

AGENDA REPORT

March 3, 2003

**TO: HONORABLE CITY COUNCILMEMBERS
HONORABLE HOUSING AUTHORITY COMMISSIONERS**

**FROM: CITY MANAGER/EXECUTIVE DIRECTOR *et al*
By: Lisa Heep, Community Development Director**

**SUBJECT: PROPOSED LEASES FOR PARK LA HABRA AND
VIEW PARK MOBILEHOME PARKS**

SUMMARY RECOMMENDATION:

Request for approval of proposed new leases to include a 5% annual rent increase for Park La Habra and View Park Mobilehome Parks.

DISCUSSION:

The oldest existing leases at Park La Habra and View Park Mobilehome Parks are due to expire at the end of February. New leases (Attachment A) were prepared by Santiago Property Management Company and were modeled after the existing leases. The only changes suggested after legal counsel review, were minor in nature to comply with California Law. There was also a wording change to make it easier to collect charges for late and non-sufficient fund charges by deeming them liquidated damages. Several additions were made to the section regarding arbitration that were necessary in order to prevent litigation.

The draft leases were sent to the residents for their review. A meeting was held on February 11, 2003, to review and discuss the leases with the tenants. Over 110 residents representing both parks were in attendance at the meeting. City staff included Martin Pastucha, Director of Public Works and Lisa Heep, Community Development Director. Representatives from Santiago Management Company were also in attendance. The meeting agenda included a presentation by the Director of Public Works on the City's plans for the improvements to the streets and water lines and a review and discussion on the proposed leases by the Director of Community Development.

The new leases proposed a 5% annual rent increase over the term of the lease which was proposed at ten years. The recommended annual rent increase amount of 5% is projected to gradually improve the financial condition of the mobilehome parks and to minimize the burden on the general fund for its operations. A series of projections were conducted and analyzed

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which show that both parks will continue to suffer operating losses unless revenues are increased at a steady pace. The proposed capital improvements to the parks will also affect the cumulative fund balance for the parks once the improvements are implemented.

Based on the concerns expressed by the residents at the meeting regarding the financial hardship that will be caused with the proposed rent increases, Finance staff analyzed projected revenues, expenses and changes in fund equity over a 10 year period using various rent increase scenarios. The residents suggested that the Housing Authority consider no increase or at most a 2% rent increase until all the improvements have been completed at the parks. The projections prepared by Finance included an estimate of \$1.0 million for the proposed capital improvements. Beginning in year 2002-03, a 2% annual rent increase will result in a negative fund equity balance of \$782,766 and gradually continue to escalate for 10 years as shown on Attachment B. The same trend will occur with a 2.5%, 3%, and 3.5% increase as shown on Attachments C, D, E, respectively. Using a 4% increase over a 10-year period, a positive fund equity ending balance is realized in year 10 (Attachment F). Using a 4.5% rent increase projection, a positive fund equity ending balance is realized in year 9 (Attachment G). With the proposed 5% rent increase, a positive fund equity ending balance will be realized in year 8 (Attachment H). As illustrated in the projections, the higher the rent increase, the sooner a positive fund equity balance will be realized.

While staff recognizes the Housing Authority's need for additional revenue for the operation of the mobilehome parks, it also recognizes the hardship that may be caused to individuals on fixed incomes. Park La Habra residents have retained the law firm of Goldstein & Ward to address their concerns regarding the proposed lease agreement. As articulated at the February 11, 2003 meeting at the View Park Clubhouse, Park La Habra residents are concerned that increases in their fixed income benefits will not keep pace with the mandatory increases in their rent. The correspondence received by Goldstein & Ward (Attachment I) and individual letters from residents expressing their opposition to the rent increases are attached to this report (Attachment J).

