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January 30, 2012

VIA EMAIL

Chair Doreen Farr and
Members of the Board of Supervisors
County of Santa Barbara
123 East Anapamu Street
Santa Barbara CA 93101

Re: Mobilehome Park Closure Ordinance

Dear Chair Farr and Members of the Board:

I write on behalf of La Cumbre Mobile Home Park, a park that has been owned by one family for over 30 years. It has no plans to close the park.

Burden

We are concerned that the proposed ordinance, which is not in response to any proposed park closure, goes too far in imposing the burden of park closure solely on park owners. We also believe that the new requirement added by the Planning Commission that park owners pay in-place value to displaced residents—a requirement that was contrary to Staff's recommendations—is inappropriate and inherently unfair.

It is a fundamental error that both Staff and the many mobilehome park residents who have testified, only discuss compensation to individuals, not the totality of the compensation proposed. If we assume a mobilehome park of 100 homes, and an average cost to move or replace a mobile home of \$20,000, then the compensation cost to close the park will be at least \$2,000,000. That total already may exceed the value of the land—mobilehome parks are typically on marginally-valuable land—essentially depriving the owner of any ability to modify use of the property or even to simply cease operating a mobilehome park.

If, as the Planning Commission proposed, in-place value is used, and if the average in-place value is \$200,000, then the total compensation to residents arising from the closure would exceed \$20,000,000. Frankly, that is absurd.

It is also a major deficiency of the draft ordinance that it assumes that park owners should bear all of the economic burden to the residents from park closure. There are compelling arguments that the burden should be shared. Mobilehome park owners have done nothing whatsoever to cause the crisis in affordable housing. In fact, they are among the few who have done something to ameliorate it—provide affordable housing, in some cases for decades, not merely below fair market, but even well below the minimum increase in the cost of living.

Of course, there will be an economic burden to residents if a mobilehome park is closed. The County should look to all possible sources of funding, not only to park owners, to offset those costs.



It is our understanding that the State of Washington pays $\frac{2}{3}$ of the cost of park closures, utilizing funds derived from a tax on mobilehome transfers, rather than asking mobilehome park owners to bear all of the costs. Santa Barbara County also has in lieu housing funds and may have other potential sources of income to offset economic costs. It may be reasonable to ask park owners to bear *some* portion of the economic costs to residents from park closure, but not *all*. Moreover, looking solely to park owners to fund the cost of displacement also means reimbursement will be dramatically limited by state law. Park residents, above all, should urge you to rely on other sources of funding.

It is simply unfair—and therefore ultimately a matter of due process—to ask one segment of the market to bear all the costs of a problem they have not created and that they have, in fact, already substantially ameliorated.

In-Place Value

When they appeared before the Planning Commission, park residents argued that the compensation proposed by Staff was insufficient, and that in-place value should be used. Although Staff thought the requested change was not appropriate, and thought it raised potential legal concerns, the Planning Commission acceded to the residents' request. But no one quantified the costs involved.

From the testimony, it appears that in-place value of mobilehomes may be 10 times actual home value. If we use \$200,000 as the value of each mobile home, the cost for closure of the park of 100 units would be \$20,000,000! No one can argue that that is reasonable.

It is especially ironic that park residents seek more compensation from mobilehome park owners, because the park owners have not only provided affordable housing, but for decades have personally subsidized it. For 32 years our County has had rent control. It not only prohibits charging fair market rents, it has restricted rent increases to only 75% of the actual cost of living increases. The economic impact of rent control to park owners has been huge.

It is a straightforward matter of math to look at a mobilehome park with rent control for 32 years and to calculate the difference between the total income if the rent had adjusted to the full cost of living increase, versus being adjusted only to 75% of the cost of living increase. In the case of La Cumbre Mobile Home Park, taking into account the time value of money, the total housing subsidy already borne by the park owners in the form of rental income not received is approximately \$4,000,000.

The reason that *in-place* home value is so much greater than *actual* value is because rent has been kept artificially low, subsidized by the park owners. If the park owners are required to pay in-place value, they will be forced to pay twice to subsidize affordability—once to subsidize affordability by accepting rental rates below the cost of living rent, and a second time because the subsidy has made the in-place value of the homes so much greater. That is be double counting. It is inherently unfair.



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March 8, 2012

For these reasons we strongly urge you to return to the draft proposed by Staff to the Planning commission, deleting the references to in-place value.

Encouraging Manufactured Homes

It is very troubling to me—and incredibly ironic—to hear both park residents and the County talk in such effusive terms about the incredible contribution that mobilehomes make to affordable housing, but not discuss any steps to incentivize preservation of existing mobilehome housing or encourage creation of new mobilehome housing. If mobilehomes are so wonderful, why does the County not encourage and facilitate development of new mobilehome developments? Rather than encouraging additional manufactured homes, the County tends to treat mobilehomes as substandard. It can't be both ways.

The residents who are seeking such large compensation for displacement say nothing of the need for *more* affordable housing. Their testimony is directed only to the potential impact of park closure on them, not to the need for more affordable housing to help others like themselves.

Ultimately, the proposed ordinance takes a purely negative approach, in that it seeks to discourage park closure by making it costly to park owners. But it does nothing to incentivize preservation of existing mobilehome parks or to encourage creation of additional mobilehome park housing.

The mobilehome industry, which government praises in glowing terms as invaluable, is dying because government legislates against it. The proposed ordinance furthers that process. No one who has undeveloped land would ever consider creating a mobilehome park with the threat that they will face such draconian costs should continuation or repurposing ever be advisable.

If the County is going to adopt an ordinance regulating the closure of mobilehome parks, it should only do so in the context of simultaneously reviewing County policies that discourage preservation and prevent creation of mobilehome parks as a component to meeting the affordable housing challenge.

Sincerely,

Derek A. Westen
Attorney at Law

cc. La Cumbre Mobilehome Park
Jeff Hunt, Director
Paul Clementi, Associate Planner