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California State Senate

SENATOR
KELLY SEYARTO

THIRTY-SECOND SENATE DISTRICT

February 8, 2023

The Honorable David Alvarez
Chair, Joint Legislative Audit Committee
1021 O Street, Suite 5320
Sacramento, CA 95814

FEB 08 2023

RE: Audit Request – Department of Housing and Community Development Implementation of AB 3066 relating to Mobilehome Parks and the Mobilehome Residence Protection Act Program (MRLPP)

Dear Chair Alvarez:

I respectfully request that the Joint Legislative Audit Committee approve an audit to examine the administration of funds collected by the California Housing and Community Development Department (HCD) as required by Assembly Bill 3066 that was signed into law on September 26, 2018.

According to HCD, MRLPP is generally undersubscribed. Forecasting performed by program developers, using small claims data, projected the MRLPP would refer between 3,400 and 4,700 complaints to contracted LSPs annually. MRLPP is receiving approximately 5 percent of the forecasted volume when AB 3066 was signed into law.

Background

Manufactured housing is a small yet important component of California's housing inventory. Mobilehomes allow residents to own their home, but they rent the land on which these homes are placed. Despite their name, mobilehomes are not necessarily "mobile," and residents who own their home and reside in mobilehome parks certainly deserve protections afforded under Civil Code 798. There are roughly 363,000 spaces in mobile home parks, housing about 700,000 Californians.

When AB 3066 passed and was signed into law, the Department of Housing and Community Development was tasked with creating and administering the Mobilehome Residency Law Protection Act Program (MRLPP). An annual fee of \$10 per space is paid in a manufactured home community by mobilehome parkowners, and then fee may be passed onto residents to reimburse parkowners. Since it costs a couple of dollars to seek reimbursement, due to postage, staff time, management and billing, owners receive LESS than the \$10.00 when all is said and done.

AB 3066 is set to expire on January 1, 2024, unless reauthorized by the Legislature. **According to a report issued by HCD on October 21, 2022; the Mobilehome Residency Law Protection Act Program (MRLPP) had collected \$9,984,656 and spent \$3,455,293.** This report (*which is attached*) shows that since its inception, the MRLPP has received 3,182 complaint allegations. 2,666 of these complaints were processed by HCD, and 757 were referred to another enforcement agency or to a legal services provider.

- Out of the total 3,182 complaints over the inception of the program, only 401 were deemed to fit into the category of “High-level overview of outcomes for allegations in which documents may have been requested, had good faith discussion, or referred to an LSP and have been closed.”
- **Of those 401, 121 were referred to a LSP, and of those, only 23 cases ever saw a resolved outcome from a LSP and every other complaint was dismissed for one reason or another, not related to the parkowner.**

AB 3066 required HCD to provide a written report to the Legislature outlining data collected from the program and make that report available on its Internet Website. As of the date of this letter, no such report has been issued since 2021.

Evidence of Problem

With a significant shortage of housing in California, mobilehomes provide thousands of residents the opportunity to obtain home ownership in manufactured housing communities. Fees collected through the MRLPP as authorized by AB 3066 are intended to assist mobilehome residents in manufactured housing communities with issues that involve violations of the MRL. WMA opposed the measure because we thought the fee was too high, and the program wouldn't generate the number of complaints identified.

The annual \$10 per space fee paid by owners of mobilehome parks has seemingly been accumulating in a fund within HCD's budget because the number of complaints are 95% below projections. The current surplus of more than \$6.4 million is a noticeable amount, accumulating interest. With this type of surplus, questions arise as to why fees continue to be collected when resources are not being spent and to the overall merits of the program given the lack of any significant issues identified.

In fact, the HCD reports highlight that the program is heavily overfunded given not only so few complaints, especially compared to expectations, but that once investigated, less than 1% are even referred on for further review and adjudication.

Based on the amount of surplus funds in the MRLPP and lack of substantive complaints, I believe an audit of the administration of the AB 3066 program is warranted.

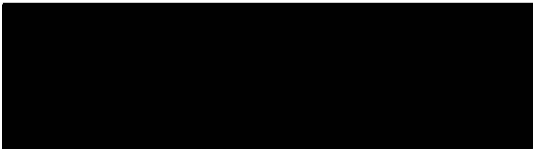
Audit Scope and Objectives

1. Review with HCD the number of complaints received involving Mobilehome Residency Law (MRL) violations from residents between January 1, 2019, and December 31, 2022.
2. Obtain accurate information from HCD about how many complaints were processed that involve MRL issues between January 1, 2019, and December 31, 2022.
3. Obtain information about the cases referred to LSP and the outcomes of those cases.

4. Obtain information about any of the outcomes for those complaints to be found to have merit?
5. Obtain a financial accounting of funds collected under the MRLPP and determine how much of HCD's staffing budget was allocated to the MRLPP.
6. Inquire and answer why HCD maintains a \$6.4 million surplus in the MRLPP account as of 2022 and determine whether these funds are being used for other purposes within HCD.
7. Review the administration of the MRLPP funds collected and determine why a \$6.4 million surplus exists as of 2022 and if the fees need to be adjusted based on lack of substantive complaints.
8. Evaluate the necessity of the continuation of the MRLPP when only 401 complaint allegations were found to have any merit, and of those, 121 were referred to an LSP, and of those, only 23 had any type of outcome.
9. Review and assess any other issues that are significant to the audit and whether given the resources used if the program should simply sunset.

Thank you for your consideration of this request. If you have any questions, please feel free to contact me or my office at (916) 651-4032.

Sincerely,



Senator, 32nd District

Attachment: 2021 MPM Task Force Briefing Document