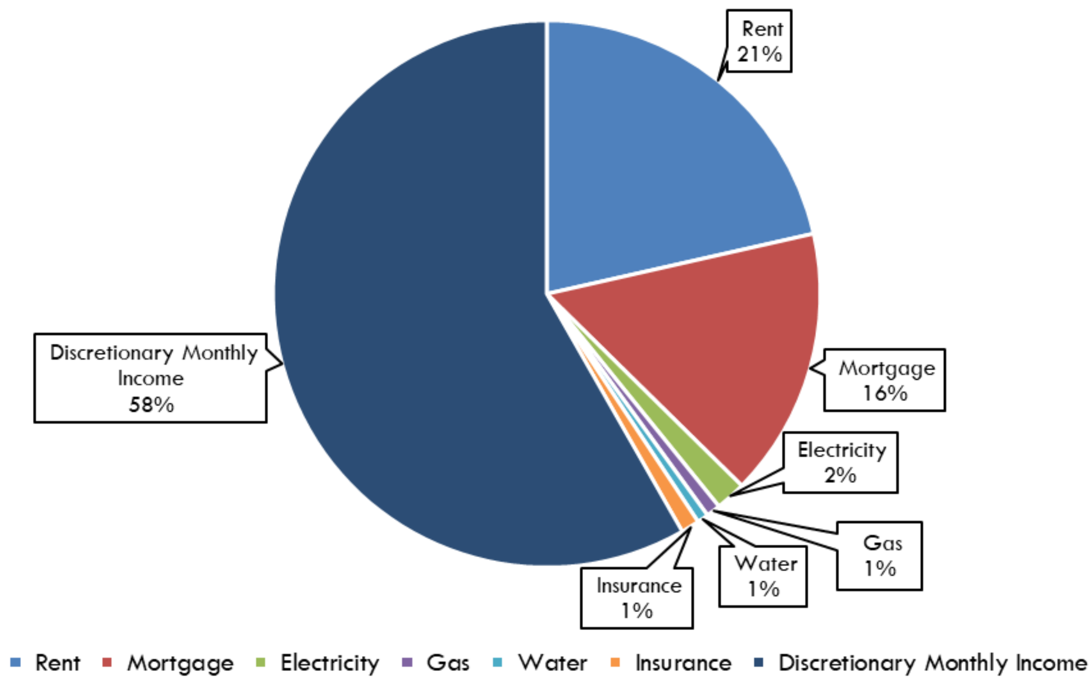
Figure 22: Monthly Fire/Hazard/Flood Insurance Cost, Mobile Home Residents in Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey.

According to the ACS PUMS data, the average annual income for mobile home households in Los Angeles County is $49,701, or a monthly income of $4,142. As shown in Figure 23, the sum of the average mobile home owner costs listed above (average pad rent, monthly mortgage payment, gas payments, electricity payments, water payments, and insurance payments) totals about $1,729 per month, or 42 percent of average household income for mobile home residents in Los Angeles County, not including payments to mobile home park owners for any additional utility and/or common area charges that might apply. Based on this sum of average mobile home owner costs, the 21 percent of mobile home households earning more than $75,000 per year are likely paying less than 28 percent of their income in housing costs, while the 38 percent of mobile home households earning less than $25,000 per year could be paying more than 83 percent of their income in housing costs. A household is considered “cost-burdened” by the United States Department of Housing and Urban Development if it is paying more than 30 percent of its income on housing. A household is considered “severely cost-burdened” if it is paying more than 50 percent of its income on housing.

Figure 23: Average Monthly Housing Cost Burden



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, DRA.

Appendix

Table 1 below lists 20 of 63 PUMAs in Los Angeles County in which there is at least one mobile home park ("MHP") in an unincorporated portion of the County. HR&A compared the total number of spaces in each PUMA that are in mobile home parks in the unincorporated County to the total number of mobile home housing units in the PUMA as estimated by the U.S. Census in the 2016 American Community Survey. The purpose of this exercise was to evaluate which PUMAs have the highest concentration of spaces in the unincorporated County and therefore the PUMS data may be more representative of residents which may be impacted by the rent stabilization ordinance. HR&A found that there are five PUMAs in the County in which more than 50 percent of total mobile home housing units are likely to be in the unincorporated County.

Figure 1: Estimated Share of Mobile Home Units within LA County PUMAs that are in Unincorporated LA County (ULAC) Parks[3, 4]

PUMA Code	Los Angeles County Public Use Microdata Area (PUMA)	# of MHPs in ULAC	Total MH Spaces in ULAC	Total MH Housing Units	ULAC Spaces as % of Total MH Housing Units
3715	East Central: West Covina City	3	701	603	100%*
3714	Diamond Bar, La Habra Heights East Cities & Rowland Heights	2	515	690	75%
3757	South Central: Compton City & West Rancho Dominguez	7	1,212	1,781	68%
3701	North/Unincorporated: Castaic	23	1,093	1,812	60%
3739	Southeast: Whittier City & Hacienda Heights	4	775	1,324	59%
3762	South Central: Carson City	12	1,007	2,783	36%
3726	Calabasas, Agoura Hills, Malibu & Westlake Village Cities	4	445	1,979	22%
3754	Southeast: La Mirada & Santa Fe Springs Cities	1	91	426	21%
3716	East Central: La Puente & Industry Cities	3	95	463	21%
3710	Baldwin Park, Azusa, Duarte & Irwindale Cities	3	194	1,041	19%
3703	North Central: Lancaster City	3	495	3,404	15%
3713	East Central: Covina & Walnut Cities	2	106	748	14%
3707	LA North Central/Arleta & Pacoima & San Fernando Cities	1	186	1,324	14%
3705	North: LA City Northwest/Chatsworth & Porter Ranch	1	203	1,866	11%
3711	East Central: Glendora, Claremont, San Dimas & La Verne Cities	3	409	3,868	11%
3742	Central: Huntington Park City, Florence-Graham & Walnut Park	2	32	351	9%
3702	Northwest: Santa Clarita City	3	237	3,233	7%
3704	North Central: Palmdale City	4	112	2,727	4%
3758	South Central: Gardena, Lawndale Cities & West Athens	1	23	979	2%
3738	Central: El Monte & South El Monte Cities	1	38	2,237	2%
		83	**7,969**	**33,639**	**24%**

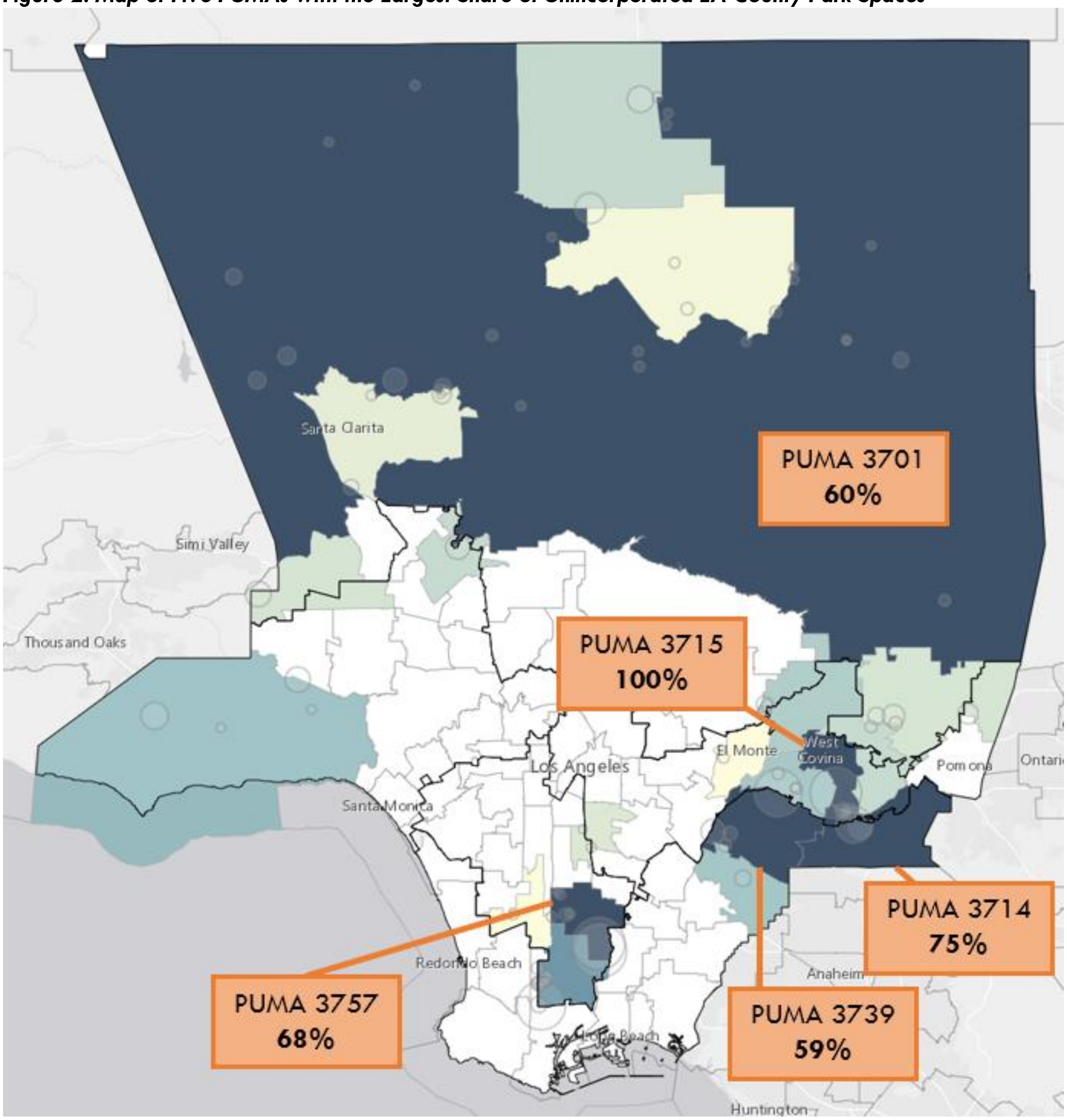
Source: United States Census Bureau Public Use Microdata, American Community Survey 2016 1-year Estimates, LA County Department of Regional Planning.

[3] The table does not show 43 PUMAs within Los Angeles County with zero mobile home parks within unincorporated parts of the County. These PUMAs total an additional 20,500 mobile home housing units.

[4] For PUMA 3715, the three mobile home parks in the unincorporated County appear to represent all of the mobile home parks in the PUMA. These three parks are located in the unincorporated community of South San Jose Hills, south of the City of West Covina. The total reported spaces in the Department of Regional Planning's survey is approximately 100 greater than the number of mobile home housing units within the PUMA per the 2016 ACS 1-year estimate. HR&A assumes that this error is within the ACS methodology, and therefore assumes all mobile home housing units in this PUMA are in fact part of the unincorporated County.

Figure 2 below shows the location of the five PUMAs identified on the previous page along with the respective share of mobile home spaces estimated to be located in the unincorporated County within each PUMA. As noted in the methodology section of the memorandum, HR&A tested its assumption that mobile home residents in the unincorporated County are unlikely to have substantially different characteristics than those in the County as a whole by comparing data for residents and households in these five PUMAs with data for Los Angeles County as a whole.