To mitigate the financial hardship that may be suffered by some residents due to the proposed rent increases, staff recommends the establishment of a rent subsidy program to off-set the housing costs for low-income individuals or households. It is important to note that pursuant to the bond requirements, 20% of the park must be affordable to persons or families of low income although there are no restrictions on the rents. A rent subsidy program to assist low-income households with space rent was established prior to the Housing Authority's purchase of the parks. Although new applications are not being accepted, currently, Park La Habra still has 1 resident that receives a total monthly credit of \$61.63 or \$740 per year, while View Park has 5 residents that receive a total monthly credit of \$286.55 or \$ 3,438 per year. The total credit for both parks is \$4,178 per year. If the rent subsidy program were to be expanded, it is proposed that the program be funded with Housing Set-Aside funds and that it be modeled after the Section 8 Program. The City of Covina has been operating a similar on-going program. The current fair market rent for manufactured housing as established by HUD is \$532 per month. Although rental subsidy program guidelines have not been established for La Habra, staff estimates that a subsidy to approximately 20% of the spaces or 50 units will cost roughly

\$65,500 per year. This figure is just an estimate and does not take into consideration individual incomes or qualifying criteria. Additionally, the application of the proposed program to 20% of the units is also an estimate since there may be more individuals requiring assistance. The definition of low-income is a household earning less than 60% of area median income adjusted for family size. For example, a household of one (1) must earn less than \$29,400 to be considered low income.

To address the need for emergency repairs for damages caused by weather conditions or other catastrophic events, Staff recently submitted an application under the CDBG program proposal process to establish a program that helps lower income individuals with grant funds to assist with emergency repairs. Currently, the existing Home Improvement Loan program extends to mobilehome parks.

Staff further recommends an annual evaluation of area mobilehome park rents to verify that the rent increases are consistent with the market. Staff recently completed an informal survey of area mobilehome park rents dated February 1, 2003. Based on the annual increases that each mobilehome park proposes on an annual basis, the annual rent increase amounts were projected for 10 years and compared against the 5% rent increases that are proposed for La Habra. This projection concluded that View Park Mobilehome Park is 1 percent below the average mobilehome park rents for the area and Park La Habra is 7.6 percent below the average (Attachment K). Since the bonds require that 20% of the park be affordable to persons or families of low income, it is important to conduct an annual evaluation to verify that the housing costs continue to be affordable to the lower income households. Caution must also be used to ensure that rents do not exceed beyond market levels as this could result in vacancies in the parks that would further negatively affect the fund balance of the parks.

The term of the leases was also raised as a concern at the meeting and it was also discovered that some individuals have 10 year leases while others have 15 year leases. Although longer term leases allow the Housing Authority to project revenues over a longer period of time, there are also benefits for instituting a shorter term lease. One item to consider is that a longer term lease locks the Housing Authority in should market rents increase beyond the 5% cap. Alternatively, should market rents not increase and thus the 5% rent increases are not instituted, a 10 year lease locks the Housing Authority into a longer term deficit. Additionally, the Utility User Tax will sunset in 4 years and a shorter term lease will allow the Housing Authority another opportunity to evaluate the financial condition of the mobilehome parks at that time in light of the potential need for general fund subsidies. The residents were also concerned that those with 15 year leases will be requested to relinquish their existing leases to enter into new ones. This is not the case since only expiring leases will be replaced with new ones. The tenants also requested shorter term leases such as five years.

In addition to the concerns raised regarding the proposed leases other issues were raised at the meeting that have resulted in minor changes in the leases. The revisions include the elimination of Security Deposits; Guest Charges are only for non-family members and will be at \$30 per month; the inclusion of an assumption clause to enable new buyers to assume existing leases; and, a change from a 60 to 30 day noticing requirement for Extension/Renewals. Staff also

researched a question that was raised about the status of a vacant lot adjacent to Park La Habra. Property records show that the Housing Authority does not own the vacant parcel. Lastly, staff is researching a request by the residents for the establishment of a program to eliminate dilapidated coaches to prevent them from being resold rather than being replaced.

FISCAL IMPACT:

A rent increase of 5% will improve the financial condition of the parks by eliminating the annual operating losses, providing funds for the repayment of the loan from the Housing Authority for the improvements to the mobile home parks and reducing the possible necessity of a General Fund subsidy of the mobile home parks. A rent increase less than 5% will result in operating losses for a longer period of time and will increase the potential requirement of a General Fund subsidy of the mobile home parks. The attached projections illustrate the impacts of these rent increases.

RECOMMENDATION:

Recommend Housing Authority approval of new leases for Park La Habra and View Park Mobilehome Parks with 5% annual rent increases over a 5 year lease term with the condition that the 5% increase not be instituted should rents exceed the average area rents by 15%, in which case, the rent increase would be based on the annual CPI adjustment factor. Staff proposes to conduct an annual rent survey prior to implementation of the 5% rent increase to ensure that the proposed rent amount does not exceed market rents.

