

SENATE JUDICIARY COMMITTEE
Senator Hannah-Beth Jackson, Chair
2019-2020 Regular Session

AB 2895 (Quirk-Silva)
Version: May 22, 2020
Hearing Date: August 18, 2020
Fiscal: No
Urgency: No
TSG

SUBJECT

Mobilehome parks: rent caps

DIGEST

This bill takes the essence of the statewide anti-rent gouging provisions enacted last year in AB 1482 (Chiu, Ch. 597, Stats. 2019), which limited annual rent increases for many residential tenancies to five percent plus inflation up to a maximum of 10 percent, and applies those same basic rules to mobilehomes. The bill also applies AB 1482's statewide just cause for eviction laws to tenants who are renting a mobilehome from the mobilehome park.

EXECUTIVE SUMMARY

Last year, California enacted landmark legislation that, for many residential tenancies across the state, required landlords to have and to state a lawful cause in order to evict tenants and capped rent increases at five percent plus inflation, up to a hard ceiling at 10 percent. Amendments taken in this Committee exempted mobilehomes from that legislation due to the unique circumstances involved in the mobilehome context, where the resident frequently owns the mobilehome itself, but rents the land beneath it from the park. As a result of those amendments, mobilehome residents are largely protected against sudden rent spikes where local rent control applies, but mobilehome residents in other parts of the state do not have the same protections that conventional residential tenants enjoy. This bill would, in essence, bring mobilehomes under the umbrella of AB 1482's anti-rent gouging protections while making it clear that more protective local ordinances, where they exist, still apply. The bill would also extend AB 1482's just cause for eviction requirements to tenants renting a mobilehome from the mobilehome park.

The bill is author-sponsored. Support comes from tenant advocates, affordable housing supporters, and some mobilehome residents. Opposition comes from mobilehome park owners, who believe rent control infringes upon their property rights and is ultimately harmful to park residents, and from some mobilehome owners who contend that rent caps as high as those in this bill, on aggregate, harm mobilehome owners more than they help.

PROPOSED CHANGES TO THE LAW

Existing state law:

- 1) Establishes the Mobilehome Residency Law (MRL) which regulates the rights, responsibilities, obligations, and relationships between mobilehome park management and park residents. (Civ. Code § 798, *et seq.*)
- 2) Requires mobilehome rental agreements to be in writing and to include certain information including the length of the tenancy, the rent, and the rules and regulations of the park. (Civ. Code § 798.15 *et seq.*)
- 3) Requires park management to provide a homeowner written notice of any increase in rent at least 90 days before the increase takes effect. (Civ. Code § 798.30)
- 4) Prohibits a mobilehome owner from charging a renter or sublessee more than the amount necessary to cover the cost of space rent, utilities, and scheduled loan payments on the mobilehome, if any. (Civ. Code § 798.23.5(c).)
- 5) Sets forth the exclusive grounds upon which a mobilehome park may terminate the tenancy of a mobilehome owner including, among others, nonpayment of rent, breach of the terms of the lease, and closure or conversion of the park. (Civil Code Section 798.56.)
- 6) Establishes the Tenant Protection Act of 2019 which applies to specified rental agreements for residential real property and includes the following provisions:
 - a) limits gross rent increases in a 12-month period to the lower of five percent plus the change in the cost of living or ten percent (Civ. Code § 1947.12);
 - b) creates eviction protections which require landlords to have and to state a “just cause” for terminating a tenancy (Civ. Code § 1946.2); and
 - c) exempts certain properties from its provisions, including units built in the last 15 years, tenancies which have not lasted at least 12 months, units subject to a more protective local measure, and single-family homes and condominiums unless owned by a real estate trust or corporation. (Civ. Code §§ 1947.12 and 1946.2.)
- 7) Establishes rules and processes regarding the hiring of real property, including hiring of a dwelling unit for purposes of tenancy. (Civ. Code §§ 1940-1954.5)
- 8) Provides that upon the declaration of a state of emergency by specified entities, and for a period of 30 days following that declaration, it is unlawful for a person, contractor, business, or other entity to sell or offer to sell certain goods and services, including housing, for a price of more than 10 percent above the price charged by

that person for those goods or services immediately prior to the proclamation of emergency. (Pen. Code § 396(b).)

This bill:

- 1) Makes a series of findings and declarations regarding the importance of mobilehomes as a source of affordable housing for vulnerable populations in California and the importance of rent control for maintaining that affordability.
- 2) Prohibits the management of a mobilehome park from increasing the gross rental rate for a tenancy more than five percent plus the percentage change in the cost of living, or 10 percent, whichever is lower, of the lowest gross rental rate charged for the immediately preceding 12 months. Provides that management shall not increase the gross rental rate in more than two increments over any 12-month period.
- 3) Defines “percentage change in the cost of living” as the percentage change from April 1 of the prior year to April 1 of the current year in the regional Consumer Price Index for the region where the mobilehome park is located, as published by the United States Bureau of Labor Statistics. If a regional index is not available, the California Consumer Price Index for All Urban Consumers for all items, as determined by the Department of Industrial Relations, applies.
- 4) Provides that park management may establish the initial rental rate upon a vacancy, unless the local agency or jurisdiction has adopted an ordinance, rule, regulation, or initiative measure that limits the allowable rental rate for a new tenancy, in which case that ordinance, rule, regulation, or initiative measure shall apply.
- 5) Specifies that the provisions of this bill does not apply to a tenancy for any of the following:
 - a) a mobilehome space restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code, or subject to an agreement that provides housing subsidies for affordable housing for specified persons and families;
 - b) a mobilehome space constructed and maintained in connection with any higher education institution within the state for use and occupancy by students in attendance at the institution;
 - c) a mobilehome space subject to any ordinance, rule, regulation, or initiative measure that restricts annual increases in the rental rate to an amount less than five percent plus the change in the cost of living during a 12-month period; and

