

Musser Family response to proposed Ordinance Amending Chapter 9.28

We thank the Sebastopol City Council members for their attention and are sensitive to Fircrest Mobile Home Park residents' concerns regarding the inflation of 2022 and the financial implications of the subsequent rent increases. We as owners have been affected individually by the inflation as well.

Throughout the discussion that follows, it's critical that the Council members keep clearly in mind that the Park is two things: (a) a place providing residents with a desirable and affordable place to live and (b) a business which must function in an economically sustainable manner. Like all businesses, the Park must be able to cover its expenses with revenue, and if the former (which are not capped in any way) rise with inflation, revenue must rise as well.

While we appreciate the Council's interest in helping residents cope with the problems of 2022, we think that the proposed ordinance as written is a poorly conceived response to what was a short-lived spike in inflation, something which has now resolved. The Council is surely aware that while the SF/Oakland Consumer Price Index (CPI) was as high as 6.8% in June of 2022, the level has recently greatly moderated, having fallen to an annual rate of 4.2% in April, with further rapid decline in June to 2.9%. This last level will create the basis for much more nominal and historically consistent rent increases over the next year. Thus, the proposed ordinance will have no immediate effect on rents at Fircrest.

It's also important to note that the inflation of last summer was quite atypical and in part attributable to responses to the COVID-19 pandemic; as for the future, it's quite clear that the Federal Reserve remains committed to controlling inflation. In the past, over the lifetime of the current ordinance (adopted in 1994), the annual level of SF CPI increase has only twice (2001 and 2022) exceeded 5% and once (2022) 6%. Fircrest rent increases between 2013 and 2021 have averaged 2.9%, and have been as low as 1.6%. The current ordinance has worked well over decades, providing mobile home park residents appropriate protection, meeting all of its goals; the now-resolving events of a few months provide no justification for change.

The 6% rent increases which residents were subjected to 2022 were understandable shocking to them. In its recitals appended to the proposed ordinance amendment they are referred to as "excessive and unreasonable." Council members and residents should note that this 6% level was created by the Sebastopol City Council as the cap on inflation-related rent increases (likely to protect residents from such inflation levels as 15% [1980] and 13% [1981]) and was maintained for nearly thirty years-no change was ever recommended by staff nor altered by the Council at the time of other amendments.

Other Sonoma County municipalities have recently amended their Rent Control Ordinances. These changes should have no relevance to what the Council members do in Sebastopol. Those actions occurred earlier and were

responding to events of last summer, events which have now resolved. Though Mr McLaughlin has expressed a preference that the Sebastopol ordinance mirror those of other cities, we believe that staff responding to questions regarding rents (eg, at the Sonoma County Community Development Commission) would be quite capable of dealing with rental ordinances which vary among municipalities.

The proposed ordinance recitals make much mention of evictions (Pg 3, numbers 26-30). [Our park has had only one (a very special case) having occurred in recent years, an event not related to rent level.] Certainly sustained annual rent increases of 6% would be of great concern in this regard. This level however represents a singular event with very low probability of recurring in the foreseeable future. The currently low and declining CPI increase has no relevance to the probability of evictions. The Council may be sure that our family shares the City's goal of avoiding homelessness and evictions.

The series of recitals provided to us by Mr McLaughlin for a meeting with him July 11 and included in the Council agenda includes multiple errors and vague generalizations, none of which are clearly applicable to the current specific situation being addressed: (1) Fircrest has 87 sites, many more than the “..thirty-seven (37) spaces located within the City limits”, several others (approximately 26) are in the City-owned Park Village; (2) it's erroneous and outdated to state “..inflation IS [emphasis added] at its highest rate in forty (40) years”(see above); (3) the several generalizations regarding “many” provide no data relevant to this specific situation; (4) the mention of “fixed income” fails to note the recent significant cost of living Social Security adjustments (5.9% in 2021 and recent 8.7%) nor does it provide any data recording residents' actual income; (5) the current ordinance was adopted in 1994, not 1992; (6) residents have (unfortunately) faced, but NO LONGER face “highest rent increase[s]”; (7) While we are highly aware of the significance of housing costs, especially in Sonoma County, we'd note that no resident of Fircrest completed an application for COVID-related rent forbearance.

Reducing allowable rent changes to less than CPI increases will produce an imbalance between revenue and expenses which would eventually make ownership of the park no longer a viable business proposition—this is an example of the laudable desire to do good smashing into economic reality. No business can continue to exist if it is unable to respond to increases in its expenses by increasing revenue. Especially if the Council elects to enact a 4% cap on rent increases it makes no sense to add a % cap on CPI.

While the value of the allowed 10% rate increase at the time of an in-place transfer may be of some help, its effect is greatly limited by the low Park resident turnover rate (average 15 year residence) and would not compensate nor allow catch-up for the proposed reduction in rent increases, especially if significant inflation recurs. Such a limitation raises the possibility of being unconstitutional taking.

Musser Family Summary Response to Proposed Chapter 9/28 Amendment

Regarding Proposed 4% Cap on Annual Rent Increases

Residents of Fircrest MHP have appropriately expressed concern regarding the 6% level of 2022-2023 rent increases. The recital (number 21) uses the verb “are” incorrectly (increases at that level are over-the 2023-2024 level will be 2.9%) and uses the expression [were] “excessive and unreasonable” to refer to the 2022-2023 increase. The Council should clearly note that the rent increase criteria were those created and approved by the Sebastopol City Council in its ordinance adopted in 1994 and left in place for nearly 30 years, including on occasions where the ordinance was amended. The current ordinance level protected residents from the full effect of the singular event of a 6.8% increase in SF/Bay Area inflation during the summer of 2022.