- ATTACHMENTS:**
- Attachment A - New Leases (Park La Habra and View Park)
 - Attachment B - 2.0% Projections
 - Attachment C - 2.5% Projections
 - Attachment D - 3.0% Projections
 - Attachment E - 3.5% Projections
 - Attachment F - 4.0% Projections
 - Attachment G - 4.5% Projections
 - Attachment H - 5.0% Projections
 - Attachment I - Letter from Law Firm of Goldstein & Ward
 - Attachment J - Complaint letters (5)
 - Attachment K - Mobilehome Park Rent Increase Projections
 - Attachment L - Mobilehome Park Rent Survey

2. Consider new proposal and authorize City Manager to execute a 5-year contract with Shamrock Shows for annual "I Love La Habra Days" event scheduled for April 4- 6, 2003.

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City Manager Bridenbecker reported that staff is recommending a 5-year contract with Shamrock Shows to provide carnival rides, games, and power for the annual fair. He reported that the contract provides for revenue sharing between the City and the contractor which is more equitable to the City than in prior years.

Councilmember Simonian asked if the contract provides language that will allow the City to terminate the contract due to lack of performance, or lack of equipment maintenance or revenue. He stated multiple year contracts are not feasible in this economic environment.

City Manager Bridenbecker suggested the contract be converted to the standard contract used by the City which provides for termination provisions and insurance requirements. He stated that all cash is handled only by City staff.

Following discussion, it was **MOVED** by Councilmember Simonian, seconded by Councilmember Anderson and **CARRIED 4-0 TO PREPARE A FINAL CONTRACT ON THE CITY'S STANDARD CONTRACT FORM, INCLUDING LANGUAGE REGARDING TERMINATION OF CONTRACT, FOR COUNCIL CONSIDERATION ON MARCH 17, 2003.**

Said motion **CARRIED** by the following roll call vote:

AYES: COUNCILMEMBERS: GOMEZ, ANDERSON, SIMONIAN, GARCIA
 NOES: COUNCILMEMBERS: NONE
 ABSTAIN: COUNCILMEMBERS: NONE
 ABSENT: COUNCILMEMBERS: ESPINOZA

3. Receive and file status report on grant application for Orange County Branch Library Project.

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(SEE ACTION TAKEN ON PAGE 7 ABOVE.)

ADJOURNED REGULAR JOINT MEETING WITH THE LA HABRA HOUSING AUTHORITY

Call to Order: Mayor/Director Garcia called the joint meeting to order at 9:05 P.M. All members were present except for Mayor Pro Tem/Director Espinoza who had an excused absence.

4. Consider approval of new leases for Park La Habra Mobile Homes and View Park Mobile Estates to replace existing leases (1731 and 1750 W. Lambert Road).

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Director of Community Development Heep addressed the City Council/Housing Authority as follows:

"Good evening Mayor and Members of the Council and Housing Commissioners.

The item before you tonight is the request for approval of adoption of new leases for the Park La Habra and Viewpark Mobile Home parks and accompanying rent increases.

As you are aware the Housing Authority is in the unique position of owning two mobile home parks. As the landlord, the City/Housing Authority, like all landlords is in the position of having to meet its "mortgage payments" (which in our case are bonds) and operating expenses, which includes capital expenditures, maintenance and management costs. Like all landlords we have to ensure that we meet our expenses and we do this, like all landlords do, by structuring the rents we charge our tenants to cover those costs.

The finance department has done an analysis that shows when the mobile home parks were purchased in 1992, the Mobile home fund began with a balance over \$1.4 million dollars. This came from \$300,000 that was seed capital from the mobile home fund when the bonds were issued. In addition, in that first year the fund made over \$1.1 million dollars because the way the purchase was structured the principal payment was not due that first year. Every year after that however, up until 1998 the revenues from the parks have not covered expenses and the parks have lost money. In 1998-99 the parks were refinanced. Because the debt refinancing resulted in a lower but ascending debt payment, after that first year the parks again continued to lose money every year. The money they have lost however has been made up out of the mobile home fund that started with the \$1.4 million balance. Thus all of these losses have been borne by the mobile home fund and not from the general fund of the City. Through fiscal year 01-02 the mobile home fund lost \$1,123,096 reducing the balance to \$294,675. Once the cash balance in the mobile home fund drops below zero, the general fund is required to provide a cash subsidy.