- d) a mobilehome space within a resident-owned mobilehome park, as defined in Civil Code Section 799 to be any entity other than a subdivision, cooperative, or condominium for mobilehomes, through which the residents have an ownership interest in the mobilehome park.
- 6) Provides that the requirements of the bill shall apply to all rent increases occurring on or after February 20, 2020. Specifies that the bill's rent cap provisions become operative on January 1, 2021.
- 7) Provides that nothing in this bill affects the authority of a local government to adopt or maintain an ordinance, rule, regulation, or initiative measure that establishes a maximum amount that may be charged for rent. However, if a local ordinance, rule, regulation, or initiative measure allows for a rental rate increase greater than this bill's provision would, this bill's requirements apply.
- 8) Provides "just cause" eviction protections under Civil Code Section 1946.2 for a lease where the tenancy is in a mobilehome, but the tenant is not the owner of a mobilehome, with specified changes.
- 9) Sunsets the provisions of the bill on January 1, 2030.

COMMENTS

1. Evidence of the problem the bill is intended to address

This bill would apply an annual cap on mobilehome rent increases of five percent plus inflation up to a maximum of 10 percent.

Although mobilehomes remain widely hailed as an important bastion of affordability amid California's well-documented housing crisis, there are reports, including a number of instances submitted to the Committee, of instances in which mobilehome parks have imposed double-digit rent annual increases on park residents. These mobilehome rent increases coincide with reports that investors have become interested in buying mobilehome parks and are obtaining remarkable returns by, among other things, raising rents.¹

In addition to this general concern over rising mobilehome rents, the author points to a particular incident in her district, in which, new ownership took over the Rancho Law Paz mobilehome park in February 2019 and announced rent increases of \$200 to \$400 a

¹ See, e.g., Dezember, *This Stock Has Returned 4,100% Since the Housing Crash* (Feb. 25, 2020) The Wall Street Journal <https://www.wsj.com/articles/this-stock-has-returned-4-100-since-the-housing-crash-11582632000> (as of Aug. 13, 2020).

month.² According to media reports and documentation submitted to the Committee, these rent increases have been reduced after some negotiations, but still range from 15 to 19 percent over the next three years.

To complicate matters, Rancho La Paz straddles the border of two cities, Anaheim and Fullerton. According to documentation about the incident submitted to the Committee, residents on the City of Fullerton side of the park have been able to negotiate concessions from the new park owner more successfully due to the City of Fullerton's more favorable consideration of enacting a local mobilehome rent control ordinance. Residents on the City of Anaheim's side of the park have not fared as well because the Anaheim City Council rejected the imposition of local mobilehome rent control. The resulting disparity threatens community cohesion, since Fullerton residents have a somewhat better chance of being able to afford to stay than their Anaheim counterparts.

2. Differing views on the benefits of applying AB 1482's anti-rent gouging protections to mobilehomes

The author and proponents obviously favor statewide imposition of a five percent plus inflation cap on annual rent increases in the mobilehome context. That is what the bill in print provides. There are two different strands of opposition to that proposal, each emphasizing very different concerns.

One set of opposition from comes from park owners. They worry that any limitation on the amount of rent that parks can charge will restrict park revenues. They point out that at least some of that revenue pays for park maintenance and amenities. In that regard, it may be worth noting that the annual rent caps proposed by the bill are precisely the same as the statewide rent caps for other types of rental housing and that they still allow for quite robust rent increases year over year. In comparison to many local rent control measures, and local mobilehome rent control measures in particular, the caps proposed by this bill are rather generous. Many local mobilehome rent control ordinances cap out at three percent annually while this bill caps out at 10 percent. In fact, the limitations on rent increases proposed by this bill can more accurately be described as anti-rent gouging restrictions, rather than rent control, because they do not so much control rents over time as prevent sudden, dramatic spikes in rent.

Even accepting that the rent increase limitations in this bill only bring the mobilehome context into harmony with existing statewide caps for other types of rental housing, the park owners make a further argument against the bill related to vacancy decontrol. Vacancy decontrol refers to the ability of a landlord to set the initial rental rate when a new tenant moves in following a vacancy. Under existing law, local mobilehome rent

² Park, *Fullerton May Consider a Moratorium on Rent Hikes for Mobile Home Parks* (Jul. 22, 2019) Orange County Register <https://www.ocregister.com/2019/07/22/fullerton-may-consider-a-moratorium-on-rent-hikes-for-mobile-home-parks/> (as of Aug. 13, 2020).

control ordinances without vacancy decontrol are permissible, whereas local rent control ordinances for other types of rental housing must contain vacancy decontrol provisions. (Civ. Code § 1954.50 et seq., the Costa-Hawkins Act.)

The park owners correctly point out that this difference is carried over in the bill. They argue that, if the premise of the bill is to treat mobilehomes the same as other rental housing with regard to rent increases, then the bill should require vacancy decontrol in the mobilehome context as well. This argument may misapply the premise behind the bill. It is true that the idea behind the bill is to extend to mobilehomes the same treatment that all other rental housing got in AB 1482, but the treatment that all other rental housing got in AB 1482 was statewide rent caps without disturbing the applicability of any local rent control ordinance that goes further. This bill does the exactly the same thing in the mobilehome context: it applies statewide rent caps to mobilehomes without disturbing the applicability of any local rent control ordinance that goes further.

