Report on the Economic Analysis of the Fremont Mobile Home Rent Stabilization Ordinance

City of Fremont
Seifel Associates

September 15, 1999

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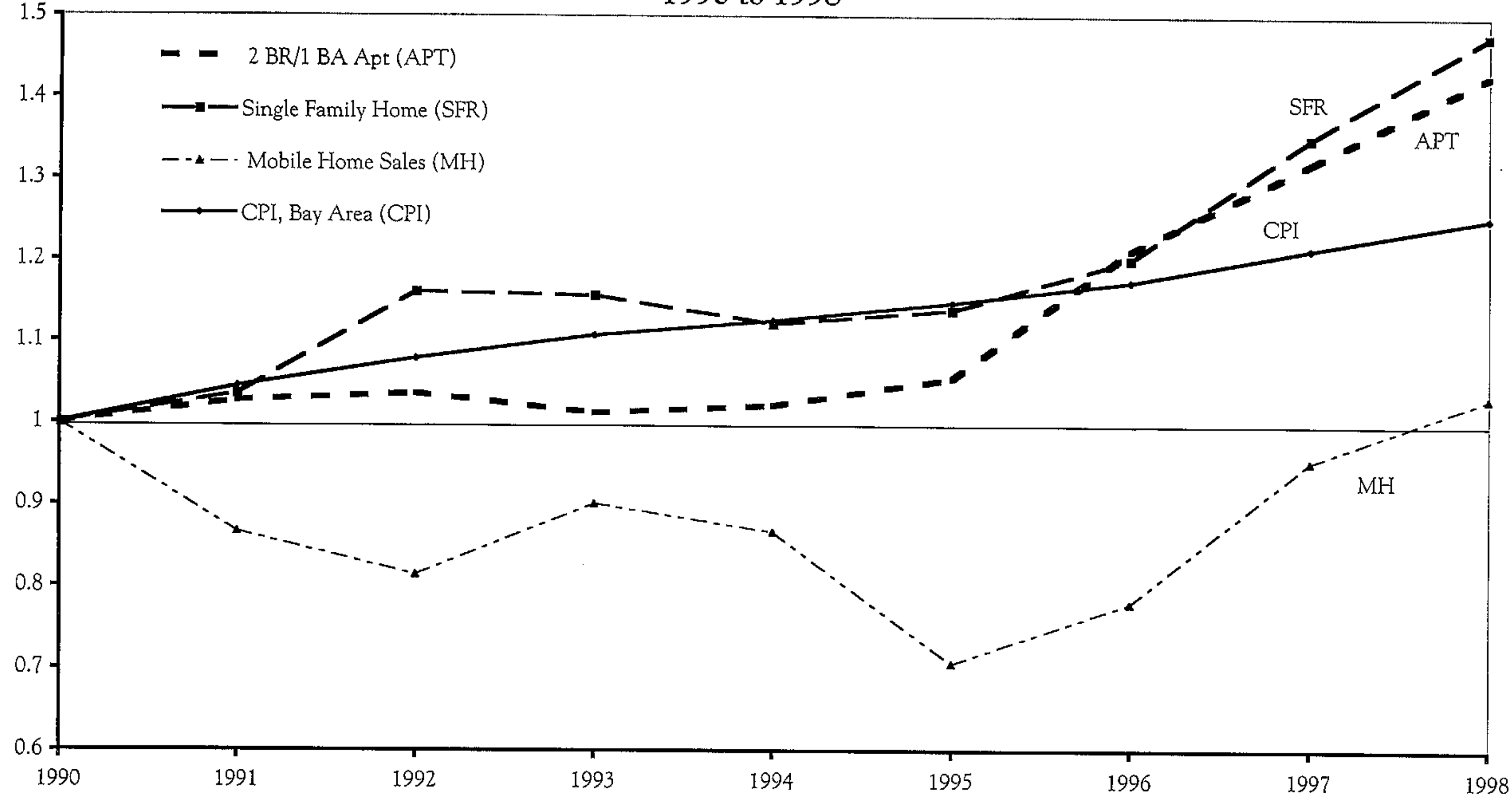
EXECUTIVE SUMMARY

This executive summary presents the findings from an economic analysis of the City's Mobile Home Rent Stabilization Ordinance conducted by the City of Fremont and Seifel Associates from June 9, 1999 to August 18, 1999. Based on the data we have been able to analyze to date, we present the following findings:

- The City's three parks were all built in the late 1960's or early 1970's and currently have 736 spaces. While monthly space rents at all of the parks are controlled by the City's ordinance, monthly space rents range from a low of $366 (Besaro) to $524 (Southlake). The median rents in the parks similarly differ: Besaro– $375, Niles Canyon –$456, Southlake –$503.
- As a result of rent control, mobile home space rents have increased at about the rate of inflation: 30% since 1990. (Bay Area CPI grew 25% from 1990 to 1998.)
- The supply of mobile homes in the City of Fremont and the local market area of Alameda and Santa Clara counties has decreased slightly since 1990 (down 1-2% overall), while the demand for housing in Silicon Valley and neighboring communities has increased.
- The increasing demand for housing in the local market area has caused steep increases in rents and sales prices since the end of the recession. Since 1995, rents and sales values have increased for all types of housing in Fremont, after declining in the early 1990s.
- Despite the economic comeback of the late 1990's, the 1998 median sales price for a mobile home in Fremont ($59,500) was only 3% higher than the 1990 median ($57,500). Mobile home prices have not kept up with inflation and have not increased at the same pace as other residential real estate. From 1990-1998, median apartment rents increased 43% and average single family home prices increased 48%.
- Currently, no community in the local market area with a rent control ordinance or policy has a full vacancy decontrol feature. Moreover, based on our review of comparable cities which have ordinances with partial vacancy decontrol (Milpitas, Morgan Hill and San Jose), the vacancy decontrol feature does not appear to be as important a factor in determining mobile home sales values as other factors such as the real estate market; size, age and/or condition of the coach; space size and location; park amenities and location.
- Based on our analysis of trends in mobile home prices in the local market from 1990 to 1996 (electronic data was only available for this time period), we did not find evidence of a dramatic change in mobile home values as a result of the vacancy control aspect of mobile home ordinances. In all cities with rent control, mobile home sales values generally declined between 1990 and 1995. Moreover, in comparing cities with rent control to those without rent control, we did not find evidence from 1990 to 1996 that rent control transferred significant value increases to mobile home coaches.
- In addition, we analyzed the median sales prices of doublewide homes since 1990 to compare with the Ken Baar historical analysis from 1969 through 1990. According to Baar, sales values increased rapidly between 1969 and 1986, prior to the adoption of the Ordinance in 1987. Subsequent to the adoption of the Ordinance (including the vacancy control feature), sales values continued to increase. However, this increasing trend did not appear to be any more dramatic than that which occurred during the prior twenty years.