The funds for the capital improvements that are needed to repair the water lines and streets are currently estimated at \$1 million, and will be in the form of a loan from the Housing Authority to the mobile home fund. Inclusion of the costs of these improvements on the balance sheet of the mobile home fund will result in a deficit which must be paid back by the mobile home fund, otherwise the result is a subsidy of the parks and restrictions based on the source of the revenue.

We have provided you a number of charts in your packet that show how long the parks would continue to lose money based upon various rent increase scenarios. Implementing rent increases of 2%, 2.5%, 3% and 3.5% will result in a negative fund equity which would continue to escalate for 10 more years. Using a 4% increase a positive fund balance would occur in year 10; using a 4.5% increase it would occur in year 9. A rent increase of 5% will result in continued annual losses only through the current fiscal year but the ongoing deficit will be \$727,906 and will be paid off in fiscal year 09-10, which is year 8.

Because the City owns these parks, the people who live there represent both our tenants and the residents that the City governs. This puts the City into a unique situation because when other landlords raise their rents, public meetings are not held during which the residents can voice their opposition like there is in this case, nor is there the expectation or perception that the landlord has other sources to subsidize the rents if they wanted to.

From the tenants' perspective we recognize that these parks offer a 'difficult to find' opportunity in Orange County which is an affordable location to live. Furthermore, it offers this in a way that is comparable to a single family neighborhood, in that the residents own the structure they live in and do not share walls or hallways with other residents. The difference of course is that they do not own the land upon which the structures sit.

We also recognize that the reason many of the tenants have moved and stayed in the parks is because of their affordability, and because of the fact that many of the tenants are on some sort of fixed income or income which does not increase much from year to year. Thus the very idea

of any rent increase is a difficult one if one's income isn't projected to increase in line with those rent increases.

City staff held a meeting with the residents of the parks to explain the proposed new leases and proposed rent increases. Approximately 110 residents from both parks attended the meeting. In the agenda packets are a number of letters received in opposition to the rent increases, as well as a letter filed today with the City Clerk's Office (from Wilma and Mark Watson). We also gave the residents an update on the planned improvements to the streets and water lines. Based on the input from this meeting and from the correspondence we received we did alter our recommendations to try to assist the tenants where we felt there was some room to do so. It is also important to note that many of the residents have expressed their frustration saying that they were led to believe that when the City purchased the parks it did so to ensure that they remain affordable, and that in fact the rents were somehow going to be capped, and the bonds restricted to how much rent we could charge. So upon hearing that the rents are not restricted and that the City intends on raising the rents has come as quite a shock to many of the tenants. In fact, many of the residents questioned why they had not been told that the park was restricted as a low income park, and why their incomes were checked to ensure they qualified as low income.

What we discovered is that the bonds require 20% of the spaces to be rented to low income individuals and this is why people's incomes were checked to ensure that this bond requirement was being met. But it didn't impose any restriction on what the rents could be. Now logically we know if we raise the rents too high, low income individuals and families won't be able to afford to live there. We also realize that if we raise the rents beyond what the market will bear, the tenants will move, regardless of their income, and we will be left with vacancies which will hurt our ability to make those bond payments. But without rent levels that cover our expenses we have two choices: to go into default on our bonds or find other money to subsidize the parks. Since defaulting on our loan is not an option, we looked into what options exist for other sources of funding. If we use housing set aside funds to restrict the rents on specific units, or to pay for any infrastructure improvements such as the water lines or streets, we are then required to maintain rents that are restricted to low income individuals for 55 years. Not only does this tie our hands and commit future funds we may or may not have for such a long period, it also restricts any future potential buyers of the parks. It could also lead to evictions of those that don't qualify as low income. If we use general fund money to subsidize the rents, then what we would be asking the Council to do is to ask the other residents of La Habra to help pay the rents of these tenants and perhaps even for tenants who wouldn't qualify as low income.

We considered our goal then in coming up with these new leases to structure the rents in such a way that we are not spending general fund taxpayer dollars to subsidize the rents, that we not go into default on our obligations, and that we pursue and utilize any funds we either have or could apply for to set up a program for those individuals and families that do qualify as low income to help pay their rent.