Figure 2: Map of Five PUMAs with the Largest Share of Unincorporated LA County Park Spaces



Source: LA County Department of Regional Planning, 2016 American Community Survey, HR&A

HR&A Analyze. Advise. Act.
700 South Flower Street, Suite 2995, Los Angeles, CA 90017
T: 310-581-0900 | F: 310-581-0910 | www.hraadvisors.com

MEMORANDUM

To:	KeAndra Cylear Dodds, Community Development Commission of the County of Los Angeles
From:	HR&A Advisors, Inc.
Date:	January 25, 2019
Re:	Los Angeles County Mobile Home Park Financial Characteristics & Considerations

HR&A Advisors, Inc. ("HR&A") has completed a general analysis of the mobile home park market within Los Angeles County ("LA County") as part of our ongoing work on behalf of the Community Development Commission of the County of Los Angeles ("CDC") to evaluate the potential implications of a rent stabilization ordinance for mobile home parks in unincorporated LA County. The following memorandum includes a review of responses submitted by mobile home park owners to a survey conducted by the CDC, as well as an overview of mobile home park operating characteristics and industry trends derived from a number of real estate industry and research reports.

LA County Mobile Home Park Owner Survey Results

The CDC prepared and distributed a survey questionnaire to all mobile home park owners within unincorporated LA County (see Attachment A) that may be subject to a proposed permanent rent stabilization ordinance; the survey was fielded between September and November 2018. HR&A received, tabulated, and analyzed survey results. As shown in Figure 1, HR&A received 21 survey responses, fourteen of which were exclusive mobile home parks, and six of which are mixed parks containing spaces for both mobile homes and recreational vehicles ("RVs"). These parks account for 2,501 spaces in aggregate, ranging in size from eight spaces to 512 spaces. In total, these surveys represent 24 percent of the mobile home parks in unincorporated LA County (21 of 86) and 29 percent of all park spaces (2,501 of 8,503).

Figure 1: Survey Representativeness

Responding Parks	21	Included Spaces	2,501
Total LA County Parks	86	Total LA County Spaces	8,503
Response Rate:	***24%***		***29%***

Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

Figure 2 shows the survey response rate by LA County Supervisorial District. Supervisorial District 4 had the highest response rate, and Supervisorial District 1 had the lowest survey coverage by percentage of mobile home parks in those districts. Only one survey respondent was in Supervisorial District 1, representing 11 percent of the parks and 14 percent of the park spaces in that District. Three parks responded from Supervisorial District 4, representing 43 percent of the parks and 44 percent of the park spaces in that District. The largest number of survey responses came from Supervisorial District 5, the District with the most mobile home parks: 10 out of 21 parks (23%) and 883 out of 2,501 spaces (28%).

Figure 2: Supervisorial District Representativeness

Supervisorial District	Responding Parks	Total Parks	*Response Rate: Parks*	Spaces Represented	Total Spaces	*Response Rate: Spaces*
1	1	9	*11%*	141	1,036	*14%*
2	5	22	*23%*	633	2,274	*28%*
3	2	5	*40%*	228	669	*34%*
4	3	7	*43%*	602	1,381	*44%*
5	10	43	*23%*	883	3,143	*28%*

Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

Figure 3 presents data on the basic characteristics of each of the 21 parks, including the number of spaces for both mobile homes and RVs, as well as whether the park is owned by residents of the park. Two of the responses received were for resident-owned parks, and six of the parks had RV spaces in addition to mobile home spaces. Notably, the survey sample demonstrated 99 percent space occupancy across all parks, with 18 of the 21 parks reporting 100 percent occupancy.

Figure 3: Basic Park Characteristics

	Total Mobile Homes Spaces	Occupied Mobile Home Spaces	Space Occupancy	Total number of RV Spaces	Number of occupied RV spaces	Resident-Owned Park?
Park 1	215	215	100%	40	39	Y
Park 2	512	512	100%	0	0	N
Park 3	166	159	96%	0	0	N
Park 4	154	154	100%	0	0	Y
Park 5	86	80	93%	0	0	N
Park 6	141	139	99%	16	16	N
Park 7	91	91	100%	0	0	N
Park 8	13	13	100%	0	0	N
Park 9	5	5	100%	15	15	N
Park 10	1	1	100%	21	20	N
Park 11	211	211	100%	0	0	N
Park 12	8	8	100%	0	0	N
Park 13	115	115	100%	0	0	N
Park 14	327	327	100%	0	0	N
Park 15	20	20	100%	1	1	N
Park 16	27	27	100%	0	0	N
Park 17	188	184	100%	20	12	N
Park 18	113	113	100%	0	0	N
Park 19	66	66	100%	0	0	N
Park 20	15	15	100%	0	0	N
Park 21	27	27	100%	0	0	N
TOTAL	**2,501**	**2,482**	**99%**	**113**	**103**	

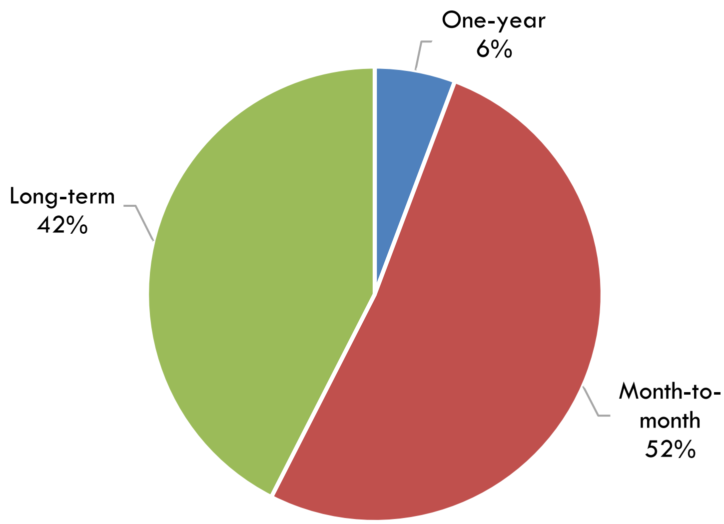
Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

Seventeen park owners reported the length of the leases in their parks, resulting in lease data for about 2,100 total spaces (25% of unincorporated LA County park inventory). Pursuant to California Civil Code

798.17 (the "Mobile Home Residency Law"), local regulations on mobile home space rents that a park owner may charge for a mobile home space shall not apply to any tenancy created by a rental agreement that is in excess of 12 months in duration. Therefore, spaces covered by leases of more than one year are exempted from local rent regulations. As shown in Figure 5, of park owners reporting the length of space leases in the survey responses, 52 percent of spaces are leased month-to-month and thus would be covered by the proposed ordinance. Of the remaining spaces reflected in the survey, 42 percent are subject to long-term leases and six percent are subject to one-year leases, suggesting that about 48 percent of spaces would be exempt from the proposed rent regulations.

Most responding parks were either 100 percent month-to-month leases or 100 percent long-term leases, but a few parks included a variety of lease types.

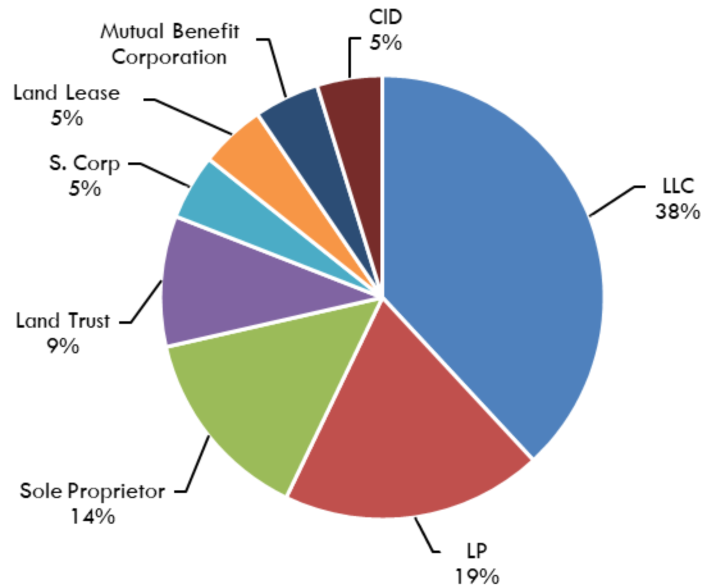
Figure 4: Length of Space Lease



Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

As shown in Figure 5, there appears to be no dominant form of mobile home park ownership, but Limited Liability Companies ("LLC") are the most common type of ownership at 38 percent of this survey. For the two resident-owned parks, one is owned as a Common Interest Development ("CID"), whereas the other is a Mutual Benefit Corporation. Of the other private ownership models, after LLCs, Limited Partnerships ("LPs"; 19%) and sole proprietorships are most common (14%).

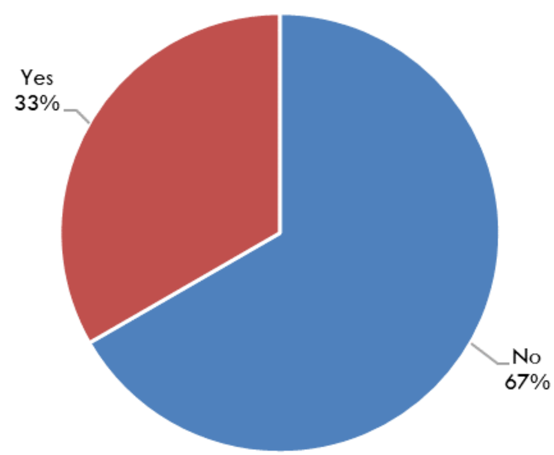
Figure 5: Park Ownership



Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

As shown in Figure 6, about two-thirds of park owners reported that they did not own another mobile home park, while one-third reported owning at least one other park in addition to the park reflected in their survey response.

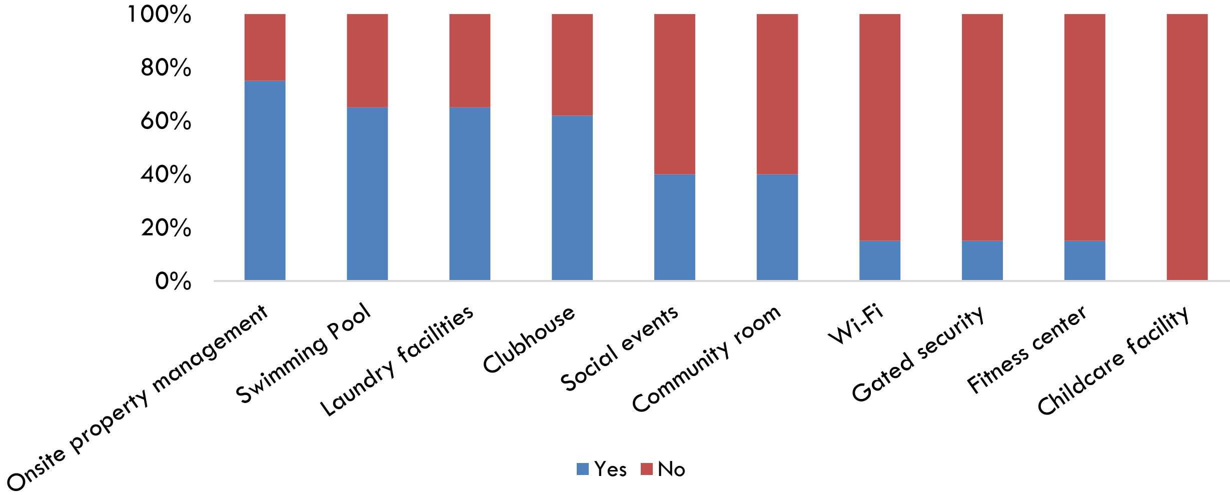
Figure 6: Ownership of Multiple Mobile Home Parks



Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

As shown in Figure 7, parks reported the number and types of park amenities. The most common amenities are a swimming pool, clubhouse, on-site property management, and laundry facilities, with 13 or more park owners responding affirmatively for each of these amenities. The number of amenities listed by parks ranged from zero to thirteen, and the average number of amenities was four. The number of amenities had a strong correlation to relatively higher rents, with the top 20th percentile of parks by space rent each having seven or more amenities. The bottom 20th percentile of parks by rents had between zero and five amenities.