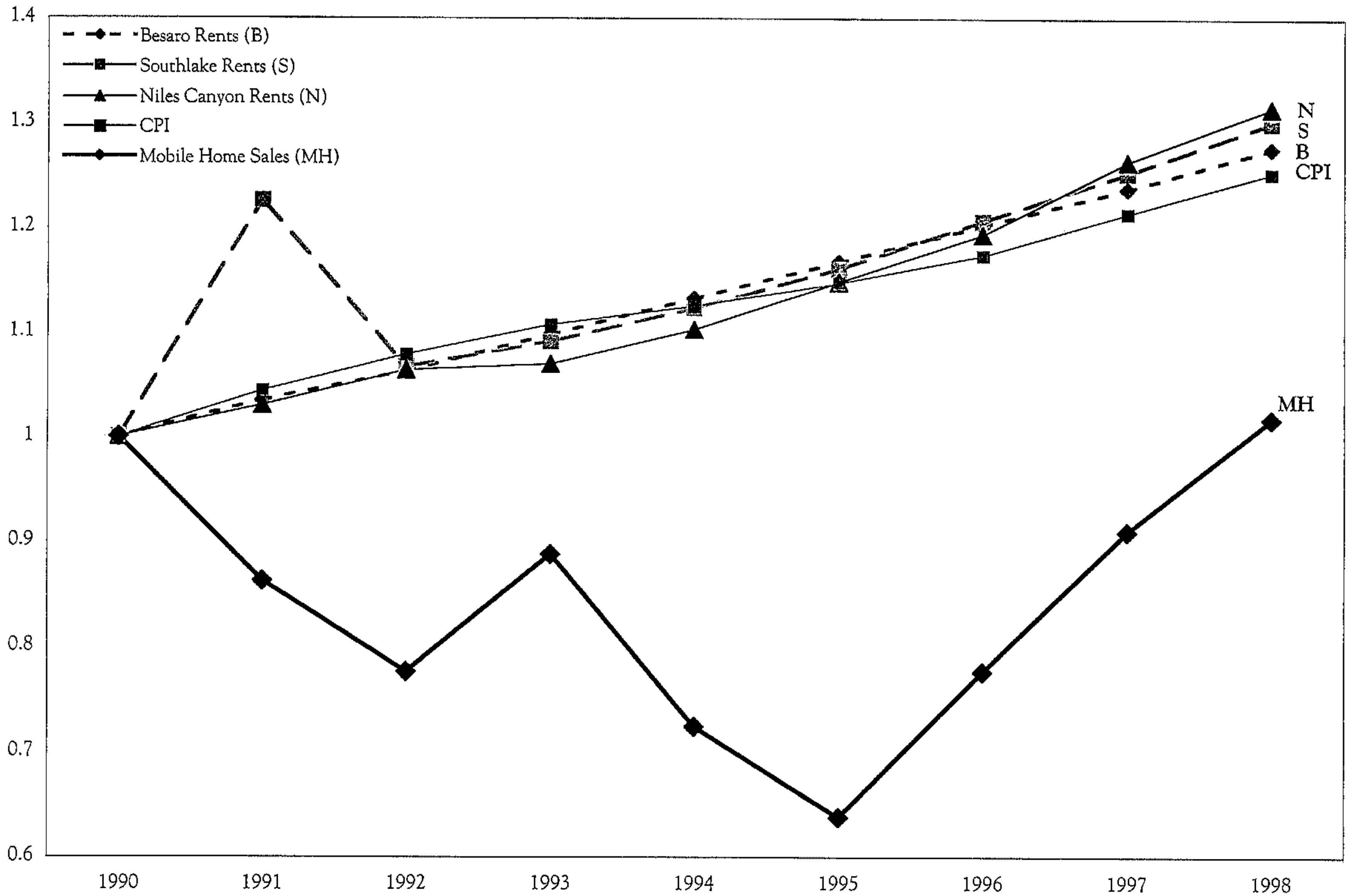
- In 1990, with the adoption of the vacancy decontrol feature, sales values declined sharply until 1992. While at face value this decline might appear to be a function of the vacancy decontrol feature, we believe it is more likely attributable to the real estate recession.
- Vacancy control was re-instated in 1992 in the City of Fremont. Between 1992 and 1993, median sales values increased, then declined until 1996, at which point they increased until 1999. While the temporary increase in median sales values between 1992 and 1993 could have resulted from the reinstatement of vacancy control in Fremont, the same trend was evident in San Leandro (which has no rent control) and in Milpitas (which has rent control and vacancy decontrol).
- One of the "rules of thumb" cited by appraisers and brokers (and by Ken Baar in the August 1991 study) is that a $100/month difference in space rent translates into a $10,000 difference in value. We retained the Meridian Group, experienced residential and mobile home appraisers, to test this hypothesis through "paired sales analysis". The analysis demonstrated that a $100 decrease in rent usually translates into a higher sales value, although there were three cases (out of a total of 16 examples), where a higher rent yielded a higher sales value. The value premium in the 13 remaining examples varied significantly – from under $2,200 to over $17,300, with a median increase of about $9,800 in sales value for each $100 less in space rent.
- Underlying park rents are considered in the underwriting criteria for mobile home loans. We conducted an analysis which demonstrated that higher rents limit the pool of prospective purchasers for mobile homes which in turn could result in lower sales offers.
- In summary, mobile home sales values in Fremont have experienced rapid increases between 1995 and 1998, presumably due to increased market demand and limited supply. Under the theory of "complementary" goods, where mobile home space rent increases are limited (and kept artificially low below market rates), there could be some transfer of value to the mobile home sales value. However, since 1990, mobile home space rents have increased faster than inflation, while median mobile home sales prices only increased nominally. In other words, while value transfer might occur in an inflationary (or increasing) real estate market, the available data has been clouded by the recessionary market of the early to mid 1990's. Furthermore, space rents differ from park to park, and value transfers could accrue differentially as a result.
- In conclusion, we believe there could be a value transfer if space rents are kept artificially low upon resale. However, the dollar amount of the transfer cannot be precisely quantified, based on the appraisal analysis conducted as part of this study, due to the limited number of paired sales. Moreover, the impacts of the recessionary market in the early and mid 1990's have clouded that the data, so that no clear trends can be established for the period for which data is available.