A second line of opposition to the bill comes from some mobilehome owners, represented by the Golden State Mobilehome Owners League (GSMOL). In contrast to the park owner's concern that the caps proposed in the bill are too low, GSMOL worries that the caps are too high. They emphasize that the mobilehome context is different from other rental housing because of the split in ownership between the structure and the land underneath. That split means that mobilehome owners not only risk having to move if rent becomes unaffordable; they also risk losing a major asset – the mobilehome – which may be among the only assets they possess. Moreover, the in-place value of a mobilehome depends greatly on the rental rate for the ground underneath it. The higher the rent for the space, the lower the sale value of the mobilehome. In that context, GSMOL states, just a small percentage change in the rent takes on heightened significance.

Viewed from this perspective, this bill presents several potential hidden dangers. Park owners could feel they have the state's blessing to raise rents up to the full cap each year. Local jurisdictions that already have strong mobilehome rent control may feel pressure to weaken their standard to match the state standard. Local jurisdictions considering mobilehome rent control for the first time may very well conclude that the caps in this bill represent an appropriate standard. Any of these outcomes could lead to higher rental rates for many mobilehome residents. Thus, even if the bill does protect some mobilehome residents against the very worst kind of rent spikes, the bill might leave many other mobilehome owners worse off.

3. Potential alternatives to undoing prior Committee actions

Considerations along lines raised by GSMOL are what led this Committee to amend AB 1482 to exclude mobilehomes from that bill last year. This bill would, in effect, undo that amendment, something the Committee may be hesitant to do.

Should the Committee determine that it does not want to undo the amendments it made to AB 1482 last year, it could consider narrowing the scope of this bill to apply to the type of scenario that the author saw unfold in her district. Specifically, the Committee could narrow the application of Section 1 of the bill to circumstances in which a single mobilehome park spans more than one city. Such an approach would mitigate against the breakup of mobilehome park communities where the rent control rules in one part of the park differ dramatically from those that apply in another part of the park. At the same time, it would avoid the broader concerns raised by GSMOL.

It is not immediately clear to how many mobilehome parks such a rule would apply. According to the Housing and Community Development Department (HCD), there are roughly 5,244 mobilehome parks in California. According to the League of Cities, there were 482 municipalities in California as of 2011. Given these figures, it seems likely that the scenario at Rancho La Paz mobilehome park is repeated elsewhere, however, a search of HCD records was not immediately able to confirm that. Even if Rancho La Paz' situation is unique for now, however, the general applicability of the law, its rationale of avoiding the application of different rent control laws within any one mobilehome park, its non-punitive nature, and the fact that it could apply to other mobilehome parks in the future, should all ensure that the bill, if amended, does not run afoul of constitutional prohibitions on special legislation or bills of attainder. (*Law School Admission Council, Inc. v. State of California* (2014) 222 Cal.App.4th 1265, 1297-9.)

4. Calculation of inflation under the bill

AB 1482 specified that the rate of inflation for any particular property is the percentage change in the regional Consumer Price Index for the region where the residential real property is located from April 1 of the prior year to April 1 of the current year, as published by the United States Bureau of Labor Statistics. If no regional index is available for the property in question, then inflation is to be calculated using the California Consumer Price Index for All Urban Consumers for all items, as determined by the Department of Industrial Relations.

This bill imports that same formula for calculating inflation. While conceptually simple, hindsight has revealed some ambiguities in this formulation. For example, if a landlord seeks to raise the rent in February, how does the landlord know what the regional CPI for April 1 of the current year will be?

Fixing AB 1482's formula for calculating inflation is one of the objects of AB 3088 (Chiu, 2020). The author may wish to piggy-back off that work and incorporate AB 3088's improved formula for inflation, rather than relying on AB 1482's flawed formula.

5. Just cause protections for tenants renting mobilehomes from the park

In addition to the rent caps discussed in the comments above, the bill also extends AB 1482's requirement that a landlord have and state a reason for terminating tenancy to the mobilehome context. Because mobilehome owners are already protected against arbitrary eviction through the Mobilehome Residency Law at Civil Code Section 798.56, this bill would only apply to tenants who occupy a mobilehome that they rent from the mobilehome park.

6. Proposed amendments

In light of the issues raised in the comments above, the Committee may wish to consider adopting amendments to the bill that would:

- limit application of the bill's rent increase restrictions to any single mobilehome park that is located in, and is governed by, more than one incorporated city;
- remove legislative findings and declarations that no longer apply to the bill; and
- clarify the formulas for calculating inflation.

A mock-up of these amendments in context is attached to this analysis.

7. Arguments in support of the bill

According to the author:

California is grappling with a housing shortage, a growing homeless population and a poverty rate that is one of the largest in the nation. Rents have increased at an unprecedented rate with the highest percentage increase at almost 25 percent. Homeownership has also become unattainable for millions of Californians.

Mobilehomes, one of the last options for affordable housing has felt the effects of the crisis. Mobilehome laws are different than laws related to renting homes and apartments. The vast majority of mobilehome owners rent the land that the home occupies. Just as rents have dramatically increased, mobilehome owners are also faced with drastic rent increases from the land owners. We need to build upon last year's discussion related to rent stabilization and eviction protections, and provide them to mobile homes.