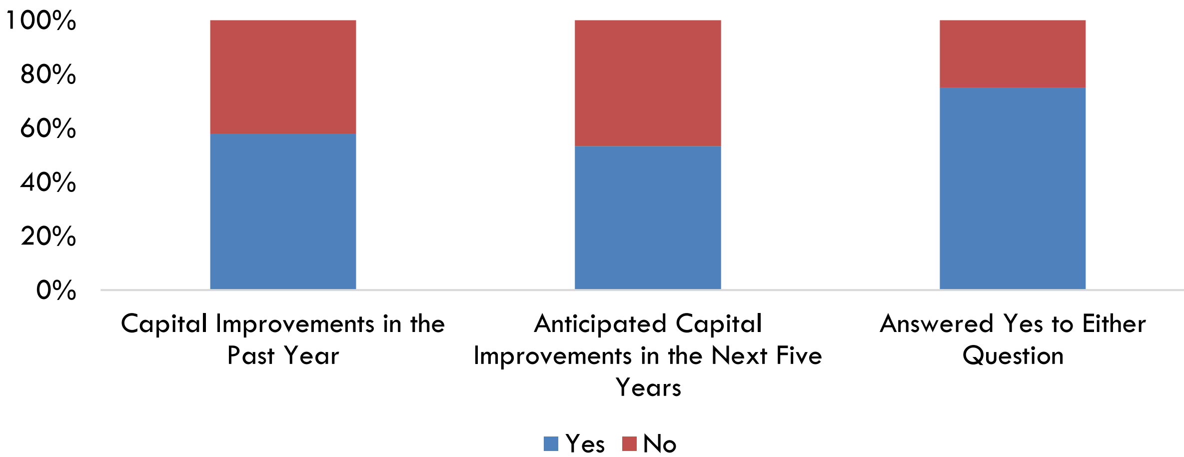
Figure 7: Amenities



Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

The survey asked park owners to indicate whether they had made any capital improvements in the past year, and whether they anticipate making any significant capital improvements to the mobile home park within the next five years. As shown in Figure 8, of responding parks, 58 percent responded affirmatively that they had made capital improvements in the past year, and 53 percent responded affirmatively that they plan to make capital improvements in the next five years. Seventy-five percent responded affirmatively to at least one of these questions.

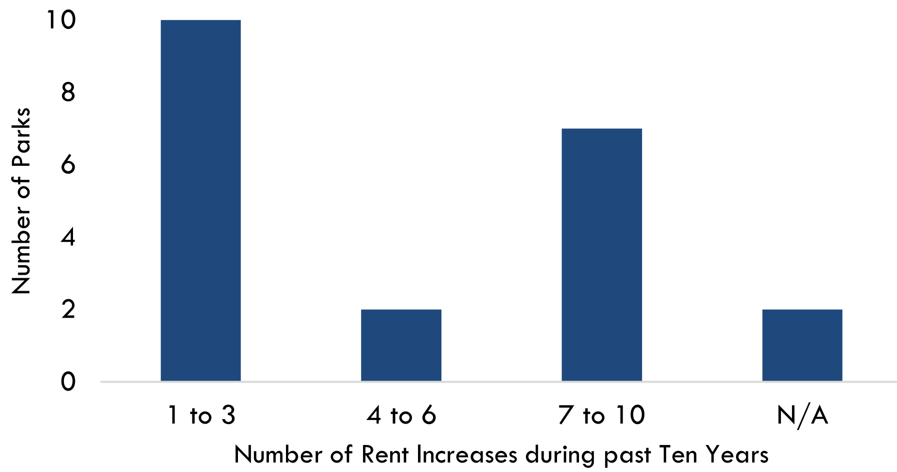
Figure 8: Capital Improvements



Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

Regarding space rent increases, as shown in Figure 9, of the 21 responding parks, 10 park owners reported raising rents only one to three times over the past ten years. Seven parks reported raising rents seven to ten times over the past ten years, and two parks reported raising rents three to six times.

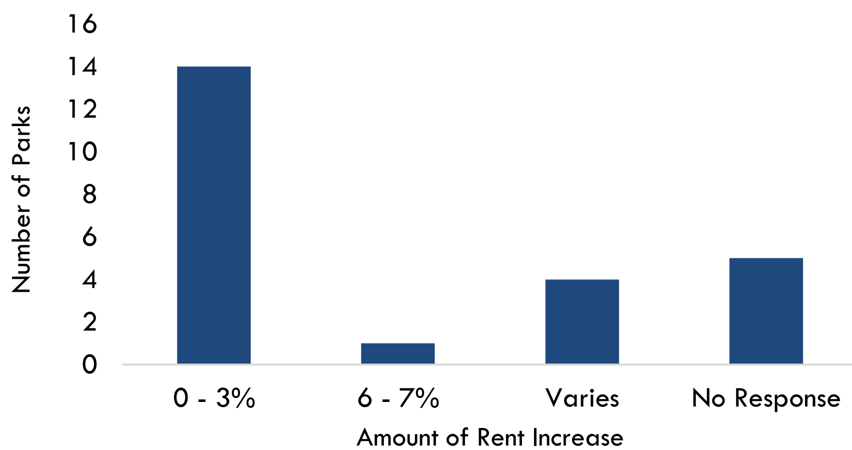
Figure 9: Frequency of Rent Increases During Past 10 Years



Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

Regarding how much rents are raised, as shown in Figure 10, 13 parks reported raising rents zero to three percent, and one park reported raising rents six to seven percent. The remaining parks reported that rent increase amounts vary.

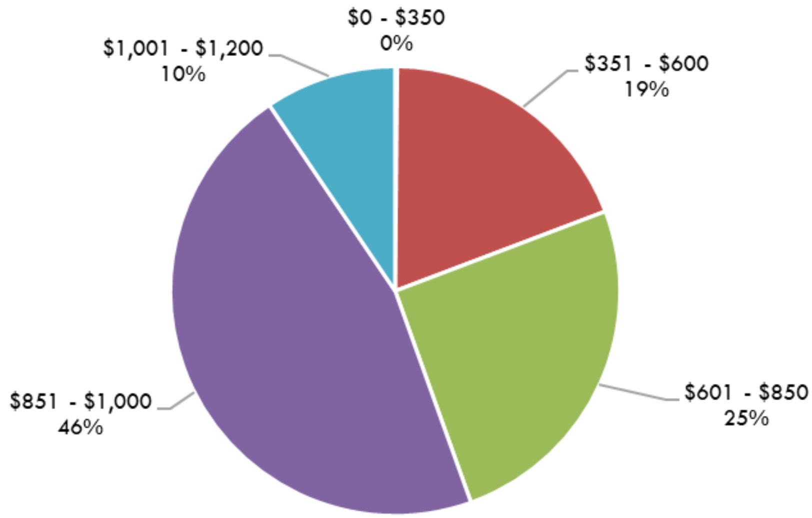
Figure 10: Typical Rent Increase Amount During Past 10 Years



Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

Space rents being charged at each of the parks varies significantly. As shown in Figure 10, nearly half of all spaces accounted for by the survey are being rented at between $851 and $1,000 per month. However, this is largely driven by Park 2, which has over 500 spaces, nearly all of which fall into this specific rent category. Many of the smaller to mid-size parks have rents that are spread across the $351 to $600 and $601 to $850 ranges provided by the survey.

Figure 11: Space Rents in Aggregate



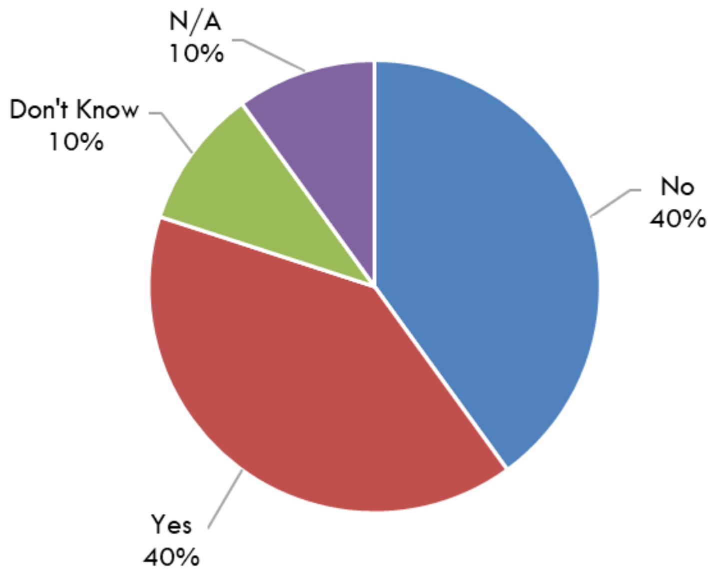
Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

Average Space Rent

In order to calculate the average space rent for responding parks, HR&A took the weighted average of park spaces by average park rent (i.e., the average of the low and high values within each response range). The average space rent calculated in this way was $806. To contextualize this survey finding, it should be noted that Del Richardson & Associates ("DRA") conducted a separate, more substantively limited survey of mobile home parks in unincorporated LA County in June and July 2018 for the CDC, which included data on 35 mobile home parks. The average rent derived from the later CDC survey is 10 percent lower than the weighted average for DRA's survey sample, for which the weighted average space rent was $889.

As shown in Figure 12, respondents to the CDC survey were split evenly between those reporting that rent increases keep up with operating expenses and rent increases do not keep up with operating expenses. Two parks responded that they did not know how rent increases tracked with operating expenses. Resident-owned parks did not respond to this question.

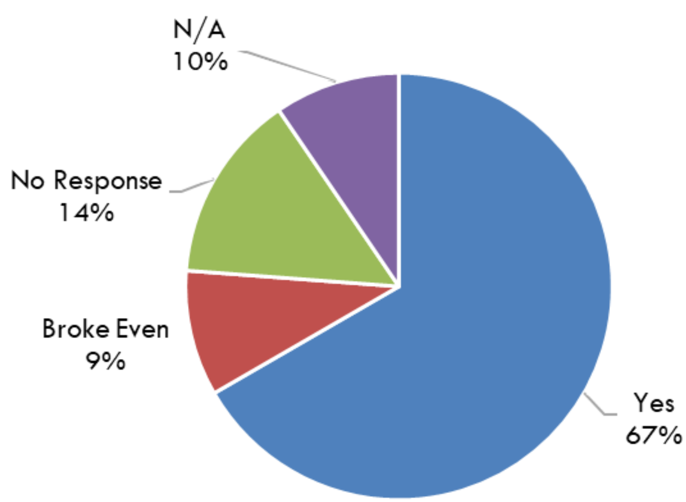
Figure 12: Do Rent Increases Keep up with Operating Expenses?



Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

However, regarding profitability of operating a mobile home park, of the parks that responded or for which the question was applicable, 67 percent reported earning a profit in the most recent year, while nine percent reported breaking even. Fifteen percent of respondents did not answer the question. None of the responding parks reported that they did not make a profit last year.

Figure 13: Did You Make a Profit Last Year?



Source: CDC survey of mobile home park owners in unincorporated LA County; HR&A

Mobile Home Park Operating Characteristics and Market Trends

This section of the memorandum summarizes information on mobile home park operating expenses and other financial characteristics as derived from sources other than the CDC survey.

Operating Expenses

There is no systematic source of data on average operating costs of mobile home parks in California generally or in LA County. However, a combination of mobile home park industry commentaries, data from sales reports, and data from appraisal reports reviewed by industry expert Dr. Kenneth Baar, Esq., [1]

support several conclusions about operating expenses.