The Council and Housing Authority sit with two different sets of hats on tonight. As the landlord of a piece of property you sit as business people who have an investment that you must insure that you both maintain and make sound financial decisions to operate. If a private property owner fails to make their mortgage payments, their property is foreclosed; in our case, if we default on our bonds it would prevent us from issuing debt again for any future City project.

As Council Members and Housing Authority Commissioners you must wear two hats and consider the interests of the residents of the mobile home park and the residents who pay taxes that don't live there.

With these goals in mind, staff's recommendations are as follows:

1. We recommend that the new leases be for 5 years instead of the previous leases which were for 10 and 15 years and instead of the 10 that was originally proposed. We propose this for a number of reasons. One, the residents expressed their discontent at such a long lease period due to increasing rents, and because they felt it hampers their ability to sell their homes. Secondly, if the City/Authority are going to consider continuing to operate the parks at a loss, we don't want to lock ourselves in for too long of a period, especially given that the utility users tax is due to expire in 4 years.
2. We recommend that the leases include a provision that annually the rents shall increase by 5%. If this results in the rents exceeding the average rents of the surrounding mobile home parks identified in the survey included in your agenda packet by more than 15%, then the rent increases would be limited to the CPI.
3. We recommend that the requirement for security deposits be eliminated.
4. That the charge for additional tenants be imposed only for non family members
5. Staff is no longer recommending that the lease include an assumption clause to enable new buyers to assume the existing leases.
6. That we change the notice requirements for any extensions or renewals to 30 days.
7. We also recommend that staff be directed to come back with a proposal to expand the current rent subsidy program to ensure that there are sufficient funds to subsidize the rents for 20% of the residents in the parks that qualify as low-income. Our recommendation is to utilize housing set aside funds to subsidize the tenants, not the units; therefore it would not restrict the units to remain affordable housing for 55 years. It is also our recommendation to apply for home funds during the next year's funding cycle to obtain grant funds to subsidize this program with rental subsidies.

The Finance and Public Works Directors are also available should you have any questions of us."

Councilmember/Director Simonian confirmed that the Governor is considering cutting set-aside funds from the State budget.

Ms. Heep stated that based on a survey of surrounding mobile home parks, Viewpark rents are 1% below the average, and Park La Habra fell 7.6% below the average rents.

Housing/Redevelopment Manager Troncoso Koos stated that Viewpark has 1 vacant lot and 4 vacancies; and Park La Habra has 1 vacant lot and 2 vacancies. She added that there are a total of 250 spaces between both parks.

Mayor/Director Garcia opened the public hearing. He requested that speakers avoid redundancy and to limit their comments to five minutes each.

Jonathan Goldstein, Goldstein and Ward, Inc. 440 E. La Habra Boulevard, La Habra, addressed the Council regarding Exhibit I to the staff report which was a letter dated February 25, 2003 from Douglas Plazak. Mr. Goldstein stated the residents of Park La Habra need the City's assistance due to fixed incomes, disabilities, and low incomes. He stated the residents cannot afford a rent increase, especially when social security and disability incomes only provide a cost of living increase of 2% per year. He stated a 5-year lease providing at 5% increase per year results in a 25% increase in rent at the end of the five year period. He stated the City is a landlord of a special situation, and increased rents will result in vacancies and reduced income to the City. Mr. Goldstein stated the agenda report refers to subsidizing rents with HUD housing set-aside funds, however there is no guarantee the funds will be acquired, and the City's recommendation is to implement a 5% rent increase immediately. He suggested tying in a rent increase of 2% - 3% with available federal funding. He stated the residents are deserving of the City's help due to their long-term residency.

Dwayne DeNolf, 1730 W. Lambert Road, #65, La Habra, CA, stated that HUD has set aside \$532 per month for manufactured homes, however, the current rents exceed that amount. He stated a 5% rent increase will be devastating and will result in vacancies. He stated tenants will try to sell their homes if there is a rent increase, however that becomes difficult because the parks have deteriorated. Mr. DeNolf stated the other parks used in the comparison study are 5-star rated parks, which is not feasible since the two La Habra parks are "non-rated" parks. He noted the residents have waited nine years for the City to make repairs at the parks.