In support, the Community & Economic Development Clinic at UC Irvine School of Law writes:

The CED Clinic has seen firsthand the extreme vulnerability and devastating consequences that Southern California mobile home

tenants encounter because of investor park purchases and unregulated rent increases. Many Rancho La Paz tenants, some of whom are tethered to wheelchairs and oxygen machines, have stated that they will not be able to afford the rent increase, will be forced to foreclose on their mobilehomes, and will soon find themselves homeless.

Assembly Bill 2895 is a necessary first step to address this crisis [...].

8. Arguments in opposition to the bill

In opposition to the bill, the Western Manufactured Housing Communities Association writes:

Mobilehome parks should not be held to a different standard than other rental housing units in California. While it is true, the annual rental rate [...] is consistent with AB 1482, your bill deviates in one significant way. As currently drafted, AB 2895 affects mobilehome parks differently, by not providing a vacancy decontrol overlay statewide. [...]

In addition, disproportionately low rent affects the owner and quality of the park. Our parkowners are required under the Mobilehome Residency Law to maintain the park and park amenities. If AB 2895 is approved as drafted, our concern is that it will be increasingly difficult for our parkowners to continue providing the park upgrades and maintenance that make mobilehome parks an attractive alternative to traditional housing options for hundreds of thousands of Californians.

In further opposition to the bill, Golden State Manufactured Homeowners League writes:

Last year, when a statewide rent cap - 5% plus 100% CPI or 10%, whichever is lower - was moving through the legislature, it initially applied to both apartment renters and mobilehome residents. During the legislative process, GSMOL communicated to the author and the legislature that those numbers would cause mobilehome residents to be evicted. [...] The reason residents would be evicted is that the rental market established for apartment renters is not the same as the rental market for mobilehome residents. This difference is reflected in state law - the Mobilehome Residency Law (MRL) - as well as in over 100 local government

ordinances. If you apply the proposed percentages and numbers as you do apartment renters, you ignore these well-founded differences in state and local law and in turn, people will lose their homes. And, for most mobilehome owners their home is their most significant investment, often representing their life savings. [...] While even one rental adjustment percentage point may not seem much to you, it can actually mean the difference between whether we are evicted or keep our homes.

SUPPORT

99ROOTZ

Abundant Housing LA

ACCE Action

AIDS Healthcare Foundation

American Federation of State, County, and Municipal Employees

Bend the Arc: Jewish Action

California Rural Legal Assistance Foundation

California YIMBY

Central California Asthma Collaborative

Central Valley Empowerment Alliance

Clergy and Laity United for Economic Justice

Congregations Organized for Prophetic Engagement

Courage California

Disability Rights California

East Bay for Everyone

Eviction Defense Network

Faith in the Valley

Fresno Barrios Unidos

Housing Equality & Advocacy Resource Team

Housing Now!

Jakara Movement

KIWA

LA Forward

Latinos United for a New America

Leadership Counsel for Justice and Accountability

Manufactured Housing Action

Mission Economic Development Agency

National Association of Social Workers, California Chapter

Pacifica Housing 4 All

PICO California

PolicyLink

Power

Power California

Public Advocates
Public Interest Law Project
Public Law Center
Roman Catholic Diocese of Fresno
Social Justice Learning Institute
TODCO
Transform
United Auto Workers Local 2865
UC Irvine Law Community and Economic Development Clinic
Western Center on Law & Poverty
Women's International League for Peace and Freedom -- Fresno
YIMBY Law
97 individuals

OPPOSITION

California Association of Realtors
California Mobilehome Parkowners Alliance
Golden State Manufactured Homeowners League
Southern California Rental Housing Association
Western Manufactured Housing Communities Association

RELATED LEGISLATION

Pending legislation:

SB 915 (Leyva, 2020) temporarily prohibits mobilehome parks from evicting residents who timely notify park management that they have been impacted, as defined, by COVID 19. The bill further mandates that mobilehome parks give COVID 19-impacted residents at least a year to comply with demands to repay outstanding rent, utilities or other charges, and up to a year to cure violations of park rules and regulations. The bill also prohibits parks from increasing rent or other charges during the period of repayment or cure. SB 915 is currently pending consideration on the Assembly Floor.

SB 999 (Umberg, 2020) would have removed a provision in state law that exempts mobilehome leases from any otherwise applicable local rent control ordinance if, among other specified conditions, the lease term is greater than one year. SB 999 failed passage in the Assembly Housing and Community Development Committee and was granted reconsideration.

AB 2782 (Stone, 2020) requires the person or entity seeking to close or convert a mobilehome park to adequately relocate displaced park residents or pay them the in-place value of their home. AB 2782 is currently pending consideration before the Senate Appropriations Committee.

AB 2690 (Low, 2020) repeals the state law exemption from local mobilehome rent control ordinances for all newly constructed mobilehome park spaces, defined as spaces initially held out for rent after January 1, 1990. AB 2690 is pending consideration before the Senate Judiciary Committee.

AB 3088 (Chiu, 2020) provides minor corrections and clarifications related to the Tenant Protection Act of 2019 (AB 1482, Chiu, Ch. 597, Stats. 2019). AB 3088 is currently pending a concurrence vote on the Assembly Floor.

Prior legislation: AB 1482 (Chiu, Ch. 597, Stats. 2019) limited rent-gouging in California by placing an upper limit on annual rent increases: five percent plus inflation up to a hard cap of 10 percent. To prevent landlords from engaging in rent-gouging by evicting tenants, the bill also required that a landlord have and state a just cause, as specified, in order to evict tenants who have occupied the premises for more than 12 months. Both the rent cap and the just cause provisions are subject to exemptions including, among others: housing built in the past 15 years and single family residences unless owned by a real estate trust or a corporation. AB 1482 sunsets after ten years and does not preempt any local rent control ordinances.

PRIOR VOTES:

Assembly Floor (Ayes 50, Noes 18)

Assembly Housing and Community Development Committee (Ayes 5, Noes 2)

MOCKUP OF SENATE JUDICIARY COMMITTEE AMENDMENTS

ASSEMBLY BILL

No. 2895

Introduced by Assembly Members Quirk-Silva and Chiu

As Amended in Assembly May 22, 2020

The people of the State of California do enact as follows:

SECTION 1. Section 798.30.5 is added to the Civil Code, to read:

~~798.30.5. (a) The Legislature finds and declares all of the following:~~

~~(1) The unique circumstances of the current housing crisis requires a statewide response to address rent gouging by establishing statewide limitations on gross rental rate increases for mobilehome spaces.~~

~~(2) The Legislature recognizes that mobilehomes provide a valuable source of affordable housing for many of the state's most economically vulnerable populations, including seniors and low-income families.~~

~~(3) Furthermore, the Legislature recognizes the importance of local rent stability ordinances, which dozens of local governments have adopted, that serve a crucial function by offering protections for mobilehome park residents. The Legislature recognizes that several local governments have ordinances that seek to preserve the long-term affordability of mobilehome spaces by regulating allowable rent increases when a mobilehome space becomes vacant.~~

~~(4) Such locally created vacancy control measures serve to preserve the affordability of mobilehome spaces in the jurisdiction, even when ownership changes hands, and protect the value of the investment that mobilehome owners have made in their home.~~

~~(5) It is, therefore, the intent of the Legislature that this section apply only for the limited time needed to address the current statewide housing crisis, as described in paragraph (1). This section is not intended to express any policy regarding the appropriate, allowable rental rate increase limitations when a local government or jurisdiction adopts an ordinance, rule, regulation, or initiative measure regulating rent.~~

~~(b)~~

~~798.30.5. (a) (1) Subject to subdivision (c), (b), management shall not, over the course of any 12-month period, increase the gross rental rate for a tenancy *in a qualified mobilehome park* more than 5 percent plus the percentage change in the cost of living, or 10 percent, whichever is lower, of the lowest gross rental rate charged for a tenancy at any time during the 12 months prior to the effective date of the increase.~~

(2) If the same homeowner maintains a tenancy over any 12-month period, the gross rental rate for the tenancy shall not be increased in more than two increments over that 12-month period, subject to the other restrictions of this subdivision governing gross rental rate increase.

~~(c)~~

(b) For a new tenancy in which no homeowner from the prior tenancy remains in lawful possession of the mobilehome space, management may establish the initial rental rate not subject to subdivision ~~(b)~~, (a), unless the local agency or jurisdiction has adopted an ordinance, rule, regulation, or initiative measure that limits the allowable rental rate for a new tenancy, in which case that ordinance, rule, regulation, or initiative measure shall apply. Subdivision ~~(b)~~ (a) shall be applicable to subsequent increases after that initial rental rate has been established, except as otherwise provided in this section.

~~(d)~~

(c) A homeowner subject to this section shall not enter into a sublease that results in a total rent for the premises that exceeds the allowable rental rate authorized by subdivision (c) of Section 798.23.5. Nothing in this subdivision authorizes a homeowner to sublet or assign the homeowner's interest where otherwise prohibited.

~~(e)~~

(d) Management shall provide notice of any increase in the rental rate, pursuant to subdivision ~~(b)~~, (a), to each homeowner in accordance with Section 798.30.

~~(f)~~

(e) This section shall not apply to a tenancy for any of the following:

(1) A mobilehome space restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.

(2) A mobilehome space constructed and maintained in connection with any higher education institution within the state for use and occupancy by students in attendance at the institution.

(3) A mobilehome space subject to any ordinance, rule, regulation, or initiative measure that restricts annual increases in the rental rate to an amount less than that provided in subdivision ~~(b)~~ (a).

(4) A mobilehome space within a resident-owned mobilehome park, as defined in Section 799.

~~(g)~~

(f) (1) (A) This section shall apply to all rent increases occurring on or after February 20, 2020.

(B) This section shall become operative January 1, 2021.

(2) In the event that management has increased the rent by more than the amount permissible under subdivision ~~(b)~~ (a) between February 20, 2020, and January 1, 2021, both of the following shall apply:

(A) The applicable rent on January 1, 2021, shall be the rent as of February 20, 2020, plus the maximum permissible increase under subdivision ~~(b)~~ (a).

(B) Management shall not be liable to a homeowner for any corresponding rent overpayment.

(3) Management subject to subdivision ~~(b)~~ (a) who increased the rental rate for a tenancy on or after February 20, 2020, but prior to January 1, 2021, by an amount less than the rental rate increase permitted by subdivision ~~(b)~~ (a) shall be allowed to increase the rental rate twice, as provided in paragraph (2) of subdivision ~~(b)~~ (a), within 12 months of February 20, 2020, but in no event shall that rental rate increase exceed the maximum rental rate increase permitted by subdivision ~~(b)~~ (a).

