



City of Capitola

NEWS RELEASE

Attention: Editors

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Contact: Jamie Goldstein
City Manager
(831) 475-7300
jgoldstein@ci.capitola.ca.us

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CITY OF CAPITOLA AND MILLENNIUM HOUSING COMPLETE CASTLE MOBILE HOME ESTATES ACQUISITION AND RESOLVES ALL PARK OWNER INITIATED MOBILE HOME PARK LITIGATION

Capitola, CA – Earlier this week, a 108-unit park, Castle Mobile Home Estates was purchased by a nonprofit housing provider using a \$2 million loan from the City of Capitola’s Redevelopment Agency. This purchase, coupled with the settlement agreement reached with the owner of Surf and Sand and Cabrillo Mobile Home Parks marks the end of nearly a decade of litigation between the City of Capitola and mobile home park owners regarding the City’s rent control ordinance. That litigation threatened lower income residents living in privately owned parks and endangered the City’s ability to provide essential services, such as police, roads, and other vitally important programs.

The City’s rent control ordinance was adopted in 1979 to protect lower-income park residents from unreasonable rent increases in the City’s nine privately owned mobile home parks. With the nonprofit acquisition of Castle, all but three of those nine parks are now under direct resident control or are owned by a nonprofit. All of those acquisitions involved either the investment of City funding, or coordination by City staff to help park tenants negotiate the best possible deal to acquire the Park. This week’s acquisition of Castle Mobile Home Estates includes funding to update the mobile home park’s aging infrastructure, including new streets, lighting and drainage systems.

Over the last ten years of legal wrangling, the City has spent nearly \$1.5 million to defend the seven separate legal challenges brought on behalf of the park owners. Litigation costs accelerated to more than \$500,000 last year as these cases approached trial and were expected to remain at this level in the near future. However, with the economic downturn and this winter’s floods, it would have been impossible for the City to maintain that level of spending on legal fights without cutting essential services to the community like policing or road maintenance. Ultimately, costly and drawn out litigation did nothing to improve conditions in the privately owned parks, and was certainly not leading toward resolution of the long term issues.

The City is proud of its record defending Mobile Home rent control for so long. In several of these legal challenges, park owners were seeking to close their mobile home park. Should the City have lost these cases, it could have meant the closure of that park and the complete displacement of all the park residents. With park owners seeking damages in excess of \$25 million, the financial viability of the City was being directly threatened.

It was clearly time for the City to find a compromise solution with the park owners, and as with any compromise, the City made difficult decisions to end the litigation. The City's settlement with the park owner at Surf and Sand focused on ensuring that the park's full-time low- income residents were protected. Under the settlement, lower income residents were offered 34-year leases with \$475/mo space rents. Higher income full-time residents were offered leases that increased their rents to market rate over eight years. Rents for part-time park residents, and park residents who owned other residential property, were allowed to increase to market rate immediately.

The residents of Cabrillo Mobile Home Park, the City's other remaining privately owned park, were recently able to directly negotiate a new lease agreement with their park owner, agreeing to a modest rent increase in exchange for a 12-year assignable lease. The City has been told that Cabrillo Park residents will be given the opportunity in the near future to exchange their 12-year leases for 34-year leases. These leases will also provide rents that are substantially below market rate for the remaining tenancy of many residents.

To help residents at Surf and Sand, Castle and Cabrillo through this transition, the City has entered into a long-term contract with the Housing Authority of the County of Santa Cruz to provide rental assistance to very low- income park residents who are impacted by the recent rent increases. This year the City anticipates spending more than \$150,000 of redevelopment housing money for rental assistance programs that preserve much needed affordable housing for our community.

Capitola has a long history of supporting affordable housing and providing services to its 10,000 residents. Finding a resolution to the City's rent control litigations was critical. As is the nature of compromises, none of the parties involved got everything they wanted. Park residents will have to pay more in rent. Park owners will accept below-market rents from some spaces and the City pitched in nearly all of its housing funding over the next decade for assistance. A result of these settlements has been the stabilization of rents for qualifying lower-income residents for the next 34 years. These solutions were not perfect, but they reflected the best possible outcome given the complex and sensitive circumstances.

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