Diane McNerney, 8779 Orange Street, Alta Loma, CA, addressed the Council/Authority on behalf of her mother who resides at Park La Habra. She stated her mother is on a fixed income and cannot obtain HUD assistance for two years. She stated a 25% rent increase over a 5-year period is not fair or justified for the elderly, low income or handicapped. She added cost of living is only 2%. She stated the City has invested very little in the parks. With respect to the park survey, she stated the park is not a 5-star park and it is not receiving equitable services provided at other 5-star parks. She asked the City not to force the residents out of their homes, and suggested a 2% increase over a 10 year period.

Vern Raddatz, 1731 W. Lambert Road, #39, La Habra, addressed the Council/Authority. He stated he has lived in the park for 37 years and has seen vacancies go up and down over the years. He stated as rents increase, the value of the homes decrease. He stated it is very expensive to move the mobile homes as well. He stated the City made a mistake years ago when it purchased the parks and now the residents are paying for the mistake. He stated a 5% increase is too much and exceeds cost of living increases. He asked the Council/Authority to reduce the increase to a reasonable amount to assist the tenants and to prevent vacancies.

By show of hands, in response to the Mayor, a majority of the audience indicated they were in opposition to a 5% rent increase.

Dwayne DeNolf noted that some residents are on 10-year or 5-year leases that are soon to expire, and they are opposed to signing a month-to-month lease.

Mary Ann Lopez, Park La Habra resident, stated she did not know the park was considered low-income housing. She stated she placed a new home in the park and has improved her home with landscaping, and is encouraging other residents to do the same. She stated she does not see the ability to sell her home in the future based on the lease terms providing no cap, and the City's financial situation relative to the parks. She stated she has played a role in reactivating the HOA and encouraging the residents to take pride in the properties. She stated she is aware of residents who will be selling their homes.

Vern Raddatz stated he is opposed to a month-to-month lease. He also requested that the City include the residents in future discussions regarding the leases.

Diane McNerney asked if the park is considered a low-income park. Mayor/Director Garcia stated he believes the parks as a whole are not "low-income" parks, however when the parks were purchased it was felt they would assist low-income individuals during a time when home values were skyrocketing. For the record, Mayor/Director Garcia stated he took office during the latter stages of when the City purchased the parks.

Marilyn Bassford, 1731 W. Lambert Road, #10, La Habra, and a member of the former La Habra Civic Improvement Corporation, addressed the Council/Authority. She addressed several clauses presented in the lease. With respect to 5.3.b, she confirmed that the City does pay property taxes on the parks. She asked if it was the City's intention, per paragraph 5.3.B., to assess the mobile home residents for the removal of slopes fronting the parks at the time

Lambert Road is widened to accommodate left turn lanes at Beach Boulevard. She stated that insurance rates are rising, and in relation to 5.3.D, asked what the City's intent is with respect to pass-through costs. She stated she is concerned with the uncertainty of not knowing what pass-through costs will be implemented. She queried how an advisory committee will know when to request insurance rate quotes or notices for any rate increases. She stated that section 5.3.F is an open check book with no controls on pass-through of operating expenses. She also inquired if the highest rent would be charged to a new homeowner upon transfer of a lease.

Marilyn Bassford stated per section 6.1., she has a handwritten agreement written by former City Manager Lee Risner in which he agrees to grandfather an exemption for payment of trash, sewer and water, to those residents who lived in Park La Habra at the time the City purchased the park. She stated that provision is written into the current leases of those particular residents. She added the agreement also provides that should a water meter be installed at their space, the base rent would be reduced in the amount of \$9.00 per month. She recommended the grandfather clause be honored.

City Manager/Executive Director Bridenbecker stated staff is not aware of the grandfather clause raised by Ms. Bassford.

Ms. Bassford suggested a provision for caregivers re: section 14 of the lease. Regarding section 16.1.A., she requested that business activity that does not draw visitors to the site be allowed with approval of the management company. Per 16.1.B., she stated there are some instances of subleasing in the parks.

John Dire, Park La Habra, #88, La Habra, addressed the Council. He requested the City Council visit the parks and compare them with surrounding parks with respect to quality and amenities.

Roy Oak, Park La Habra, #38, commented on the poor condition of the streets in the park, and suggested they be totally repaved versus a slurry coat.

City Manager/Executive Director Bridenbecker stated the improvement plans are being designed and will be back to the Council for review.

There being no further comments, the public hearing was declared closed.