~~(h)~~

(g) Any waiver of the rights under this section shall be void as contrary to public policy.

(i) For the purposes of this section:

(1) *“Consumer Price Index for All Urban Consumers for All Items” means the following:*

(A) The Consumer Price Index for All Urban Consumers for All Items (CPI-U) for the metropolitan area in which the property is located, as published by the United States Bureau of Labor Statistics, which are as follows:

(i) The CPI-U for the Los Angeles-Long Beach-Anaheim metropolitan area covering the Counties of Los Angeles and Orange.

(ii) The CPI-U for the Riverside-San Bernardo-Ontario metropolitan area covering the Counties of Riverside and San Bernardino.

(iii) The CPI-U for the San Diego-Carlsbad metropolitan area covering the County of San Diego.

(iv) The CPI-U for the San Francisco-Oakland-Hayward metropolitan area covering the Counties of Alameda, Contra Costa, Marin, San Francisco, and San Mateo.

(v) Any successor metropolitan area index to any of the indexes listed in clauses (i) to (iv), inclusive.

(B) If the United States Bureau of Labor Statistics does not publish a CPI-U for the metropolitan area in which the property is located, the California Consumer Price Index for All Urban Consumers for All Items as published by the Department of Industrial Relations.

(C) On or after January 1, 2021, if the United States Bureau of Labor Statistics publishes a CPI-U index for one or more metropolitan areas not listed in subparagraph (A), that CPI-U index shall apply in those areas with respect to rent increases that take effect on or after August 1 of the calendar year in which the 12-month change in that CPI-U, as described in subparagraph (B) of paragraph (3), is first published.

~~(4)~~

(2) "Management" means ~~the same as defined in Section 798.2.~~ *the management, as defined in Section 798.2, of a qualified mobilehome park.*

~~(2)~~

(3) (A) "Percentage change in the cost of living" means ~~the percentage change from April 1 of the prior year to April 1 of the current year in the regional Consumer Price Index for the region where the mobilehome park is located, as published by the United States Bureau of Labor Statistics. If a regional index is not available, the California Consumer Price Index for All Urban Consumers for all items, as determined by the Department of Industrial Relations, shall apply.~~ *change in the applicable Consumer Price Index for All Urban Consumers for All Items, as described in paragraph (1) and computed pursuant to subparagraph (B) of this paragraph.*

(B) (i) *For rent increases that take effect before August 1 of any calendar year, the following shall apply:*

(I) The percentage change shall be the percentage change in the amount published for April of the immediately preceding calendar year and April of the year before that.

(II) If there is not an amount published in April for the applicable geographic area, the percentage change shall be the percentage change in the amount published for March of the immediately preceding calendar year and March of the year before that.

(ii) *For rent increases that take effect on or after August 1 of any calendar year, the following shall apply:*

(I) The percentage change shall be the percentage change in the amount published for April of that calendar year and April of the immediately preceding calendar year

(II) If there is not an amount published in April for the applicable geographic area, the percentage change shall be the percentage change in the amount published for March of that calendar year and March of the immediately preceding calendar year.

(iii) The percentage change shall be rounded to the nearest one-tenth of 1 percent.

(4) "Qualified mobilehome park" means *a mobilehome park, as defined in Section 798.4, that is located within, and governed by, the jurisdictions of two or more incorporated cities.*

~~(j)~~

(h) (1) Nothing in this section affects the authority of a local government to adopt or maintain an ordinance, rule, regulation, or initiative measure that establishes a maximum amount that may be charged for rent. However, if a local ordinance, rule, regulation, or initiative measure allows for a rental rate increase greater than that provided in subdivision ~~(b)~~, (a), this section shall apply.

(2) Nothing in this section alters the application of Sections 798.17, 798.45, or 798.49 to any ordinance, rule, regulation, or initiative measure that establishes a maximum amount that may be charged for rent.

~~(k)~~

(i) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.

SEC. 2. Section 1946.2 of the Civil Code is amended to read:

1946.2. (a) Notwithstanding any other law, after a tenant has continuously and lawfully occupied a residential real property for 12 months, the owner of the residential real property shall not terminate the tenancy without just cause, which shall be stated in the written notice to terminate tenancy. If any additional adult tenants are added to the lease before an existing tenant has continuously and lawfully occupied the residential real property for 24 months, then this subdivision shall only apply if either of the following are satisfied:

(1) All of the tenants have continuously and lawfully occupied the residential real property for 12 months or more.

(2) One or more tenants have continuously and lawfully occupied the residential real property for 24 months or more.

(b) For purposes of this section, "just cause" includes either of the following:

(1) At-fault just cause, which is any of the following:

(A) Default in the payment of rent.

(B) A breach of a material term of the lease, as described in paragraph (3) of Section 1161 of the Code of Civil Procedure, including, but not limited to, violation of a provision of the lease after being issued a written notice to correct the violation.

(C) Maintaining, committing, or permitting the maintenance or commission of a nuisance as described in paragraph (4) of Section 1161 of the Code of Civil Procedure.

(D) Committing waste as described in paragraph (4) of Section 1161 of the Code of Civil Procedure.

(E) The tenant had a written lease that terminated on or after January 1, 2020, or January 1, 2021, if the lease is for a tenancy in a mobilehome, and after a written request or demand from the owner, the tenant has refused to execute a written extension or renewal of the lease for an additional term of similar duration with similar provisions, provided that those terms do not violate this section or any other provision of law.

(F) Criminal activity by the tenant on the residential real property, including any common areas, or any criminal activity or criminal threat, as defined in subdivision (a) of Section 422 of the Penal Code, on or off the residential real property, that is directed at any owner or agent of the owner of the residential real property.

(G) Assigning or subletting the premises in violation of the tenant's lease, as described in paragraph (4) of Section 1161 of the Code of Civil Procedure.

(H) The tenant's refusal to allow the owner to enter the residential real property as authorized by Sections 1101.5 and 1954 of this code, and Sections 13113.7 and 17926.1 of the Health and Safety Code.

(I) Using the premises for an unlawful purpose as described in paragraph (4) of Section 1161 of the Code of Civil Procedure.

(J) The employee, agent, or licensee's failure to vacate after their termination as an employee, agent, or a licensee as described in paragraph (1) of Section 1161 of the Code of Civil Procedure.

(K) When the tenant fails to deliver possession of the residential real property after providing the owner written notice as provided in Section 1946 of the tenant's intention to terminate the hiring of the real property, or makes a written offer to surrender that is accepted in writing by the landlord, but fails to deliver possession at the time specified in that written notice as described in paragraph (5) of Section 1161 of the Code of Civil Procedure.

(2) No-fault just cause, which includes any of the following:

(A) (i) Intent to occupy the residential real property by the owner or their spouse, domestic partner, children, grandchildren, parents, or grandparents.

(ii) For leases entered into on or after July 1, 2020, or July 1, 2021, if the lease is for a tenancy in a mobilehome, clause (i) shall apply only if the tenant agrees, in writing, to the termination, or if a provision of the lease allows the owner to terminate the lease if the owner, or their spouse, domestic partner, children, grandchildren, parents, or grandparents, unilaterally decides to occupy the residential real property. Addition of a provision allowing the owner to terminate the lease as described in this clause to a new or renewed rental agreement or fixed-term lease constitutes a similar provision for the purposes of subparagraph (E) of paragraph (1).

(B) Withdrawal of the residential real property from the rental market.

(C) (i) The owner complying with any of the following:

(I) An order issued by a government agency or court relating to habitability that necessitates vacating the residential real property.

(II) An order issued by a government agency or court to vacate the residential real property.

(III) A local ordinance that necessitates vacating the residential real property.

(ii) If it is determined by any government agency or court that the tenant is at fault for the condition or conditions triggering the order or need to vacate under clause (i), the tenant shall not be entitled to relocation assistance as outlined in paragraph (3) of subdivision (d).

(D) (i) Intent to demolish or to substantially remodel the residential real property.

(ii) For purposes of this subparagraph, "substantially remodel" means the replacement or substantial modification of any structural, electrical, plumbing, or mechanical system that requires a permit from a governmental agency, or the abatement of hazardous materials, including lead-based paint, mold, or asbestos, in accordance with applicable federal, state, and local laws, that cannot be reasonably accomplished in a safe manner with the tenant in place and that requires the tenant to vacate the residential real property for at least 30 days. Cosmetic improvements alone, including painting, decorating, and minor repairs, or other work that can be performed safely without having the residential real property vacated, do not qualify as substantial rehabilitation.

(c) Before an owner of residential real property issues a notice to terminate a tenancy for just cause that is a curable lease violation, the owner shall first give notice of the violation to the tenant with an opportunity to cure the violation pursuant to paragraph (3) of Section 1161 of the Code of Civil Procedure. If the violation is not cured within the time period set forth in the notice, a three-day notice to quit without an opportunity to cure may thereafter be served to terminate the tenancy.

(d) (1) For a tenancy for which just cause is required to terminate the tenancy under subdivision (a), if an owner of residential real property issues a termination notice based

on a no-fault just cause described in paragraph (2) of subdivision (b), the owner shall, regardless of the tenant's income, at the owner's option, do one of the following:

(A) Assist the tenant to relocate by providing a direct payment to the tenant as described in paragraph (3).

(B) Waive in writing the payment of rent for the final month of the tenancy, prior to the rent becoming due.

(2) If an owner issues a notice to terminate a tenancy for no-fault just cause, the owner shall notify the tenant of the tenant's right to relocation assistance or rent waiver pursuant to this section. If the owner elects to waive the rent for the final month of the tenancy as provided in subparagraph (B) of paragraph (1), the notice shall state the amount of rent waived and that no rent is due for the final month of the tenancy.

(3) (A) The amount of relocation assistance or rent waiver shall be equal to one month of the tenant's rent that was in effect when the owner issued the notice to terminate the tenancy. Any relocation assistance shall be provided within 15 calendar days of service of the notice.

(B) If a tenant fails to vacate after the expiration of the notice to terminate the tenancy, the actual amount of any relocation assistance or rent waiver provided pursuant to this subdivision shall be recoverable as damages in an action to recover possession.

(C) The relocation assistance or rent waiver required by this subdivision shall be credited against any other relocation assistance required by any other law.

(4) An owner's failure to strictly comply with this subdivision shall render the notice of termination void.

(e) This section shall not apply to the following types of residential real properties or residential circumstances:

(1) Transient and tourist hotel occupancy as defined in subdivision (b) of Section 1940.

(2) Housing accommodations in a nonprofit hospital, religious facility, extended care facility, licensed residential care facility for the elderly, as defined in Section 1569.2 of the Health and Safety Code, or an adult residential facility, as defined in Chapter 6 of Division 6 of Title 22 of the Manual of Policies and Procedures published by the State Department of Social Services.