<u>*Operating Expense Ratio*</u>

There is consensus across a range of industry sources that mobile home park operating costs are generally in the range of 30 to 40 percent of space rental income, which is similar to the situation for apartment buildings. George Allen, a leading mobile home park industry expert and author of the Allen Reports, found in 2007 that the average operating cost ratio was 41.1 percent nationwide.[2] A 2009 report from Sun Communities, a company that holds about 42,000 mobile home park spaces in the Eastern portions of the United States, indicated that operating costs in 2008 and 2009 were about 33 to 40 percent of income.[3] Data from three "Just and Reasonable" rent increase applications submitted to the Los Angeles Housing Department for mobile home parks between 2002 and 2012 indicate that the average operating expense ratio for those parks was 39 percent.[4]

Mobile Home University's 2018 guide to investing in mobile home parks states: "It is typically accepted that the average operating expenses for a mobile home park are around 35-40% of the gross income as compared to apartments, which have operating expenses in the 50-60% expense ratio. One of the biggest advantages of mobile home park ownership is this decreased operating expense margin."[5] Baar notes that mobile home park operating costs include more infrastructure expenditures than apartment buildings, but much fewer maintenance costs, since mobile home park owners by and large do not maintain the actual structures that residents occupy.

Forty percent of respondents to the CDC survey indicated that operating expenses are increasing more quickly than they are raising park rents. At mobile home owner meetings coordinated by the LA County Department of Consumer and Business Affairs ("DCBA") during 2018, one park owner noted that operating expenses have not decreased as a percentage of their income in the past 10 years, with increases in insurance costs driving total expenses upward. Another park owner noted that for a park he owned in the

---

[1] Dr. Baar is a recognized expert on California rent regulation, including mobile home parks, who has advised jurisdictions around the state, including the City of Los Angeles. This memo cites several of Baar's data sources and findings in his May 2011 report "The Economics of Mobilehome Ownership and Mobilehome Park Ownership in the City of Los Angeles and a Comparison of Local Regulations of Mobilehome Park Space Rents," prepared for the City of Los Angeles.

[2] Baar, *op. cit.*

[3] *Ibid.* As additional context, the average space rent for all of Sun Communities park spaces was about $400.

[4] LAHD Staff Report, January 3, 2012.

[5] Mobile Home University, "Mobile Home Park Investing" 2018. Available at https://www.mobilehomeuniversity.com/sign-up.php

City of Carson, when it was subject to rent stabilization the rental income could not keep pace with increases in operating and maintenance costs.[6]

Categories of Operating Expenses

Regarding utilities, according to survey responses and comments at park owner meetings, park tenants generally pay for their own gas and electricity costs. Of parks in the CDC survey sample that reported details on utilities practices, 90 percent pass through electricity and natural gas charges to tenants. Gas and electricity systems are generally sub-metered, with park owners paying the gas and electricity supplier and charging the mobile home owners at a rate which is regulated by the Public Utilities Commission. The allowable rates that can be charged to the mobile home owners include an allowance for a differential above the amount that the park owner pays to the utility company, for the purpose of providing park owners with the funds to maintain the gas and electricity infrastructure within the park.

Park owners generally pay sewer and refuse collection costs, and sometimes pay water costs. These costs comprise the bulk of park owner utility costs. About half of surveyed parks reported passing through water costs to tenants. Ten percent of parks reported passing through refuse fees, and 15 percent reported passing sewer fees through to tenants.

One California appraiser who has specialized in mobile home park appraisals for many years and has frequently appeared on behalf of park owners in rent stabilization hearings, John P. Neet, has prepared projections of mobile home park operating expense ratios based on data from 60 mobile home parks in his appraisal files. His sample consisted of parks in the Western United States, which were predominantly in California. The results of his analysis were submitted in a just and reasonable return hearing in February 2011, were included in Baar's 2011 report to the City of LA and are reproduced below with adjustments to reflect 2018 dollars.

Figure 14 shows the average costs of water, sewer, and refuse fees in 2011, based on Neet's sample of 60 parks in the Western United States. Inflated to 2018 dollars, these utility costs commonly paid by park owners total about $56 per park space per month.

Figure 14: Average Costs of Utilities Commonly Paid by Park Owners

Utility	Average Monthly Cost per Space (2011)[7]	Inflated to 2018 dollars (U.S. CPI-U All Items)
Water	$18.77	$21.45
Sewer	$15.37	$17.56
Refuse Removal	$14.74	$16.84
Total	$48.88	**$55.85**

Source: John Neet Analysis, 2011, as reported in Baar, op. cit.; HR&A

Figure 15 shows the common management, taxes, and insurance costs for mobile home parks in 2011 and inflated to 2018 dollars, based on Neet's sample of 60 parks in the Western United States as reported by Baar. Inflated to 2018 dollars, these costs total about $170 per park space per month.

[6] DCBA Meeting with Mobile Home Park Owners, 9-5-18. DCBA conducted three such meetings between September and October 2018. Summaries of these meetings prepared by HR&A are provided in separate memoranda.

[7] Rancho de Calistoga Rent Increase Application (Calistoga, CA). Report submitted on February 1, 2011.

Figure 15: Average Operating Expenses (Excluding Utilities)

Expense Category	Average Monthly Cost per Space (2011)	Inflated to 2018 dollars (U.S. CPI-U All Items)
Taxes	$25.58	$29.58
Professional management	$28.83	$32.94
On-site management	$26.87	$30.70
Administrative/miscellaneous	$16.64	$19.01
Insurance	$8.72	$9.96
Maintenance	$42.11	$48.12
Security	$5.01	$5.72
Total	$148.75	**$169.97**

Source: John Neet Analysis, 2011, as reported in Baar, op. cit.; HR&A

The sum of commonly paid utility costs and average operating expenses from Neet's 2011 sample, inflated to 2018 dollars, is about $226 per park space per month.

If average monthly space rent in unincorporated LA County is $806, per the CDC survey sample, and operating expenses have not increased faster than CPI-U All Items for the United States since 2011, the average operating expense ratio for those parks before capital expenditures is about 28 percent. However, as noted in the earlier discussion of operating expenses in the survey responses, park owners have commented that operating expenses have been increasing considerably in recent years, so the standard CPI inflation adjustment may underestimate actual 2018 operating costs. In addition, LA County utility costs may be higher than other areas in the Western United States, in which case the average operating expense ratio would fall closer to the 30 to 40 percent range reported by other sources.

Capital expenditures are a very significant expense for mobile home park owners due to high costs of park infrastructure. Again, there is no systematic data source for typical capital expenditure costs in LA County mobile home parks. But in 2011, Baar cited an average annual cost for major replacements of $162 per space per year, average across the Sun Communities portfolio. Inflated to 2018 dollars, this is $185 per space per year. At a 2018 park owner meeting regarding the proposed RSO, one owner of a park with about 115 spaces noted that for his park, since 2010, a new basketball court, new community center roof, and other capital improvements had cost about one million dollars, suggesting that the per space annual cost for major replacements in that park is several times higher than the amount cited by Baar. In another park owner meeting, one owner said that capital improvement projects never exceed one million dollars. It seems that capital expenditures vary significantly depending on the size and age of the park and the quality and number amenities.

In discussing the implications of rent stabilization at park owner meetings, owners said that the rents they charge allow them to maintain an operating reserve to cover large and sometimes unpredictable capital expenditure costs, and requested that the ordinance account for this, either through a combination of a permissive maximum allowable space rent increase, a rent banking provision, and/or a capital expenditure pass-through allowance. According to a 2009 Economic Roundtable study of the City of Los Angeles system of rent stabilization, mobile home owners were significantly more likely than apartment building owners to want a bigger capital improvement pass-through (60 percent compared to 28 percent),[8] likely due to the larger scale of capital infrastructure costs that mobile home park owners must cover as compared with typical apartment buildings.

Industry Trends

Unique Features of Mobile Home Parks as an Asset Class

Mobile home parks are a unique real estate asset class within the broader multifamily residential market. With the growing shortage of affordable housing, mobile homes and park spaces have remained highly sought after.[9] This has also led to an increase in the number of manufactured housing Real Estate Investment Trusts ("REIT"), companies that own, operate, and/or finance income-producing real estate, providing investors the opportunity to own shares of portfolios of real estate assets. Mobile Home University, a national program to assist new investors familiarize themselves with the mobile home park industry, cites several key benefits to investing in mobile home parks as opposed to multifamily real estate or other asset classes:[10]

- *Capped Supply*. Supply is capped, with significant barriers to entry due to the zoning requirements and enormous costs to build a new mobile home park. Building a new park requires the build out of roads, curbs, driveways, utility systems, and pad spaces. In addition to the cap on new supply, mobile home communities have been closing over time for other development purposes.
- *Low Operating Costs*. Low operating costs per unit, as park owners only need to repair the land, not the structures. The average operating expenses for mobile home parks are generally lower than apartment buildings.
- *High Demand*. Mobile home parks are low risk investments, largely due to the high demand for affordable housing and to the very low turnover due to the high cost of moving a mobile home. Mobile home park residents are more likely than apartment tenants to accept a rent increase without moving because the cost of moving is so much higher in comparison.
- *Limited Residential Turnover*. At a cost of around $4,000 to move a mobile home from point A to point B, few tenants can afford to move out even if they experience rent hikes each year. The locked-in tenant base allows park owners to enjoy "phenomenally stable" revenue figures, even in major recessions.

According to a 2018 Forbes article, mobile home parks have an average of two percent turnover per year, as compared with 53 percent tenant turnover in apartment buildings. In addition, there is no new supply of mobile home parks nationally, while in 2017 there were 350,000 new multifamily housing units delivered.

[8] Economic Roundtable, "Economic Study of the Rent Stabilization Ordinance and the Los Angeles Housing Market" (2009). Prepared for the City of Los Angeles Housing Department by the Economic Roundtable.

[9] For national research on housing affordability, see: Joint Center for Housing Studies of Harvard University, Affordability Research. "Price-to-Income Ratios are Nearing Historic Highs," (2018); "Nearly Half of Americans Are Cost Burdened," (2017). For research on housing affordability in California, see: Legislative Analyst's Office, Housing Publications. "California's High Housing Costs: Causes and Consequences," (2015); "Housing and Economic Mobility," (2016).

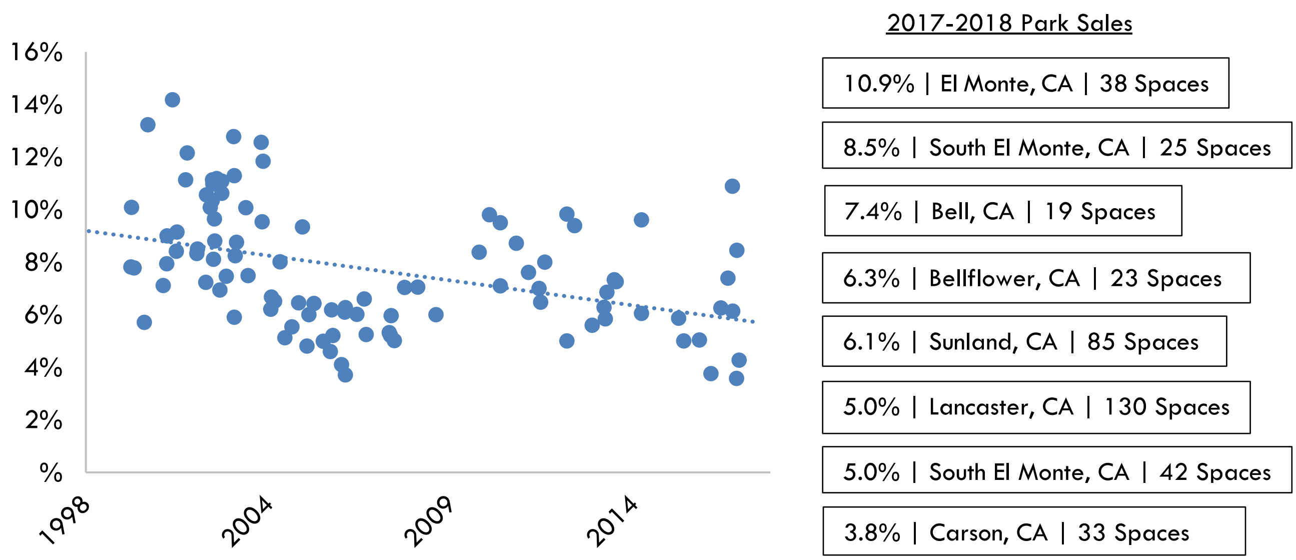
[10] Mobile Home University is a national program created by investor Frank Rolfe to assist individuals looking to invest in mobile home parks around the country. Mobile Home University has developed in-depth materials and courses to familiarize prospective park owners with the mobile home park industry and to prepare individuals to make smart investments. We refer to some of those resources in this report.