Councilmember/Director Simonian stated the situation before the Council/Authority is a difficult one. He stated the City is planning on repairing the roads and other infrastructure issues, and wants the citizens to live in a quality environment. He stated he is unaware of how the parks compare to surrounding parks. He stated he does not think the City paid too much for the parks or if the transaction was a bad deal as was testified. He stated he is uncomfortable that the City owns property that should be owned by the private sector. He stated he does not know how the government can voluntarily subsidize rents for some and not others. Mr. Simonian stated the parks are considered affordable housing even with a 5% rent increase. He understands that if the rents are raised above value, vacancies will result. He stated the rents should not go 15% above the average, and a survey should be built in. He suggested considering a three year lease versus a five year lease. He asked staff to work with Marilyn Bassford regarding her comments.

Councilmember/Director Gomez stated he visited the parks and agrees that repairs are needed. He stated the City has no business being in the mobile home park business. He recommended a 3% increase until the repairs are complete (water line, sewer and streets) and then reevaluate the leases to consider the 5% increase.

City Manager/Executive Director Bridenbecker stated that repairs should take place between July and October, 2003.

Councilmember/Director Anderson stated he has met with Vern Raddatz in the past and agrees that repairs are needed in both parks. He stated throughout the City many streets are in need of repair, and that too must be considered in terms of equity and the idea of subsidizing rents. He stated he agrees the City should not be in the mobile home park business, and feels the City paid too much for the parks. He stated if the rents are not increased, there will be no funds to do repairs other than General Fund monies, which means all La Habra residents would be subsidizing the parks.

Mayor/Director Garcia stated he has visited both parks and agrees that capital improvements are needed. He stated he has also visited other parks in the area, and agrees the comparison is not equitable. He asked that other comparisons be made with parks that are similarly situated with similar demographics. He stated it is not right for all La Habra citizens to make up for the lack of funds relative to the parks. Mr. Garcia stated he is concerned that a 5% increase over a five year period will result in vacancies that would be difficult to fill. He stated he would consider a 3 to 3.5% rent increase up to a 3-year lease, including a look at the issues raised by Ms. Bassford.

City Manager/Executive Director Bridenbecker stated that a 3% rent increase would result in the fund remaining in a deficit situation.

MOVED by Councilmember/Director Simonian, seconded by Councilmember/Director Anderson and CARRIED 4-0 TO APPROVE THE NEW LEASES FOR PARK LA HABRA AND VIEW PARK MOBILEHOME PARKS WITH UP TO A 5% ANNUAL RENT INCREASE OVER A 3-YEAR LEASE TERM WITH THE CONDITION THAT THE 5% INCREASE NOT BE INSTITUTED SHOULD RENTS EXCEED THE AVERAGE AREA RENTS BY 15%, IN WHICH CASE, THE RENT INCREASE WOULD BE BASED ON THE ANNUAL CPI ADJUSTMENT FACTOR. DIRECT STAFF TO CONDUCT AN ANNUAL RENT SURVEY PRIOR TO IMPLEMENTATION OF THE 5% RENT INCREASE TO ENSURE THAT THE PROPOSED RENT AMOUNT DOES NOT EXCEED MARKET RENTS, AND THE SURVEY IS TO INCLUDE VACANCY FACTORS. IF THE INFRASTRUCTURE IMPROVEMENTS ARE NOT COMPLETED AFTER THE SECOND YEAR OF THE LEASE, THE MATTER SHALL BE REFERRED BACK TO THE COUNCIL/AUTHORITY BEFORE THE RENT INCREASE FOR THE THIRD YEAR OF THE LEASE MAY BE IMPLEMENTED. STAFF TO WORK WITH RESIDENT MARILYN BASSFORD RELATIVE TO HER COMMENTS REGARDING THE LEASE PROVISIONS.

Said motion CARRIED by the following roll call vote:

AYES: COUNCILMEMBERS/DIRECTORS: SIMONIAN, ANDERSON, GOMEZ, GARCIA
 NOES: COUNCILMEMBERS/DIRECTORS: NONE
 ABSTAIN: COUNCILMEMBERS/DIRECTORS: NONE
 ABSENT: COUNCILMEMBERS/DIRECTORS: ESPINOZA

VIII. COMMENTS FROM STAFF: None

IX. COMMENTS FROM COUNCILMEMBERS:

