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August 25, 2025

Amy Nilsen
City Manager, City of Fortuna
621 11th Street
Fortuna, California 95540

Re: Proposed Mobilehome Rent Stabilization Ordinance

Dear Ms. Nilsen:

I am writing to provide the City of Fortuna with additional information regarding Royal Crest Mobilehome Park since January 1, 2019. Although you have only requested information regarding rent increase notices during that period, it is also important to consider the park's expenses. As the information below will demonstrate, the cost of operating the park has accelerated at a rate far in excess of both the Consumer Price Index and the increase in rents. As a result, although both the parkowner and the tenants have been impacted by inflation over the past seven years, inflation's impact on the parkowner has been significantly greater than inflation's impact on the tenants.

More specifically, between January 1, 2019 and January 1, 2025, the Consumer Price Index increased by 25.45%, from 251.712 to 315.605. (See Exhibit A). However, during that same period, total expenses at the park increased by **52.28%**, from \$885,308.85 to \$1,348,116.94, or more than twice the increase in the inflation rate. Both the dollar and the percentage amounts of those cost increases are summarized as follows:

Item	2019	2024	Increase
Total Expenses	\$885,308.85	\$1,348,116.94	52.28%

On the other side of the equation, although the tenants' rents have also increased by more than the increase in the inflation rate, the gap between those rent increases and the CPI is significantly less. Moreover, for those tenants on a fixed income, much of that gap has been offset by the increase in Social Security payments during that same period. The increases in rent for approximately 85% of the spaces at the park since January 1, 2019, and

the increases in social security payments during that same period, are set forth below. The 90 day notices for those rent increases are enclosed herewith. (See Exhibit B).¹

Year	New Rent	Rent % Increase	Social Security % Increase	CPI % Increase
2018	\$570.00	n/a	n/a	n/a
2019	\$609.00	6.8%	2.8%	2.49%
2020	\$609.00	0.00%	1.6%	1.40%
2021	\$669.00	9.8%	1.3%	7.48%
2022	\$669.00	0.00%	5.9%	6.41%
2023	\$733.00	9.5%	8.7%	3.09%
2024	\$777.00	6.0%	3.2%	3.00%
2025	<u>\$822.00</u>	<u>5.8%</u>	2.5%	1.69%
Total Increase	\$252.00	44.21%	26.00%	25.45%

In addition to the above, there are several other factors my client believes the City of Fortuna must consider in deciding whether to adopt a rent control ordinance. First, as pointed out in my previous correspondence to the City Council, although mobilehomes are depreciating assets, residents at Royal Crest have been able to sell their mobilehomes on average for approximately \$54,000 more than their original purchase price, suggesting rents are currently below market. (See Exhibit C, Pg. 3).

Second, for many years the parkowner has offered a program that allows low income residents to receive up to a 10% credit on their rent each and every month, provided certain conditions are met. In order to qualify, a single person can have income of up to \$32,900 per year, while a two-person household can have income of up to \$37,600. Thus, that program should provide significant relief to those who claim their social security payments are not

¹ At this point, it must be noted that the rents at approximately 173 of the 204 spaces at Royal Crest are currently set at \$822 per month, with approximately four spaces below \$822. However, approximately 27 spaces at the park are located on a bluff, with sweeping views of the Eel River Valley, which rent for up to \$914 per month. The average rent at the park is approximately \$833.14.

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sufficient to cover the rent increases at the park. However, please note that another condition of that program is “[t]he space on which the applicant resides is not regulated by rent control.” (See Exhibit D).

In short, my client believes the City of Fortuna must take all of the above factors into account when determining whether to adopt a rent control ordinance. Based on the evidence I have seen to date, it would appear that if the City does adopt a rent control ordinance, one or more parks may initiate litigation on the ground that they are not receiving a fair return on investment, while others may seek a “Vega Adjustment,” on the ground that the rents they were charging at the time rent control was adopted were below market. See *Vega v. City of West Hollywood* (1990) 223 Cal. App. 3d 1342, at 1351; See also *Concord Communities, L.P. v. City of Concord* (2001) 91 Cal. App. 4th 1407, at 1419.

In my forty years of representing the owners of mobilehome parks in rent control proceedings throughout California, I have come to the conclusion that one of the unintended consequences of rent control is that it leads to unwanted adversarial relationships between landlords, tenants and local governments. As a result, in recent years I have become a proponent of Memorandums of Understanding, in lieu of an ordinance.

In my view, the primary benefits of such agreements are (1) they provide certainty for all parties, and (2) they eliminate the need for costly, stressful and time consuming litigation to determine the appropriate rent levels at the park. From the parkowner’s perspective, the primary drawbacks of such agreements are (1) they essentially amount to voluntary rent control, and (2) they can tie the parkowner’s hands in the event of an unanticipated event, such as costs far exceeding the rate of inflation, thereby preventing the parkowner from earning the Constitutionally required fair return on investment.

In the event the City Council is interested in exploring a Memorandum of Understanding with respect to the mobilehome spaces in Fortuna, I am enclosing a copy of one I recently helped negotiate for a mobilehome park managed by Storz Management Company in Rancho Cordova. (See Exhibit E). As such an agreement can be superior to a rent control ordinance in many ways, I hope you and the other members of the City’s team will review that document closely before our meeting on Thursday.

In conclusion, my client believes that before deciding whether to adopt a rent control ordinance, the City Council must consider all relevant factors. As demonstrated above, those factors include (1) the tenants’ ability to sell their mobilehomes at a substantial profit, (2) the parkowner’s longstanding rent credit program providing discounts of up to 10% for low

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income seniors, and (3) the market rent for each of the mobilehome parks potentially impacted by such an ordinance, including Royal Crest.

More important, my client believes the City Council cannot ignore the fact that since 2019 the cost of operating the park has accelerated at a rate far in excess of both the Consumer Price Index and the increase in rents, significantly impacting the parkowner's ability to earn a fair return on its investment. For your convenience, those factors are summarized below:

Item	Percentage Increase
Consumer Price Index	25.45%
Social Security	26.00%
Tenants' Rent	44.21%
Parkowner's Expenses	52.28%

My client looks forward to meeting with you on Thursday. If you have any questions or comments regarding the issues raised in this letter, please do not hesitate to contact me.

Very truly yours,



Anthony C. Rodriguez

cc: Client