For these reasons, the mobile home park asset class is considered to have far more consistent cash flow than retail, hotel, industrial, and other residential properties.[11]

Capitalization Rates

Nationwide, industry experts say that mobile home park income capitalization rates range from three to 11 percent, with most parks falling in the seven to 10 percent range.[12] For many years, mobile home parks consistently have had the highest cap rates of any real estate asset class, but cap rates have declined sharply since 2000 from a nationwide average about nine percent to about six percent. Experts attribute the decline in cap rates to the sharp decline in the cost of capital (e.g., mortgage interest rates) and steep declines in the rates of return provided by alternate investments (e.g., bonds and bank deposits.)[13]

Figure 16: Actual Capitalization Rates for Mobile Home Park Transactions in LA County, 1999 – 2018



Source: CoStar, HR&A. Note that these are not inclusive of all transactions in LA County; only those for which capitalization rates were available through CoStar.

CoStar data on actual capitalization rates for mobile home park transactions within LA County show that cap rates have trended downwards since 2000, but that they still range from a low of about four percent to as high as about 11 percent. On the right side of Figure 13, park locations and number of spaces are noted for a sample of 2017 and 2018 sales captured by CoStar, in order from the highest cap rates to the lowest. Parks with over 100 spaces have relatively lower cap rates.

[11] "Should You Invest in Mobile Home Parks?" Forbes Magazine, 2018. Available at: https://www.forbes.com/sites/forbesrealestatecouncil/2018/12/17/should-you-invest-in-mobile-home-parks-only-if-you-like-consistent-returns/#7e26a1be3a4d

[12] Income capitalization or "cap" rates represent the ratio between net operating income and sale price. The lower the cap rate, the higher the implied sale value.

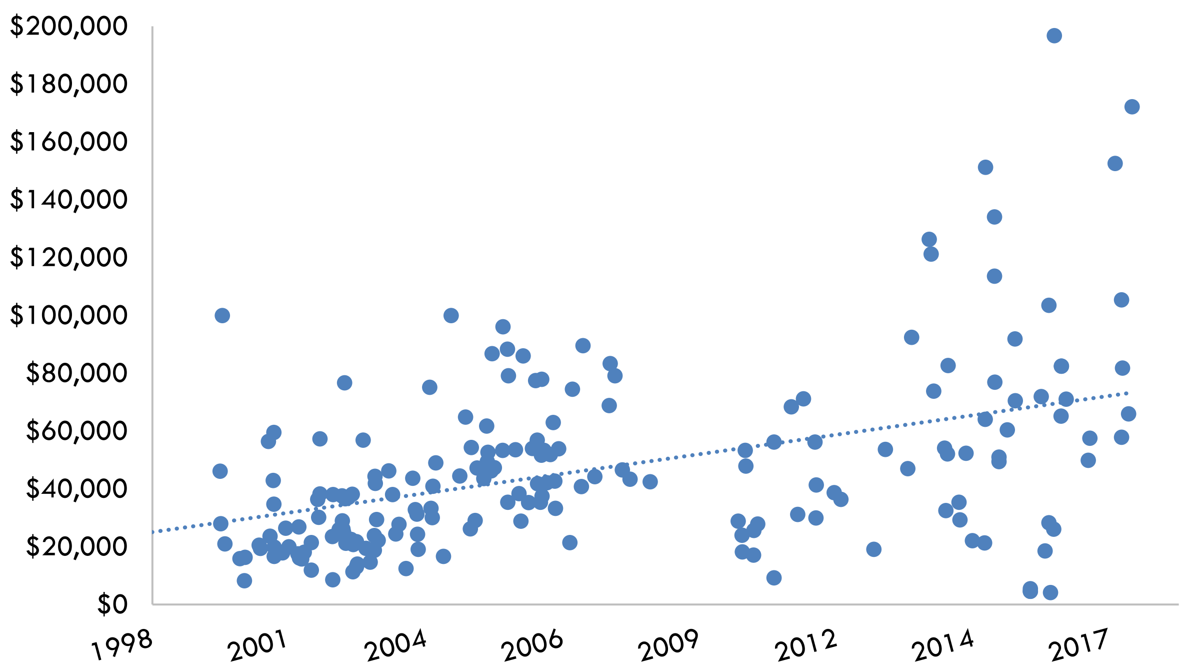
[13] "The Economics of Mobilehome Ownership and Mobilehome Park Ownership in the City of Los Angeles and a Comparison of Local Regulations of Mobilehome Park Space Rents" (2011). Prepared for the City of Los Angeles by Ken Baar.

Mobile Home University notes that large metro areas usually have more competition from investors, because the parks are generally regarded to have greater stability and less market fluctuation.[14] In smaller cities and rural areas, there is generally less competition from investors and parks are sold with higher cap rates. Experts note that the best parks are in expensive areas because the demand for affordable housing is so high (e.g., Crockers Trailer Court and Seminole Springs Mobile Home Park in unincorporated area around Malibu). Regarding the significance of park size, while large parks generally receive more attention from investors, experts note that smaller parks can also be run efficiently and profitably, and sometimes are more profitable because they might not require full time managers.

Park Values

Since 1998, there has been a wide range in park space value for mobile home parks in LA County. As shown in Figure 17, the gap between the highest park values and the lowest park values by park space continues to grow, and in 2017, sales price per park space ranged from around $58,000 to around $172,000. Values began to increase before the Great Recession, surpassing $100,000 per park space, but fell between 2008 and 2013. Values then began to increase again and between 2015 and 2018, many parks are seeing space values of more than $100,000. Sale prices have increased about 11 percent per year since 2012, from an average of about $35,000 per park space in 2012 to about $60,000 per space in 2018.

Figure 17: Sales Price per Park Space in LA County, 1998-2018



Source: CoStar, HR&A. Note that these are not inclusive of all transactions in LA County; only those for which sales price and number of park spaces were available through CoStar.

Supply and Park Closures

As of 2011, there were 4,754 mobile home parks in California, with 365,418 mobile home spaces. Of California mobile home parks, nearly 40 percent were located in the Los Angeles metro area, which includes Los Angeles, Orange, Riverside, and San Bernardino Counties.

[14] *Mobile Home Park Investing Guide, 2016.* Mobile Home University.

Figure 18: Supply of Mobile Home Parks and Park Spaces: Statewide, Metropolitan Area, County, and Unincorporated County (2011)[15]

Area	Mobile Home Parks	Mobile Home Park Spaces
California	4,754	365,418
Los Angeles Metro Area	1,861	158,695
Los Angeles County	589	47,907
Unincorporated Los Angeles County	86	8,503

Source: Baar, op. cit.

Over the past three decades, the overall supply of mobile home park spaces in California has changed only slightly, with few new additions and some park closures.[16] In Los Angeles, the trends in park construction have mirrored the trends in California. In Los Angeles County, the supply of mobile home park spaces declined about ten percent between 1986 and 2010, from 53,496 to 47,907. While the lack of new mobile home park construction since the 1980's has been attributed by some to rent control regulation, since 1992 state law has exempted newly created mobile home park spaces from local rent regulations.[17] More likely causes include the scarcity and cost of the large land areas required, and increasingly complex land use entitlement requirements.

Figure 19: Statewide Inventory of Mobile Home Parks and Spaces, 1961 to 2010[18]

Year	Number of Parks	Number of Spaces
1961	3,961	148,662
1965	4,212	178,652
1970	4,828	229,649
1975	6,401	369,626
1980	5,850	414,981
1984	5,812	432,066
1990	5,817	377,149
1996	5,698	372,647
2005	4,868	368,150
2011	4,754	365,148

Source: Baar, op. cit., HR&A

<u>*Park Closure Reports*</u>

Park closures reflect a small portion of the unincorporated LA County mobile home park inventory, with only three parks closing in LA County over the past 25 years. Per records provided to HR&A by the LA County Department of Regional Planning ("DRP"), there have been eight park closure applications since 1993. A review of these records demonstrates that despite the relative strength of mobile home parks as an asset class in the LA County market, there have been a handful of mobile home parks that have elected to close

---

[15] Baar, op. cit.

[16] *Ibid.*

[17] California Civil Code Sec. 798.45 (1992)

[18] Baar, *op. cit.*

for various reasons during the past thirty years. These park closures are important because they suggest that despite the general profitability of the asset class, mobile home parks may not be the highest and best use of land in LA County. If park owners are hampered by rent regulation, there is some risk that mobile home parks will close and further exacerbate the shortage of affordable housing. But the process of closing a mobile home park in LA County is complicated. In order to close or convert a mobile home park, the park owner must file a Resident Impact Report ("RIR"), after which the local governmental agency conducts a hearing on the adequacy of the RIR. An RIR requires mobile home park owners to undertake a detailed evaluation of displacement effects on residents, which generally includes surveys and interviews of residents to determine particular situations and housing options for each resident, obtaining cost estimates from mobile home relocation contractors to assess the possibility of moving mobile homes to other locations in the region, and obtaining appraisal values from the National Automobile Dealers' Association ("NADA") for each of the resident-owned mobile homes in the park. The County can condition the closure or conversion upon the owner taking steps to mitigate any adverse impact of the closure or conversion on each resident.

Figure 20: Filed Park Closure Actions for Mobile Home Parks in Unincorporated LA County, 1993-2018

Year	Request Action for Park Closure	County Actions
1993	Conversion of existing mobile home park to condominium ownership of mobile home spaces.	Approved.
1996	Conversion of existing mobile home park to condominium ownership of mobile home spaces.	Denied due to inactivity in 2006.
2004	Demolition of existing 44-unit mobile home park and construction of 46-unit condominium development.	Denied in 2016 due to inactivity.
2005	Conversion for an existing mobile home park to condominium ownership of mobile home spaces.	Meeting cancelled by proposer.
2010	Conversion of mobilehome park to industrial open storage lot.	Approved.
2010	Demolition of an existing mobile home park and construction of a joint multi-family-senior residential condo project.	Approved.
2013	Conversion for an existing mobile home park to condominium ownership of mobile home spaces.	Denied by Regional Planning Commission and Board of Supervisors in 2014 due to lack of majority resident support.
2017	Demolition and closure of an existing mobile home park and development of an 86-unit townhome development.	Closure report filed; case pending.

Source: CDC

Potential Rent Stabilization Impacts on Mobile Home and Park Space Values

Among the key differences between apartment and mobile home rent stabilization in California is that "vacancy decontrol," which is required under State law for apartment rent stabilization regulations, is not mandated for mobile home park space rentals. Under the Costa Hawkins Rental Housing Act of 1995 ("Costa Hawkins),[19] apartment owners are allowed to charge market rate rents when a tenant voluntarily moves out, subject to certain "just cause" change in tenancy regulations. The degree to which rent-stabilized apartment buildings and their underlying land values maintain parity with the unregulated apartment market therefore depends in part on the degree to which tenants move regularly or remain in place for extended periods during which annual rent increases are limited.