We understand that the Council may wish to protect current and future tenants from rent increases at this level, though we’d note that since adoption of the ordinance in 1994 SF/Bay Area inflation has exceeded 5% on only two occasions. Rent increases for 2023-2024 will be set at the most recent SF CPI increase of a much lower level of 2.9%. The Council should clearly note that the proposed 4% cap shifts the financial risk associated with future higher levels of inflation further to the Park business.

Regarding the Proposed Limitation of 75% of CPI

If the Council adopts the above 4% cap on rent increases, we adamantly oppose the additional 75% of CPI limitation on two grounds. First, the 4% cap provides excellent and quite adequate protection to tenants from large rent increases and makes no further protection from lower CPI increases necessary. Secondly, this limitation further erodes the ability of Park owners to maintain a reasonable degree of revenue in the face of increased costs. No business can be sustained if revenue can’t be adjusted in the face of increased costs. Our previously submitted and more extensive response reviews possible outcomes in that situation.

Regarding Vacancy Rent Adjustment

The proposed 4% cap coupled with the Park’s longtime length of stay makes it likely that at the end of a long tenancy the space rental will be well below what would be an appropriate market level. We request that

the 10% cap on rent increase at vacancy be removed and that the rent be allowed to increase to then current market level. If the Council requires quantitation, we think 15% is more appropriate. In the event of coach removal, an increase to market level would also be appropriate.

The Council should be aware of the possibility that excessive regulation of rent level could eventually lead to sale to another entity, such as a private equity firm, something now occurring throughout the country and often accompanied by restrictive rules, price changes and evictions. Alternatively, some parks may in this situation close and convert the land to other uses (the Council may wish to refer to the Petaluma Argus-Courier article dated July 21 in this regard-front page appended to this communication).

Fircrest is a family-owned Park, has been so since the early 1980s, and we earnestly hope to keep it that way. We have deep roots in Sonoma County-our parents relocated to Petaluma in 1947 and resided in a mobile home park between 1974 and their deaths. The Council should note that our family has been careful stewards of the Park and good Sebastopol business citizens, and we share the Council's concern for the welfare of our tenants. We voluntarily waived rent increases during the early months of the COVID-19 pandemic. In 2010, then Mayor Sarah Glade Gurney expressed the City's appreciation for our "...cooperation, community spirit, and understanding..." for our assistance resolving a City water problem.

We think that because the reasons for creating the current ordinance remain valid the Council's best action is to leave the ordinance unchanged.

If the Council elects to change the ordinance, we request that the Council return the draft Ordinance Amendment to staff to make the following changes:

1. Eliminate the cap on CPI increase, relying on the proposed 4% annual cap (if eventually enacted) as providing excellent and adequate tenant protection.
2. Carefully review the recitals, removing those in error and/or without adequate substantiation;
3. Regarding vacancy decontrol: if the 4% cap is enacted, and if significantly higher levels of inflation occur, rental levels may be well below relevant market levels. We request removal of the 10% cap on rental levels in the event of vacancy. If despite this the Council requires a cap we ask that it be 15%.
4. If a coach is removed and replaced, we request that the rental rate of the pad be adjusted to the then extant market level.

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2 mobile home parks threaten closure

Residents of Little Woods, Youngstown received notices after city revised its rent ordinance

By AMELIA RICHARDSON
ANGUS COLINER STAFF

Attempts by city leaders to bring Petaluma's mobile home tenant protections in line with other Sonoma County cities has led to an extreme side effect, as two of the city's largest mobile home parks are now threatening to shut down completely, potentially resulting in hundreds of local residents without

homes.

Owners of both Little Woods Mobile Villa, a 78-unit all-ages mobile home park at 1821 Lakeville Hwy., and Youngstown, a 102-unit all-ages mobile home park at 911 N. McDowell Blvd., have notified residents of their potential plans to close the parks and convert them to other uses. "There often comes a time in the life of a park that a decision

must be made as to whether it is feasible to continue operating a park when the physical improvements and infrastructure become older and costly to repair and replace, and/or the park owners conclude they can no longer economically operate the park based on measures taken by state and local government," read a July 6 letter from Little Woods Mobile Villa managers to residents.

Due to such factors, the letter stated, the owners were "considering whether it is viable to continue operating the park as

a mobile home park, and are exploring the option of converting the park."

The letter continued, "While a decision has not yet been made as to whether to close the park, the owners of the park are evaluating the option and the park reserves its rights to cease business operations and close the park."

According to residents, Little Woods' management did not provide the notice in Spanish, even though the mobile home park is used primarily by Spanish-speakers.

Little Woods Mobile Villa is managed by Harmony Communities and owned by Little Woods Mobile Villa LLC, which according to state business records lists Nick Ubaldi as the LLC's agent as of December 2022. The principal address for the owner is listed as Harmony Communities' Stockton address.

Ubaldi did not immediately respond to requests for comment.

Meanwhile, residents of

See Home, A