



**TO:** Mayor and Councilmembers  
**FROM:** Dan Singer, City Manager  
**CONTACT:** Steve Chase, Director, Planning and Environmental Services  
**SUBJECT:** Case No. 05-140-OA; Rancho Mobile Home Park Development Agreement Initiation; 7465 Hollister Avenue; APN 079-210-058

**RECOMMENDATION:**

- A. Conduct a public hearing and receive public testimony to consider whether to initiate a Development Agreement for the application to convert the Rancho Mobile Home Park to tenant ownership, and
- B. Deliberate and initiate Staff study, consideration, negotiation and drafting of a Rancho Mobile Home Park Development Agreement; or
- C. Refer back to staff if the City Council decides to take action other than the recommended action.

**BACKGROUND:**

*Rancho Mobile Home Park Application*

On September 2, 2005, Dan and Susan Guggenheim Trust, owners of the Rancho Mobile Home Park, located at 7465 Hollister Avenue (Park), filed a Tentative Tract Map (TTM) application for a land based subdivision of the Park, located at 7465 Hollister Avenue, to create 150 mobile home space lots and eight parcels to accommodate common areas, infrastructure, roadways and parking, as well as park amenities. The existing park comprises 17.84 acres and consists of one legal parcel. The park owner rents space within the park to 149 individual mobile home owners, with the remaining mobile home space that houses the onsite park manager. Roughly two-thirds of the property to be subdivided or nearly one-half of the proposed mobile home lots (73-spaces) are located within the California Coastal Zone.

After several re-submittals to address deficiencies in the application, the project was deemed complete pending payment of processing fees on June 29, 2006. Subsequent

to that determination, Staff prepared an Initial Study under the provisions of the California Environmental Quality Act (CEQA). The Initial Study was released to the applicant on August 21, 2006. The Initial Study found that the project posed the potential for significant environmental effects to occur and that staff was unaware of feasible mitigation measures to reduce such impacts to less than significant levels. As such, and pursuant to Section 15065 of the State CEQA Guidelines, the applicant was informed that to complete the environmental review of the project, an EIR would have to be prepared.

On December 18, 2006, the applicant revised the project description to change the project from a land based subdivision to a one lot subdivision for condominium purposes for the existing 150 mobile home spaces with the remaining areas of the park, including infrastructure, roadways and parking, and park amenities held in common ownership by a park lot owners association. City staff incorporated these changes to the project description into a revised CEQA Initial Study that found that, although the project description had changed, the potential environmental effects posed by the project remained the same, as did the Environmental Determination that an EIR is required to complete project processing pursuant to CEQA. The applicant was advised of these findings by letter of January 19, 2007.

The California Legislature has taken up consideration of changes to laws affecting conversion of rental mobile home parks to resident ownership that could affect the validity of the City's subdivision ordinance, which prohibits such conversion. On July 16, 2007, the City Council adopted an interim urgency ordinance imposing a moratorium on such conversions. The moratorium has been extended by the City Council to July 15, 2009.

The Park Owner has filed legal challenges against the City's rent control ordinance, adoption of a moratorium on conversions and requirement of an EIR for processing the application for conversion. The trial court ruled in favor of the Park Owner on the conversion challenges and the cases are currently on appeal. A Development Agreement will provide an opportunity to resolve the outstanding litigation.

### *Development Agreements*

Development Agreements are authorized by California Government Code Sections 65864 et seq. They are adopted as a result of negotiations between a City and a developer. The decision by a City as to whether or not to enter into a Development Agreement is a discretionary, legislative decision.

If approved, ultimately a Development Agreement would create a contract between the City and developer that identifies vested rights applicable to a particular project and may provide benefits to the City (and park tenants) that might otherwise not be exacted under the "rough proportionality" test. As a planning tool, these agreements can allow for flexibility in regulations and can provide the basis for public benefits such as infrastructure improvements and/or fee commitments.