(3) Dormitories owned and operated by an institution of higher education or a kindergarten and grades 1 to 12, inclusive, school.

(4) Housing accommodations in which the tenant shares bathroom or kitchen facilities with the owner who maintains their principal residence at the residential real property.

(5) Single-family owner-occupied residences, including both of the following:

(A) A residence in which the owner-occupant rents or leases no more than two units or bedrooms, including, but not limited to, an accessory dwelling unit or a junior accessory dwelling unit.

(B) A mobilehome.

(6) A duplex in which the owner occupied one of the units as the owner's principal place of residence at the beginning of the tenancy, so long as the owner continues in occupancy.

(7) Housing that has been issued a certificate of occupancy within the previous 15 years, unless the housing is a mobilehome.

(8) Residential real property, including a mobilehome, that is alienable separate from the title to any other dwelling unit, provided that both of the following apply:

(A) The owner is not any of the following:

(i) A real estate investment trust, as defined in Section 856 of the Internal Revenue Code.

(ii) A corporation.

(iii) A limited liability company in which at least one member is a corporation.

(iv) Management of a mobilehome park, as defined in Section 798.2.

(B) (i) The tenants have been provided written notice that the residential property is exempt from this section using the following statement:

“This property is not subject to the rent limits imposed by Section 1947.12 of the Civil Code and is not subject to the just cause requirements of Section 1946.2 of the Civil Code. This property meets the requirements of Sections 1947.12 (d)(5) and 1946.2 (e)(8) of the Civil Code and the owner is not any of the following: (1) a real estate investment trust, as defined by Section 856 of the Internal Revenue Code; (2) a corporation; or (3) a limited liability company in which at least one member is a corporation.”

(ii) (I) Except as provided in subclause (II), for a tenancy existing before July 1, 2020, the notice required under clause (i) may, but is not required to, be provided in the rental agreement.

(II) For a tenancy in a mobilehome existing before July 1, 2021, the notice required under clause (i) may, but is not required to, be provided in the rental agreement.

(iii) (I) Except as provided in subclause (II), for any tenancy commenced or renewed on or after July 1, 2020, the notice required under clause (i) shall be provided in the rental agreement.

(II) For any tenancy in a mobilehome commenced or renewed on or after July 1, 2021, the notice required under clause (i) shall be provided in the rental agreement.

(iv) Addition of a provision containing the notice required under clause (i) to any new or renewed rental agreement or fixed-term lease constitutes a similar provision for the purposes of subparagraph (E) of paragraph (1) of subdivision (b).

(9) Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.

(f) An owner of residential real property subject to this section shall provide notice to the tenant as follows:

(1) (A) Except as provided in subparagraph (B), for any tenancy commenced or renewed on or after July 1, 2020, as an addendum to the lease or rental agreement, or as a written notice signed by the tenant, with a copy provided to the tenant.

(B) For a tenancy in a mobilehome commenced or renewed on or after July 1, 2021, as an addendum to the lease or rental agreement, or as a written notice signed by the tenant, with a copy provided to the tenant.

(2) (A) Except as provided in subparagraph (B), for a tenancy existing prior to July 1, 2020, by written notice to the tenant no later than August 1, 2020, or as an addendum to the lease or rental agreement.

(B) For a tenancy in a mobilehome existing prior to July 1, 2021, by written notice to the tenant no later than August 1, 2021, or as an addendum to the lease or rental agreement.

(3) The notification or lease provision shall be in no less than 12-point type, and shall include the following:

“California law limits the amount your rent can be increased. See Section 1947.12 of the Civil Code for more information. California law also provides that after all of the tenants have continuously and lawfully occupied the property for 12 months or more or at least one of the tenants has continuously and lawfully occupied the property for 24 months or more, a landlord must provide a statement of cause in any notice to terminate a tenancy. See Section 1946.2 of the Civil Code for more information.”

The provision of the notice shall be subject to Section 1632.

(g) (1) This section does not apply to the following residential real property:

(A) Residential real property subject to a local ordinance requiring just cause for termination of a residential tenancy adopted on or before September 1, 2019, in which case the local ordinance shall apply.

(B) Residential real property subject to a local ordinance requiring just cause for termination of a residential tenancy adopted or amended after September 1, 2019, that is more protective than this section, in which case the local ordinance shall apply. For purposes of this subparagraph, an ordinance is “more protective” if it meets all of the following criteria:

(i) The just cause for termination of a residential tenancy under the local ordinance is consistent with this section.

(ii) The ordinance further limits the reasons for termination of a residential tenancy, provides for higher relocation assistance amounts, or provides additional tenant protections that are not prohibited by any other provision of law.

(iii) The local government has made a binding finding within their local ordinance that the ordinance is more protective than the provisions of this section.

(2) A residential real property shall not be subject to both a local ordinance requiring just cause for termination of a residential tenancy and this section.

(3) A local ordinance adopted after September 1, 2019, that is less protective than this section shall not be enforced unless this section is repealed.

(h) Any waiver of the rights under this section shall be void as contrary to public policy.

(i) For the purposes of this section, the following definitions shall apply:

(1) “Owner” includes any person, acting as principal or through an agent, having the right to offer residential real property for rent, and includes a predecessor in interest to the owner.

(2) “Residential real property” means any dwelling or unit that is intended for human habitation, including any dwelling or unit in a mobilehome park.

(3) “Tenancy” means the lawful occupation of residential real property and includes a lease or sublease.

(j) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.