[19] California Civil Code, sections 1954.50 to 1954.535

Virtually all mobile home coaches are owned by their occupants, but these households also pay rent to locate their coach on a pad space in a mobile home park. The dual renter/owner nature of mobile home residents, the lack of mandatory vacancy decontrol of pad space rents when mobile home coaches are sold, a much longer average length of tenancy for mobile homes than apartments, and the lack of any controls on the price at which mobile home owners can sell to another coach owner on the same pad space, can result in a different set of economic relationships between coach-owning "renter" and park "owner" under mobile home park rent stabilization. More specifically, prospective buyers looking to purchase a coach in a mobile home park under rent stabilization may be willing to spend more on the coach because the pad space rent is subject to annual rent increase limitations. This theory, which was shared by several mobile home park owners during roundtable meetings sponsored by CDC and DCBA, claims that rent stabilization leads to a value transfer from park owners to space renters due to the unique economics of mobile home park operations. If so, this arguably results in an economic benefit for the selling coach owner that is not enjoyed by the mobile home park owner, unless the pad space rent can also be increased at the time of coach sale to a degree that recognizes the generally long time period during which space rent increases have been limited for the selling coach owner. On the other hand, unless pad space rent increases at time of coach sale are limited, the basic purpose of mobile home park space rent regulation – i.e., maintaining the affordability of mobile home park living – would be defeated and could result in coach sellers suffering a loss on the sale of their coach because buyers would also have to take into account paying significantly higher space rent.

Experts and legislators have evaluated the value transfer hypothesis and arrive at differing conclusions about whether, and if so how, to address it. While there is currently no systematic data on the issue, or consensus among local jurisdictions about the best way to mitigate this potential consequence of mobile home rent stabilization, there are various measure that local jurisdictions take to protect both the financial interests of mobile home park owners and the welfare of space renters. Importantly, rent stabilization ordinances are required to ensure that property owners can earn a "just and reasonable return," providing an option for park owners to seek approval for higher rents if they can demonstrate economic hardship due to an inability to maintain inflation-adjusted increases in NOI over a base year established by the rent stabilization regulations.[20] Also, some jurisdictions include provisions in their rent stabilization ordinances allowing park owners to charge a one-time rent increase at the time of coach sale. According to Baar's 2011 review of a sample of California ordinances, about 14 percent of jurisdictions with mobile home park rent stabilization had full vacancy decontrol, with unlimited rent increases upon in-place sales of mobile homes. However, most California jurisdictions place limits on rent increases upon in-place sales of mobile homes, ranging from no allowable rent increase (51 percent of the ordinances in Baar's 2011 study) to a 20 percent increase upon in-place sale of a mobile home. The City of Los Angeles mobile home rent stabilization ordinance allows for a 10 percent rent increase upon vacancy.[21]

Conclusions

A review of mobile home park survey responses and industry data indicate that there is no one "typical" mobile home park in unincorporated LA County. Parks range significantly in size, amenities, and space rent. Experts and investors generally agree that mobile home parks are a strong real estate asset class nationwide, and the Los Angeles market is no exception, as evidenced by declining cap rates and rising park values throughout the past decade. Operating expense ratios are estimated to be in the 30 to 40 percent

[20] The concept of "fair return" and how it has been interpreted by the courts in a rent regulation context has been analyzed in detail by Baar. See for example, a section of an April 2016 report prepared for the City of San Jose's Apartment Rent Ordinance at pp. 120-136.

[21] Los Angeles Municipal Code Sec. 151.06., "Automatic Adjustments."

range, and the majority of surveyed park owners indicated that they earned a profit last year, but for some, park rents did not keep up with increases in operating expenses. Although there is no evidence that rent regulation poses a great risk to mobile home park owners' ability to realize a fair return, the high land values associated with most parks in the unincorporated area of LA County may cause some park owners to pursue closures if they conclude that new rent limitations significantly reduce their financial expectations.

Attachment A: CDC Park Owner Survey Questionnaire

Mobilehome Park Owners Questionnaire

Mobilehome Park Name and Information

1. Name of mobilehome park:

   ____

2. Mobilehome park address (business address or management office):

   ____

3. Total number of mobilehome spaces: ________

   a. Number of occupied mobilehome spaces: ________

4. Total number of Recreational Vehicle (RV) spaces: ________

   a. Number of occupied RV spaces: _______

5. Is the mobilehome park age restricted?

   Yes ☐ No ☐

6. What year was the mobilehome park established? _________

7. Has the mobilehome park expanded since it first opened?

   Yes ☐ No ☐

   a. If yes, please specify the year(s) and number of spaces added: ________

Ownership and Management Information

8. Name of mobilehome park ownership:

   ____

9. Type of ownership:

   LP ☐ LLC ☐ Land Trust ☐ Combination of Entities ☐

   Other (Describe) ☐ ____

Mobilehome Park Owners Questionnaire

10. Is the mobilehome park resident-owned?

Yes ☐ No ☐

11. Does the owner have any other mobilehome parks?

Yes ☐ No ☐

12. Ownership contact information:

Primary Contact: ____

Company: ____

Address: ____

Phone: ____

Email: ____

13. Mobilehome park management contact information:

Primary Contact: ____

Company: ____

Address: ____

Phone: ____

Email: ____

14. Did you make a profit last year?

Yes ☐ No, had a loss ☐ Broke even ☐

15. Do annual rent increases keep up with operating costs?

Yes ☐ No ☐ Don't know ☐

Space Rents and Leases

16. Number of occupied mobilehome spaces with one-year leases: ________

17. Number of occupied mobilehome spaces with month-to-month leases: ________

Mobilehome Park Owners Questionnaire

18. Number of occupied mobilehome spaces with long-term leases (more than one year): ________

19. Please note the number of occupied mobilehome spaces with long term leases:

    13 months – 4 years: ______

    5 – 7 years: ______

    8 – 10 years: ______

    Over 10 years: ______

20. How many long-term leases are due to expire in the next 12 months? _______

21. How many long-term leases are due to expire in the next 24 months? _______

22. Please list the number of mobilehome spaces by space rent:

    $0 - $350: ______
    $351 - $600: ______
    $601 - $850: ______
    $851 - $1,000: ______
    $1,001 - $1,200: ______
    $1,201 - $1,500: ______
    $1,501 - $2,000: ______
    $2,001 - $2,500: ______
    Over $2,500: ______

23. Are utilities or other regular fees (e.g., security) included in space rents?

    Yes ☐ No ☐

    a. If yes, please specify:____

    ____

    b. If no, does the mobilehome park charge separate additional set fees?

    Yes ☐ No ☐

Mobilehome Park Owners Questionnaire

24. Are any utilities master metered?

    Yes ☐ No ☐

25. If yes, specify which utilities: ____

26. Are the costs for master metered utilities passed through to tenants?

    Yes ☐ No ☐

27. Have any other charges or pass-throughs been added to space rents in the past ten years?

    Yes ☐ No ☐

28. Has the mobilehome park negotiated any space rent reductions or concessions for homeowners?

    Yes ☐ No ☐

29. If yes, please describe:

    ____

    ____

    ____

    ____

    ____

30. The mobilehome park increases space rent:

    Annually ☐ Upon lease renewal ☐ Other______ ☐ N/A ☐

31. How many times has the mobilehome park increased space rents in the past 10 years?

    1 – 3 ☐

    4 – 6 ☐

    7 – 10 ☐

    10 + ☐

Mobilehome Park Owners Questionnaire

32. Comments/Explanations:

____

____

____

____

____

____

____

____

33. Please check the box that best describes the average annual space rent increase at the mobilehome park in the past 10 years:

0 – 3% ☐

4 – 5% ☐

6 – 7% ☐

8% or higher ☐

It has varied from year to year ☐

34. In the event of disputes, do your rental agreements require all homeowners to adhere to arbitration, mediation, or review panel requirements to resolve the disputes?

Yes ☐ No ☐

35. If you answered yes in question 34, what process do you require?

____

Mobilehome Park Owners Questionnaire

Park Amenities and Services

36. Please indicate the available onsite amenities and services that apply:

Swimming pool	☐
Fitness center	☐
Clubhouse	☐
Community room	☐
Social events	☐
Wi-Fi	☐
Onsite property management	☐
Laundry facilities	☐
Gated security	☐
Onsite security	☐
Childcare facility	☐

Other (please specify):

____

____

Associations and Memberships

37. Does this mobilehome park have a homeowners association?

Yes ☐ No ☐ If yes, what is the name? ______________________________

38. Does this mobilehome park have a tenants association of any kind?

Yes ☐ No ☐

Mobilehome Park Owners Questionnaire

39. Does the mobilehome park or any of the associations have a website? If so, please list below:

____

____

____

Park Maintenance, Repairs, Infrastructure

40. Does your mobilehome park have a dedicated maintenance person or maintenance staff?

Yes ☐ No ☐ If so, how many? _________

41. Have you made capital improvements to the mobilehome park in the past year?

Yes ☐ No ☐

a. If so, please describe or list:

____

____

____

____

42. Do you anticipate making any significant capital improvements to the mobilehome park within the next five years?

Yes ☐ No ☐

a. If so, please describe or list (on the next page):

Mobilehome Park Owners Questionnaire

43. Have you completed a Capital Needs Assessment within the past 10 years?

Yes ☐ No ☐

Homeowner/Resident Profiles

44. What best describes the demographics of the residents in this mobilehome park. Check all that apply.

Predominantly seniors ☐

Mix of families and seniors ☐

Predominantly homeowners ☐

Mix of homeowners and renters ☐

Predominantly long-term residents ☐

Mobilehome Park Owners Questionnaire

Rent Regulation Ordinance

45. Please use this space to outline any questions, recommendations, or comments about the Mobilehome Rent Regulations Ordinance, as directed by the Los Angeles County Board of Supervisors on February 13, 2018.

____

____

____

____

____

____

How to Get More Information

Visit our website below for more information:

www.lacounty.gov/mobilehomeparks/

Signature: ______________________________

Name: ______________________________

Date: ______________________________

Return To: HR&A Advisors
700 S. Flower Street, Suite 2995
Los Angeles, CA 90017
2018MobileHomeParkSurvey@hraadvisors.com

Mobilehome Park Owners Questionnaire

For Staff Use Only

Date Survey Received: ______________

Method Received: __________________

Staff or Office Receipt: ______________

Notes:____

____

____

____

HR&A
Analyze. Advise. Act.
700 South Flower Street, Suite 2995, Los Angeles, CA 90017
T: 310-581-0900 | F: 310-581-0910 | www.hraadvisors.com

MEMORANDUM

To:	KeAndra Cylear Dodds, Community Development Commission of the County of Los Angeles
From:	HR&A Advisors, Inc.
Date:	November 21, 2018
Re:	Annual Social Security Cost-of-Living Adjustment vs. Annual Rent Increases Based on the Consumer Price Index

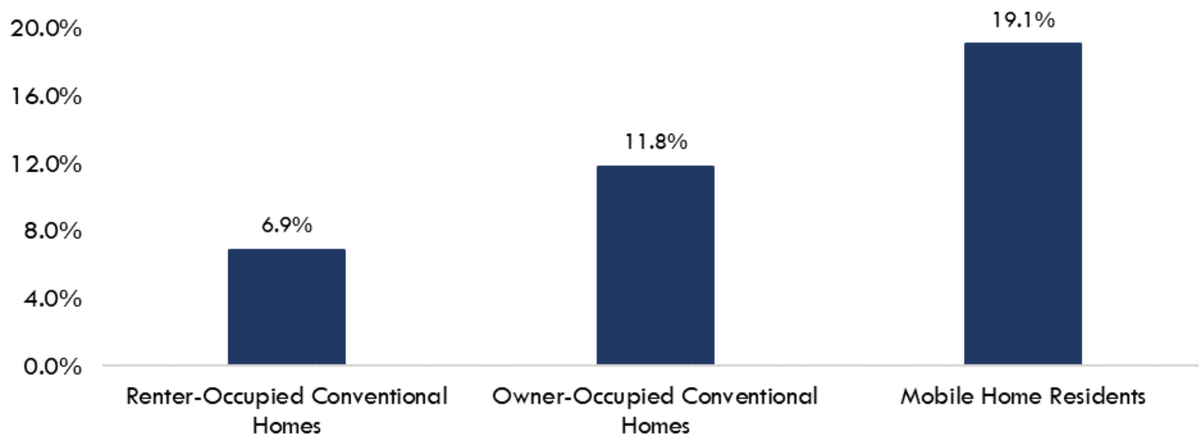
At the last mobile home park rent regulation Working Group meeting, there was discussion about concerns voiced during recent mobile home park residents meetings that because many mobile home park residents are older adults living on fixed incomes, particularly from Social Security, the annual Social Security Cost of Living Adjustment ("Social Security COLA") may not keep pace with mobile home park space rent increases if they are tied to the Consumer Price Index ("CPI"), as currently proposed for the mobile home park rent regulation ordinance for the unincorporated area of Los Angeles County (the "County").

In response to the discussion, this memorandum provides information about: (1) the prevalence of Social Security income among mobile home residents in Los Angeles County, based on data from the U.S. Census Bureau's Public Use Microdata Sample ("PUMS"); (2) how the Social Security COLA is calculated; and (3) an historical comparison between the annual Social Security COLA and the CPI-All Items for Urban Consumers in Los Angeles, Riverside and Orange Counties (at both 100% and 75% x CPI) as a proxy for annual rent increases. The memo concludes with some general implications for the proposed mobile home park rent regulation ordinance.

Mobile Home Residents Receiving Social Security Benefits in Los Angeles County

As detailed in HR&A's separate memorandum on mobile home park resident demographics ("Analysis of Mobile Home Resident and Household Characteristics in Los Angeles County"), mobile home residents are, overall, an older population than the residents of owner-occupied and renter-occupied conventional homes in the County. As shown in Figure 1, a significantly higher percentage of mobile home households reported receiving Social Security Income during the previous 12 months than conventional home households. Specifically, 19.1 percent of mobile home residents reported receiving Social Security Income as opposed to just 6.9 percent of residents in conventional rental units and 11.8 percent in conventional owned homes.

Figure 1: Percentage of Residents Reporting Social Security Income in the Past 12 Months, 2016, Los Angeles County



Source: U.S. Census Bureau Public Use Microdata Sample of the 2016 American Community Survey, HR&A.

The Consumer Price Index as a Rent Regulation Benchmark

As detailed in HR&A's separate memorandum on the Consumer Price Index and local rent regulation ("Use of the Consumer Price Index in Rent Regulation Systems"), annual percentage change in the CPI is the predominant mechanism by which California jurisdictions with rent regulation systems benchmark allowable annual rent increases. In doing so, these jurisdictions utilize to the CPI for Urban Consumers ("CPI-U") for All-Items for their respective metropolitan areas. CPI-U All-Items indices are based on changes in a selection of household consumption items weighted in accordance with their shares of average household expenditures.

The Social Security Cost-of-Living-Adjustment

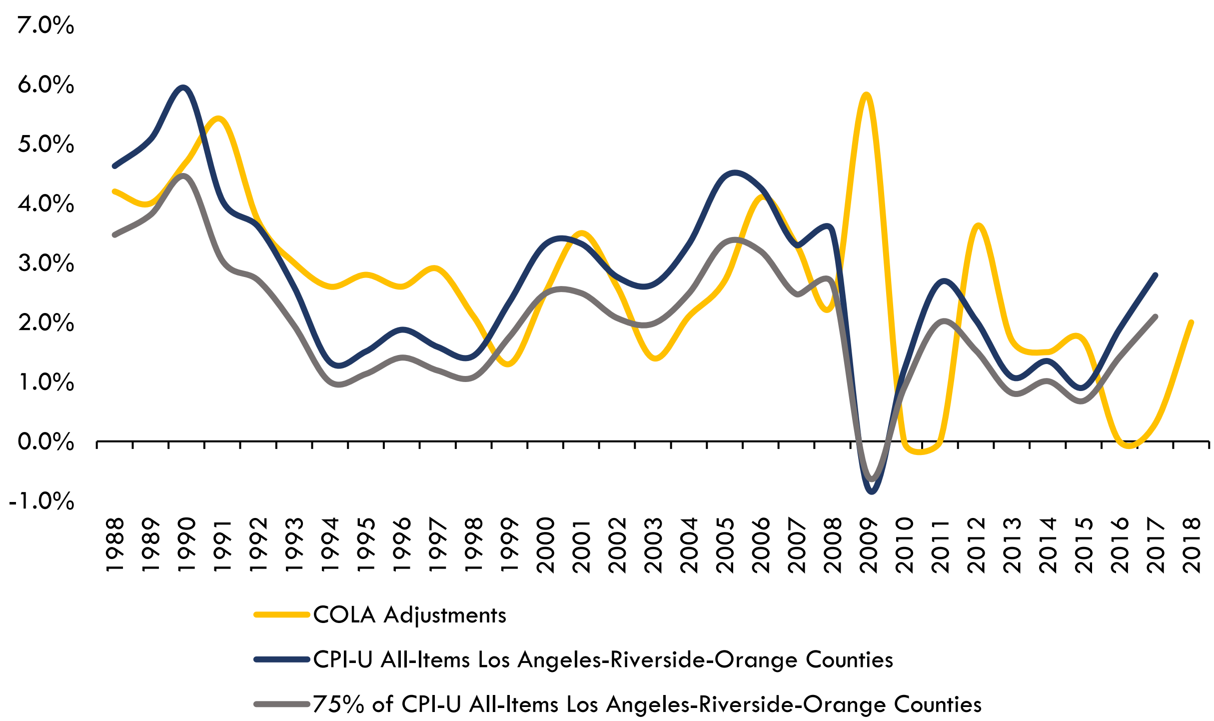
The Social Security Administration uses the annually updated COLA to adjust monthly Social Security and Supplemental Security Income (SSI) benefit payments from year to year for inflation.

The Social Security COLA utilizes the Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W"). The CPI-W differs from the CPI-U in that it measures price changes for goods and services purchased only by urban wage earners and clerical workers, rather than all urban consumers. Thus, the CPI-W reflects the spending habits of the wage earner population, which differs somewhat from the all urban consumer population (e.g., retired persons with relatively higher medical expenses, including Medicare).

Two other important differences between the Social Security COLA and the CPI-U are: (1) how the annual adjustment is calculated; and (2) the geography over which it is measured. The Social Security COLA calculation is based on year-over-year change in the third calendar quarter CPI-W (i.e., the average for July, August and September) and applicable on January 1 each year, whereas the CPI-U change used in rent regulation is typically the year-over-year change for a single specified month. While the Social Security Administration calculates a single COLA value for the entire U.S., rent regulations generally use geographically-specific CPI-U benchmarks for the metropolitan area where the jurisdiction is located.

In addition to the methodological and geographic differences between the Social Security COLA and CPI-U indices, the delayed timing of the COLA as compared with rent increases tied to CPI is significant. As shown in Figure 2, because of the way the COLA is set using prior year CPI-W change, the adjustment to social security benefits in any given year generally reflects the prior year's trends in CPI. For social security beneficiaries, this means that when the economy strengthens, and inflation is high, the COLA does not always capture this change as measured by the CPI-U. On the other hand, when there is an economic downturn and inflation is low, such as in 2009, the COLA may greatly exceed the CPI-U because it still reflects the prior year's economy.

Figure 2: Historic Social Security Administration Cost-of-Living-Adjustments and Average Annual Percentage Change in CPI All Items for Urban Consumers Los Angeles-Riverside-Orange Counties, 1988-2018[1]

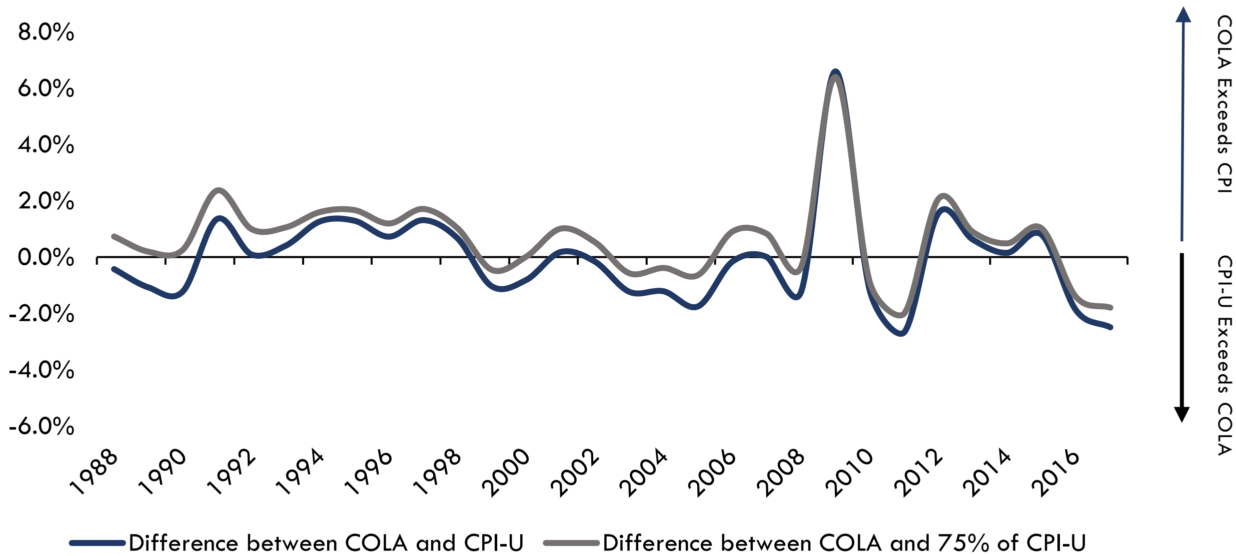


Source: Social Security Administration, Bureau of Labor Statistics, HR&A.

As shown in Figure 3, over the past thirty years the Social Security COLA has been greater than the average annual percentage change in CPI All Items for Urban Consumers in the LA Area about half of all years, and half of the years it has been lower. When examining the difference between the COLA and 75 percent of the average annual percentage change in the CPI, however, COLA has been greater during nearly two thirds of the years since 1988. On average, the Social Security COLAs have been 0.05% lower annually than the CPI-U All-Items in the Los Angeles area since 1988, but 0.6% higher annually than 75 percent of the CPI-U.

[1] The data required to calculate the annual CPI-U for 2018 will not be available until January 2019.

Figure 3: Difference Between Social Security Administration Cost-of-Living Adjustments and Average Annual Percentage Change in CPI All-Items for Urban Consumers Los Angeles-Riverside-Orange Counties, 1988-2017



Source: Social Security Administration, Bureau of Labor Statistics, HR&A.

According to these historical data, the Social Security COLA has *generally* kept pace with the CPI-U in the Los Angeles area. However, because of the time lag in the way the Social Security COLA is calculated for the U.S. as a whole, during years in which the U.S. economy is particularly strong, mobile home park residents who primarily rely on Social Security income to pay rent increases tied to the CPI would be disadvantaged. Utilizing a rent increase benchmarked to 75 percent of the CPI-U would help close the gap in those years, but may not fully mitigate the income change-rent change relationship. Conversely, during years of weaker economic growth use of 75 percent of the CPI-U as a rent adjustment factor would be somewhat more beneficial to mobile home residents who depend on Social Security income. But whether the potential additional income from years of more beneficial economic results could be used to offset the burdens from less beneficial periods would depend on timing and individual household circumstances.