The following are some points of information regarding Development Agreements for the Council's consideration:

- A Development Agreement provides that, for a specified time period, the rules, regulations, and policies that are applicable to a particular development will not change. (Government Code § 65866.)
- A developer, through a Development Agreement, may obligate a project to mitigations/improvements that exceed the usual legal limits on City exactions. These limits do not apply when a developer has voluntarily entered into a Development Agreement.
- A Development Agreement provides for a specified term or duration of the agreement. This means that the City may not respond to changing economic conditions by applying new regulations to a project that is controlled by a long-term development agreement. Therefore, benefits to the City must be thoroughly and carefully considered at the time of entering into the agreement. (Government Code § 65865.2)

The City is not obligated to approve a Development Agreement. The initiation of an ordinance for a Development Agreement associated with the proposed Rancho Mobile Home Park project only allows discussions to commence regarding the contents of such an agreement. The final form of any Development Agreement would follow a public hearing by the Planning Commission and would be dependent upon the City Council's review and approval at the time of the public hearing on the proposed final Development Agreement and associated permit applications.

The Development Agreement would also be subject to approval by the California Coastal Commission. (Government Code §65869.)

#### **DISCUSSION:**

The matter before the City Council is whether to initiate a Development Agreement. What that means is whether to authorize staff to expend time and resources to study, negotiate and prepare a draft Development Agreement between the City and the park owner. At a minimum, the draft Development Agreement would lead to the termination of various lawsuits between the parties, and the enactment of terms that would mutually accommodate the concerns of the City, the park's tenants and the park owner. Staff believes that an accommodation may be achieved and, therefore, that the initiation of a Development Agreement is worthy of application of Staff resources to attempt to negotiate a mutually acceptable agreement.

There are several variable factors which affect this matter. First, the applicant is entitled to due process consideration of its pending application for park conversion. The City has no alternative to processing the application and rendering a decision in accordance with the provisions of law. The revised application on file with the City was filed on December 18, 2006. Once the moratorium expires, the City is obligated to process the application in a timely manner under the provisions of the California Permit Streamlining

Act. Second, the extent of State pre-emption of local ordinances is subject to differing legal opinions. Third, the City desires to protect the interests of the tenants of the Rancho Mobile Home Park. City seeks to preserve affordable housing opportunities in the park by either supporting the tenant's desires to remain as a rental mobile home park or to secure favorable terms for the tenants that exceed minimal State law protections, should the park be converted.

Under State regulations regarding such conversions, current park tenants could choose to purchase their space at fair market value. They could also continue to rent their underlying space, subject to the following provisions of Government Code, Section 66427.5:

- Regarding lower income households, the park owner could increase the rent annually based on a four-year average of rent increases prior to conversion of the park, but in no case could such increase exceed the area Consumer Price Index. The California Health & Safety Code identifies a "lower income household" as a family unit pegged to federal Section 8 income standards. In the event that federal standards are discontinued, the identity is pegged at 80% or less of the adjusted area median income.
- Regarding other income levels of tenants, the park's owner could incrementally increase rent to market levels in equal annual increases over a four-year period upon conversion. This provision applies to moderate and above-moderate income households.

Should the City Council wish to initiate a Development Agreement, staff proposes a set of terms for consideration by the park owner and tenants (see Attachment 1). These proposed terms represent a starting point for study, negotiation and drafting of an agreement. They may be edited as a result of the public process and they may or may not be agreed to and approved over-time.

The fundamental consideration is the extent to which the proposed terms provide benefits that are above and beyond the provisions of State law. To begin with, Attachment 1 is divided into three sections: General Terms; For Sale Provisions; and Rental Provisions. Under General Terms, State law reserves the right of a tenant to choose between purchasing or continuing to rent one's space. Under the proposed terms, the City would inspect and secure corrections of any significant building and safety deficiencies prior to the conversion. Regarding For Sale Provisions, a new fair market appraisal would need to be conducted to set the baseline. The City seeks a 15% price discount on spaces for all current tenants, over a 2-year discount period from the point an offer to sell is made. The park's owner has suggested to the City that he would be willing to provide up to 15% financing of the purchase price at a 5% rate over 20-years. The City has indicated to all parties that it will make best efforts to identify additional financing from various housing programs, as funds accumulate over-time and become available for these purposes.

The core of the matter lies in the Rental Provisions. Under the City's proposed terms, lower and moderate income households at the park would be afforded the same rent control protections pegged to increases in the Consumer Price Index. That represents a considerable protection to moderate income households that is not provided by State law. Moreover, no pass through of costs to lower and moderate income households would be allowed under the City's proposed terms, such as capital expenses, hardship rent increases, special assessments or association fees.

Above moderate income households would be provided favorable conditions under the City's proposed terms as well. Their rents would not accelerate to market levels for 8-years, instead of the 4-years provided under State law. During that period of time, their rent may proportionally increase to a maximum monthly rate of \$800 per space.