Figure 1
Historical Comparison of Apartment Rents, Single Family Home Prices, Mobile Home Prices, Wages, and Inflation (CPI)
City of Fremont
1990 to 1998



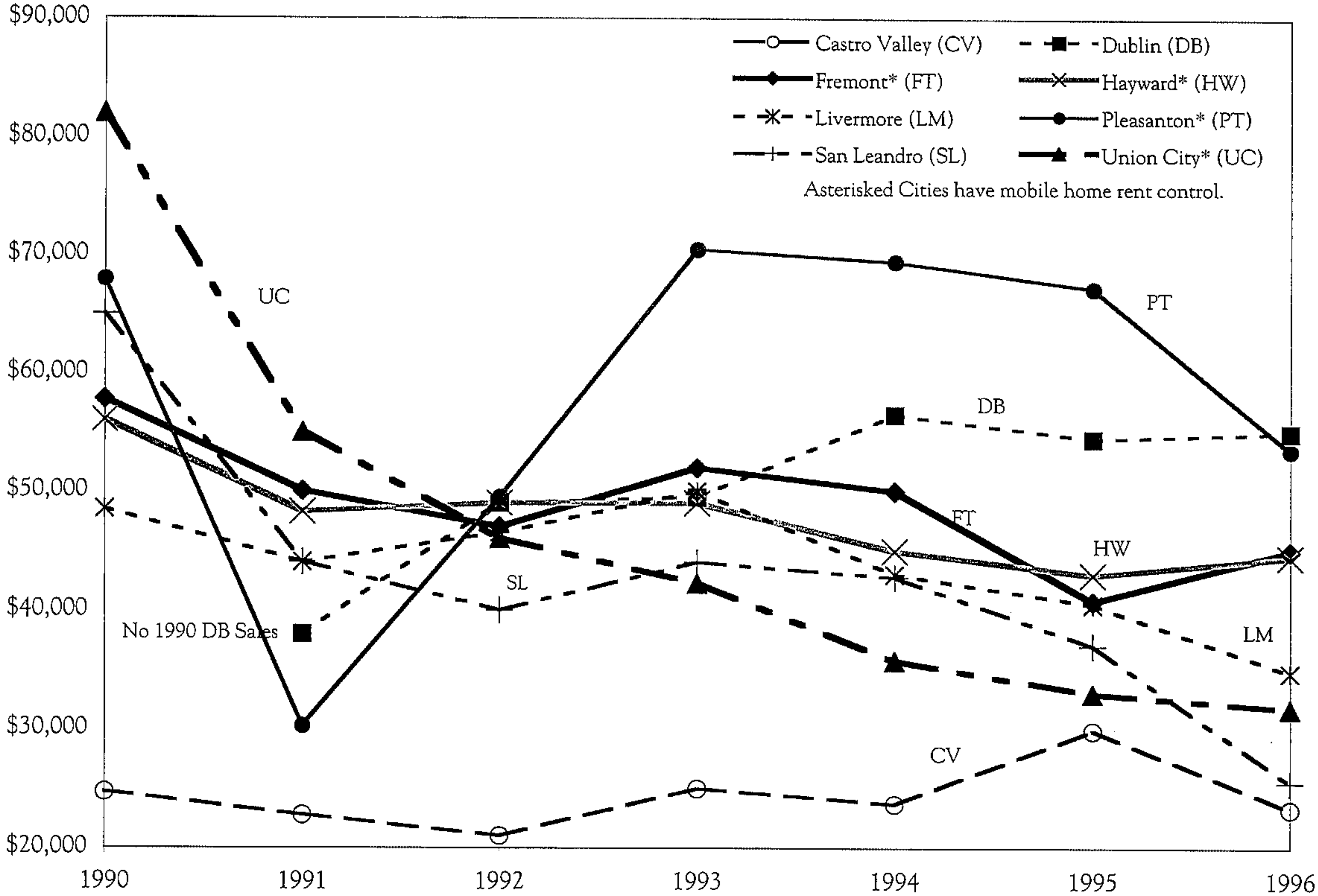
Source: REALFACTS; Berlin Research; Bay East Association of Realtors; Bureau of Labor Statistics