Appendix

Year	Social Security COLA Income Adjustments	100% of CPI-U All-Items Los Angeles-Riverside-Orange Counties (i.e., annual rent increase)	75% of CPI-U All-Items (i.e., annual rent increase)	Difference between Social Security COLA and CPI-U All-Items	Difference between Social Security COLA and 75% of CPI-U All-Items
1988	4.2%	4.6%	3.5%	-0.4%	0.7%
1989	4.0%	5.1%	3.8%	-1.1%	0.2%
1990	4.7%	5.9%	4.4%	-1.2%	0.3%
1991	5.4%	4.0%	3.0%	1.4%	2.4%
1992	3.7%	3.6%	2.7%	0.1%	1.0%
1993	3.0%	2.6%	1.9%	0.4%	1.1%
1994	2.6%	1.3%	1.0%	1.3%	1.6%
1995	2.8%	1.5%	1.1%	1.3%	1.7%
1996	2.6%	1.9%	1.4%	0.7%	1.2%
1997	2.9%	1.6%	1.2%	1.3%	1.7%
1998	2.1%	1.4%	1.1%	0.7%	1.0%
1999	1.3%	2.3%	1.8%	-1.0%	-0.5%
2000	2.5%	3.3%	2.5%	-0.8%	0.0%
2001	3.5%	3.3%	2.5%	0.2%	1.0%
2002	2.6%	2.8%	2.1%	-0.2%	0.5%
2003	1.4%	2.6%	2.0%	-1.2%	-0.6%
2004	2.1%	3.3%	2.5%	-1.2%	-0.4%
2005	2.7%	4.5%	3.3%	-1.8%	-0.6%
2006	4.1%	4.3%	3.2%	-0.2%	0.9%
2007	3.3%	3.3%	2.5%	0.0%	0.8%
2008	2.3%	3.5%	2.6%	-1.2%	-0.3%
2009	5.8%	-0.8%	-0.6%	6.6%	6.4%
2010	0.0%	1.2%	0.9%	-1.2%	-0.9%
2011	0.0%	2.7%	2.0%	-2.7%	-2.0%
2012	3.6%	2.0%	1.5%	1.6%	2.1%
2013	1.7%	1.1%	0.8%	0.6%	0.9%
2014	1.5%	1.3%	1.0%	0.2%	0.5%
2015	1.7%	0.9%	0.7%	0.8%	1.0%
2016	0.0%	1.9%	1.4%	-1.9%	-1.4%
2017	0.3%	2.8%	2.1%	-2.5%	-1.8%
2018	2.0%				

HR&A Analyze. Advise. Act.
700 South Flower Street, Suite 2995, Los Angeles, CA 90017
T: 310-581-0900 | F: 310-581-0910 | www.hraadvisors.com

MEMORANDUM

To:	KeAndra Cylear Dodds, Community Development Commission of the County of Los Angeles
From:	HR&A Advisors, Inc.
Date:	November 21, 2018
Re:	Evaluation of Capital Improvement Pass-Through Costs Under Alternative Scenarios

At recent mobile home park rent regulation Working Group meetings, there has been discussion about a potential cap on the cumulative annual percentage cost increase to tenants from a combination of capital expenditure pass-throughs and a maximum allowable space rent increase tied to 75 percent of the annual change in the Los Angeles area Consumer Price Index ("CPI"). HR&A Advisors, Inc. ("HR&A") analyzed this issue by testing combinations of assumptions for a range of park sizes, average park rents, potential cumulative annual percentage increase caps, and cost recovery periods to determine the amount of supported capital expenditure costs that would result from different provisions.

Assumptions

While we do not have any systematic data on the costs of mobile home park capital improvements, based on information that park owners shared during recent outreach meetings, there appear to be two primary categories of major capital improvements: upgrades of road networks and utility systems. During these meetings, owners reported that in general, costs for these improvements are typically less than one million dollars.

There are several moving parts involved in analyzing this issue. Our modeling assumptions include the following:

- Maximum Allowable Annual Space Rent Increase: HR&A assumed the maximum allowable annual rent increase for mobile home park spaces under the proposed ordinance will be tied to 75 percent of annual percentage change in LA area CPI-U All-Items.
- Cumulative Percentage Caps: HR&A assumed the annual tenant cost increase cap that includes an allowance for capital pass-throughs would exceed the maximum allowable rent increase. We tested scenarios with cumulative rent caps of six percent and eight percent.[1]
- Annual Percentage Change in CPI: HR&A assumed annual change in CPI of 2.4 percent, which is the average annual CPI change in the LA area since 2000. It should be noted that since CPI fluctuates year to year, the amount of allowable capital expenditures under a particular cap would also vary year to year, with a smaller dollar amount of capital expenditures permissible in years when the CPI change is higher.
- Pass-through Cost Sharing: HR&A assumed that a maximum of 50 percent of capital expenditure costs would be passed through to renters.
- Payback Period: HR&A assumed that passed through capital expenditures costs would be recovered by owners on a payment schedule of either five or ten years. For purposes of this exercise, HR&A

[1] HR&A also tested for a ten percent cumulative cap, but the capital improvement cost levels supported under a ten percent cap do not appear necessary based on what owners have shared about typical capital improvement costs.

assumed that improvements costs would not be financed with debt, based on park owner comments at recent meetings.

- Base Rents: HR&A used space rent level data reported by the Del Richardson & Associates' ("DRA") survey of mobile home parks in unincorporated areas of LA County. The average space rent within the rent ranges provided by 35 surveyed parks, weighted by the number of spaces in each park, was $889 per month, so we used this figure for parks with "average" space rents. We also used the DRA survey as a reference point for parks with low average space rents, estimated at $600 per month, and parks with high average space rents, estimated at $1,100 per month.
- Park Size: We used the LA County Department of Regional Planning's inventory of mobile home parks as a reference point for park size assumptions. HR&A tested each scenario for "small parks" of 40 spaces, "average-sized parks" of 100 spaces, and "large parks" of 250 spaces.

Methodology

Using the assumptions noted above, HR&A calculated the maximum increase amount for 40, 100, and 250-space parks with year one average rent levels of $600, $889, and $1,100. We tested the maximum monthly increase available for pass-throughs under both a six percent and eight percent cumulative cap, assuming that the base increase is 75 percent of a CPI change of 2.4 percent. We then annualized this average amount available for pass-throughs to determine the maximum contribution of renters to capital expenditure pass-throughs during each year of the payback period, and doubled that amount to account for the 50 percent owner's share. We then multiplied the annualized sum of the renters' and owner's share by the payback period to calculate the total supportable capital improvement cost. We used this framework to conduct sensitivity tests for parks of various sizes under six and eight percent cumulative annual caps.

Findings

Based on the results for an average-sized park over a five-year payback period, we determined that even with a cumulative annual cap of eight percent, the total capital cost supported over a five-year payback period may not cover significant capital improvements, such as repairing roads or installing new utility systems. Therefore, we conducted sensitivity tests for a ten-year payback period as well, which is more aligned with the depreciation schedule of some large capital improvements.[2]

As shown in Figure 1, which models the supportable capital expenditures for a five-year payback period, a 100-space park with average rents would support a maximum capital expenditure cost of about $661,000, including the owner's 50 percent contribution, under a cumulative cap of eight percent. Under a six percent cap, an average-sized park supports about $448,000 of capital expenditures. For larger parks with average space rents, an eight percent cap could support about $1.65 million of capital expenditure costs, while a six percent cap supports about $1.12 million. For smaller parks with average space rents, an eight percent cap supports about $265,000 of capital expenditure costs, while a six percent cap supports only about $179,000. Figure 1 also shows supportable pass-throughs for parks with lower than average rents and parks with higher than average rents under the range of cumulative caps.

[2] Some other jurisdictions in California with rent stabilization ordinances for mobile home park spaces that allow capital improvement pass-throughs, such as Riverside County, vary the payback period according to the most recent Internal Revenue depreciation tables. See 2017 IRS depreciation tables and recovery periods here: https://www.irs.gov/pub/irs-pdf/p946.pdf

Figure 1: Five-Year Payback Period, Maximum Capital Expenditures for Parks

Park with Average Rents ($889)

	6% Cap Total Supportable Cost	6% Cap Renters'/Owner's Share	8% Cap Total Supportable Cost	8% Cap Renters'/Owner's Share
40 spaces	$179,222	$89,611	$264,566	$132,283
100 spaces	$448,056	$224,028	$661,416	$330,708
250 spaces	$1,120,140	$560,070	$1,653,540	$826,770

Park with Low Rents ($600)

	6% Cap Total Supportable Cost	6% Cap Renters'/Owner's Share	8% Cap Total Supportable Cost	8% Cap Renters'/Owner's Share
40 spaces	$120,960	$60,480	$178,560	$89,280
100 spaces	$302,400	$151,200	$446,400	$223,200
250 spaces	$756,000	$378,000	$1,116,000	$558,000

Park with High Rents ($1,100)

	6% Cap Total Supportable Cost	6% Cap Renters'/Owner's Share	8% Cap Total Supportable Cost	8% Cap Renters'/Owner's Share
40 spaces	$221,760	$110,880	$327,360	$163,680
100 spaces	$554,400	$277,200	$818,400	$409,200
250 spaces	$1,386,000	$693,000	$2,046,000	$1,023,000

As shown in Figure 2, a ten-year payback period would allow for more costly and significant capital improvement pass-throughs with costs recovered by the owner over a longer period of time. For 100-space parks with average rents, an eight percent cumulative cap would support about $1.32M in capital improvement costs, while a six percent cap would support about $896,000. For a larger park, an eight percent cap would support about $3.31 million in capital improvement costs, while a six percent cap would support about $2.24 million. For a smaller park, an eight percent cap would support about $529,000 in capital improvement costs, while a six percent cap would support about $358,000. Figure 2 also shows supportable pass-throughs for parks with lower than average rents and parks with higher than average rents under the range of cumulative caps.

Figure 2: Ten-Year Payback Period, Maximum Capital Expenditures for Parks

Park with Average Rents ($889)

	6% Cap Total Supportable Cost	6% Cap Renters'/Owner's Share	8% Cap Total Supportable Cost	8% Cap Renters'/Owner's Share
40 spaces	$358,445	$179,222	$529,133	$264,566
100 spaces	$896,112	$448,056	$1,322,832	$661,416
250 spaces	$2,240,280	$1,120,140	$3,307,080	$1,653,540

Park with Low Rents ($600)

	6% Cap Total Supportable Cost	6% Cap Renters'/Owner's Share	8% Cap Total Supportable Cost	8% Cap Renters'/Owner's Share
40 spaces	$241,920	$120,960	$357,120	$178,560
100 spaces	$604,800	$302,400	$892,800	$446,400
250 spaces	$1,512,000	$756,000	$2,232,000	$1,116,000

Park with High Rents ($1,100)

	6% Cap Total Supportable Cost	6% Cap Renters'/Owner's Share	8% Cap Total Supportable Cost	8% Cap Renters'/Owner's Share
40 spaces	$443,520	$221,760	$654,720	$327,360
100 spaces	$1,108,800	$554,400	$1,636,800	$818,400
250 spaces	$2,772,000	$1,386,000	$4,092,000	$2,046,000

Conclusion

Based on our analysis, if LA County chooses to apply a universal cumulative cap, setting the cap at eight percent and the payback period at ten years would allow park owners of a range of park sizes and park rent levels to recover significant capital improvement costs through pass-throughs. Alternatively, a sliding scale of cumulative rent cap percentages depending on the park size or average rent levels within the park could be used to balance the varying needs of different park owners and prevent an undue financial burden on residents. The County could also choose to vary the length of the payback period depending on the type and extent of the capital improvement.