**SUMMARY:**

In closing, the process of decision-making regarding a Development Agreement and the application for conversion will take at least several months. In addition to a Development Agreement, City staff would also study and process a Tract Map and Development Plan. Those entitlements would be bundled and they would undergo a due process of public review, hearing, and recommended action by the City Planning Commission, followed by possible adoption, modification or denial by the City Council. Those public hearings should occur in the first quarter of 2009. Should the City approve those entitlements, the California Coastal Commission would then hold a public hearing on the issuance of a Coastal Development Permit, sometime later in 2009. The actual conversion would likely take place in 2010, if all of the entitlements were approved and the Tract Map was recorded.

**ALTERNATIVES:**

The City Council may elect to decline to initiate the requested Rancho Mobile Home Park Development Agreement. In such case, the City will be required to process the application for conversion pursuant to existing laws which will result in foregoing the potential benefits which exceed State minimums. The timing and extent of review would be influenced by any court rulings in the pending litigation matters. If the City is unsuccessful in the litigation, failure to enter into a Development Agreement may leave the City responsible for damages to the Park Owner.

**LEGAL REVIEW:**

This report was reviewed by the City Attorney's office.

**FISCAL IMPACTS:**

The processing costs associated with the proposed Development Agreement and associated permit applications are paid by the applicant.

Submitted By:

Reviewed by:

Approved By:

\_\_\_\_\_  
Steve Chase  
Planning and Environmental  
Services Director

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Michelle Greene  
Administrative Services  
Director

\_\_\_\_\_  
Daniel Singer  
City Manager

**ATTACHMENTS:**

- 1. Proposed Initial Terms of a Development Agreement
- 2. 2007 Housing Income and Price Guidelines

**ATTACHMENT 1**

**PROPOSED INITIAL TERMS FOR CONSIDERATION OF  
A DEVELOPMENT AGREEMENT FOR  
RANCHO MOBILE HOME PARK CONVERSION TO RESIDENT OWNERSHIP**

**ATTACHMENT 1**

**INITIAL TERMS OF A DEVELOPMENT AGREEMENT  
FOR  
RANCHO MOBILE HOME PARK CONVERSION TO RESIDENT OWNERSHIP**

	<b>CURRENT RENT CONTROL PROVISIONS</b>	<b>STATE OF CALIFORNIA PROVISIONS FOR MOBILEHOME PARK CONVERSIONS</b>	<b>PROPOSED TERMS OF A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF GOLETA AND THE PARK'S OWNER</b>
<b>GENERAL TERMS</b>		The park's owner shall provide an option to each tenant to purchase or continue to rent his or her space.	Same as State.
		The park's owner is required to survey the level of tenant support for the conversion.	A survey was filed, dated April 27, 2006. An updated survey of support has been requested of the park's owner.
			The City shall inspect and the park's owner shall correct building and safety deficiencies prior to the conversion.
			The park's owner shall provide capital improvements, as yet to be negotiated, and to be listed in the Development Agreement.



	CURRENT RENT CONTROL PROVISIONS	STATE OF CALIFORNIA PROVISIONS FOR MOBILEHOME PARK CONVERSIONS	PROPOSED TERMS OF A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF GOLETA AND THE PARK'S OWNER
		The conversion is subject to the permit authority of local jurisdictions.	<p>The following land use entitlements are required for the conversion:</p> <ul style="list-style-type: none"> <li>▪ A CEQA environmental determination by the City;</li> <li>▪ A Tract Map by the City, subject to recordation by the County Surveyor;</li> <li>▪ A Final Development Plan by the City; and</li> <li>▪ A Coastal Development Permit that undergoes local review in concept by the City and decision-making by the California Coastal Commission.</li> </ul>
<b>FOR SALE PROVISIONS</b>			<p>The offering price is to be based upon a new fair market appraisal.</p> <p>A price discount of 15% is to be provided to current tenants. The discount period will extend for 2-years from the conversion.</p>