Figure 2
Mobile Home Park Rents Compared to Median Sales Values
1990-1998



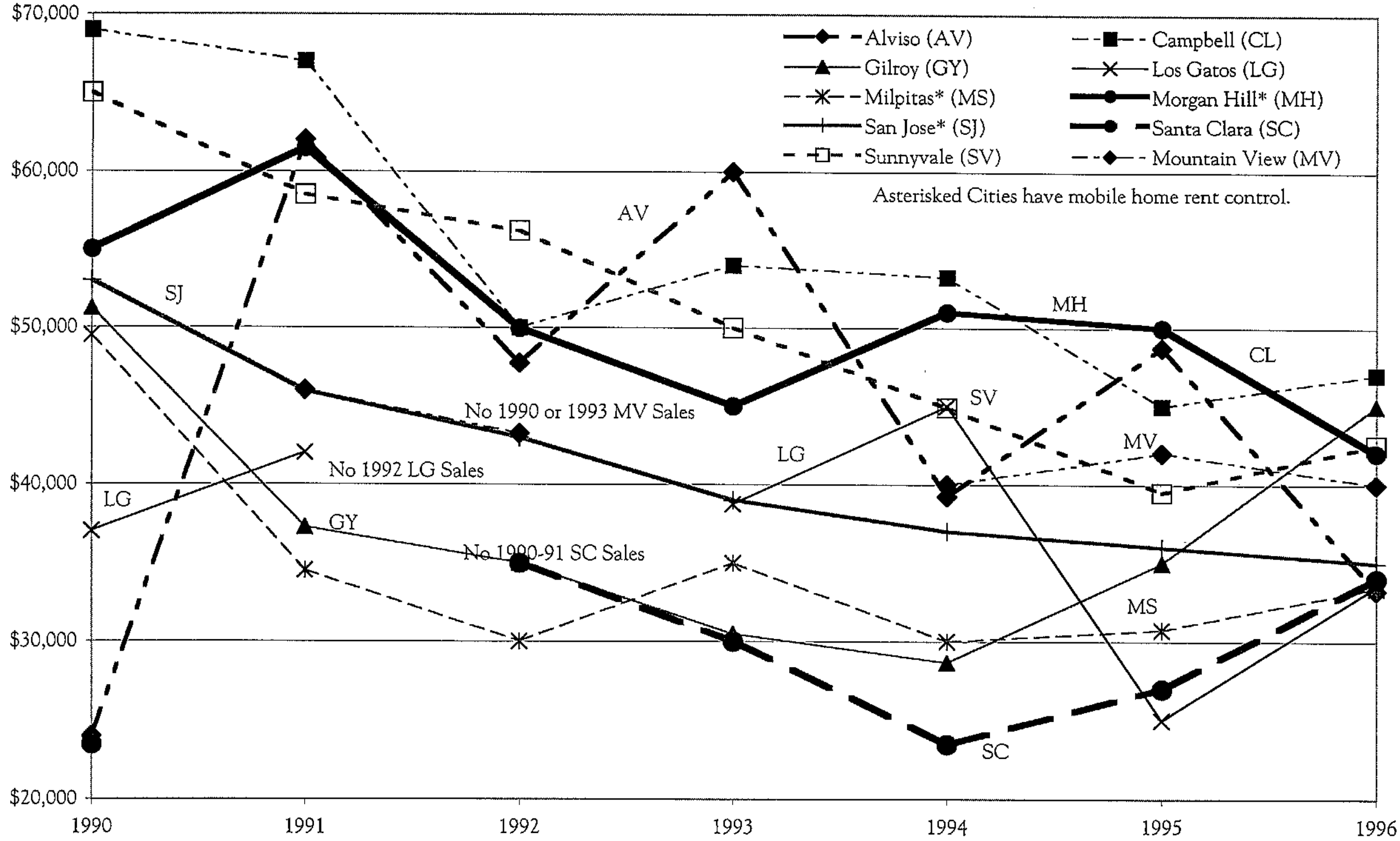
Source: Berlin Research; Santiago Financial; Bureau of Labor Statistics; City of Fremont, 1999.