	<b>CURRENT RENT CONTROL PROVISIONS</b>	<b>STATE OF CALIFORNIA PROVISIONS FOR MOBILEHOME PARK CONVERSIONS</b>	<b>PROPOSED TERMS OF A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF GOLETA AND THE PARK'S OWNER</b>
			<p>The park's owner will provide up to 15% financing of the purchase price at a rate of 5% over 20-years.</p> <p>The City will make best efforts to provide additional financing.</p>
<b>RENTAL PROVISIONS FOR LOW INCOME TENANTS<sup>1</sup></b>	<p>An annual rent increase of 75% of the Consumer Price Index (CPI) is generally authorized.</p> <p>There is a meet and confer and arbitration process to determine the pass-through of capital and operating improvements and expenses, when the rent increase exceeds 75% of the CPI.</p>	<p>Rents may increase from the pre-conversion rate by an amount equal to the average monthly increase in rent in the four years immediately preceding the conversion, but not to exceed the Consumer Price Index (CPI).</p>	<p>Same as State.</p> <p>In addition, no pass-throughs would be allowed of capital expenses, hardship rent increases, special assessments, association fees, etc.</p>

<sup>1</sup> See Attachment B for income guidelines: [Santa Barbara County 2007 Housing Income & Price Guidelines.](#)

	<p align="center"><b>CURRENT RENT CONTROL PROVISIONS</b></p>	<p align="center"><b>STATE OF CALIFORNIA PROVISIONS FOR MOBILEHOME PARK CONVERSIONS</b></p>	<p align="center"><b>PROPOSED TERMS OF A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF GOLETA AND THE PARK'S OWNER</b></p>
<p><b>RENTAL PROVISIONS FOR MODERATE INCOME TENANTS</b></p>	<p>Same as above.</p>	<p>Rents may increase from the pre-conversion rate to market level over 4-years.</p>	<p>Moderate income tenants would receive the same terms as low income tenants.</p>
<p><b>RENTAL PROVISIONS FOR ABOVE MODERATE INCOME TENANTS</b></p>	<p>Same as above.</p>	<p>Rents may increase from the pre-conversion rate to market level over 4-years.</p>	<p>Rents may proportionally increase over an 8-year period, up to a maximum monthly rate of \$800 per space.</p> <p>Thereafter, rent may be set at market level.</p>

**ATTACHMENT 2**  
**2007 HOUSING INCOME AND PRICE GUIDELINES**

## ATTACHMENT B

### 2007 HOUSING INCOME AND PRICE GUIDELINES

Effective March 22, 2007

Based on the median family income of \$67,100 for Santa Barbara County as determined by the U.S. Department of Housing and Urban Development and Santa Barbara County's Housing Element (revised June 2002)

#### Maximum Allowable Household Incomes for 2007\* (by household size and income category)

Household Size (persons in household)	Very-Low (0-50%)	Low (above 50 – 80%)	Lower-Moderate (above 80- 100 %)	Upper-Moderate (above 100- 120%)	Middle-Median (above 120 – 150%)
1	\$23,500	\$37,600	\$46,950	\$56,350	\$70,450
2	26,850	42,950	53,700	64,400	80,500
3	30,200	48,300	60,400	72,450	90,600
4	33,550	53,700	67,100	80,500	100,650
5	36,250	57,950	72,450	86,950	108,700
6	38,900	62,250	77,850	93,400	116,750
7	41,600	66,550	83,200	99,850	124,800
8 or more	44,300	70,850	88,550	106,300	132,850

#### Maximum Allowable Sales Prices for 2007\* (by bedroom size and income category)

Number of Bedrooms	Very-Low (0-50%)	Low (above 50 – 80%)	Lower-Moderate (above 80- 100 %)	Upper-Moderate (above 100- 120%)	Middle-Median (above 120 – 150%)
Studio	\$70,500	\$112,700	\$140,900	\$169,100	\$211,400
1	80,500	128,800	161,000	193,200	241,600
2	90,600	144,900	181,200	217,400	271,800
3	100,700	161,000	201,300	241,600	302,000
4	106,900	171,100	213,900	256,700	320,800

#### Maximum Allowable Rents for 2007\* (bedroom size and income category)

Number of Bedrooms	Very-Low (0-50%)	Low (above 50 – 80%)	Lower-Moderate (above 80- 100 %)	Upper-Moderate (above 100- 120%)	Middle-Median (Above 120 – 150%)
Studio	\$500	\$700	\$910	\$1,110	n/a
1	630	880	1,130	1,380	n/a
2	750	1,060	1,360	1,660	n/a
3	890	1,250	1,600	1,960	n/a
4	1,010	1,410	1,810	2,210	n/a

\* Please note that these numbers may be subject to change March 2008