Figure 3
Median Mobile Home Sales Values in Alameda County
1990-1996



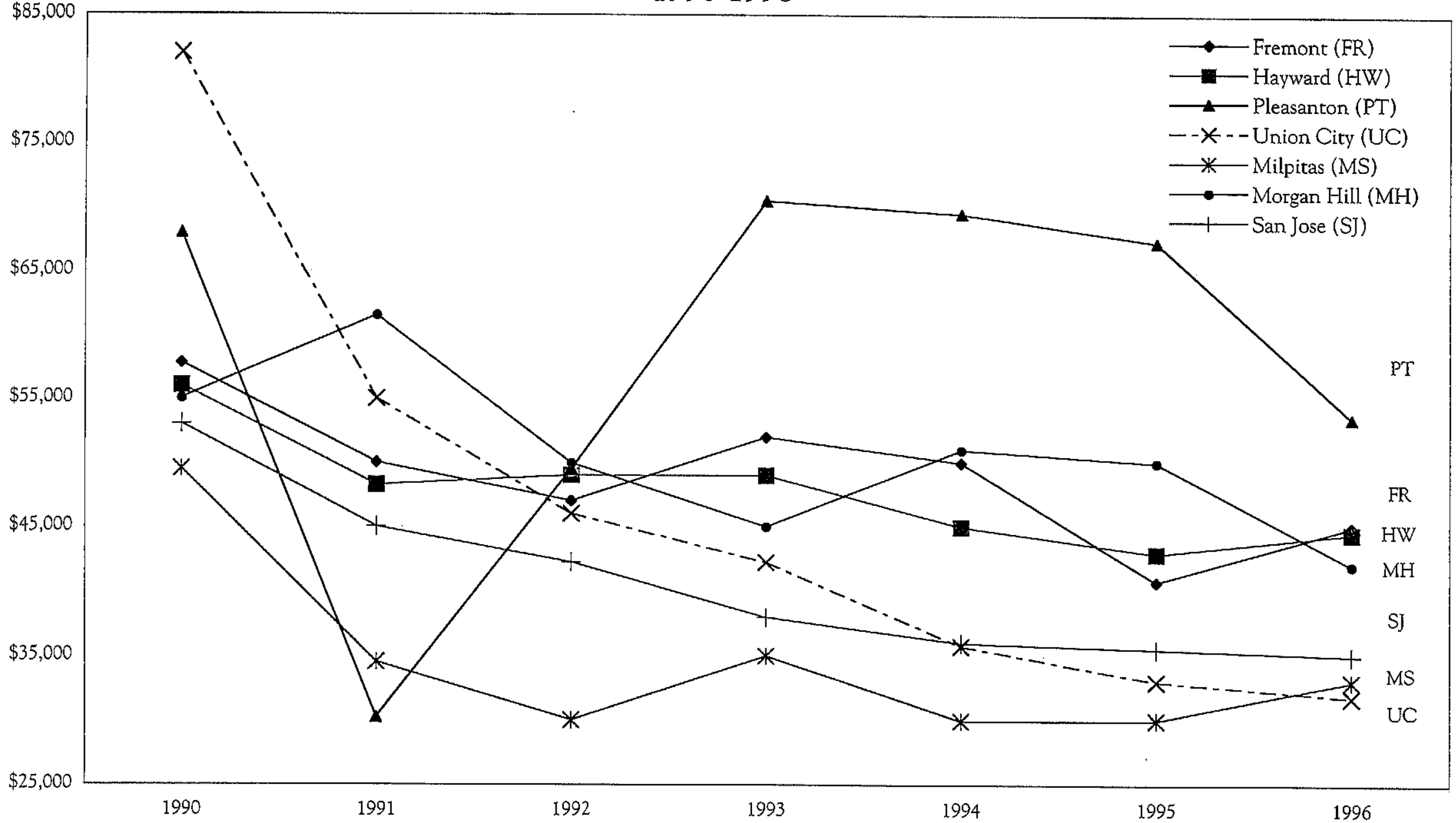
Source: Berlin Research Corporation

Figure 4
Median Mobile Home Values in Santa Clara County
1990-1996



Source: Berlin Research

Figure 5
Median Mobile Home Sales in Cities with Rent Control and Limited or No Vacancy Decontrol 1990-1996



Source: Berlin Research

I. INTRODUCTION

A. OVERVIEW AND PURPOSE OF STUDY

The City of Fremont has retained the services of Seifel Associates (SA) to help the City conduct its economic analysis of the City's Mobile Home Rent Stabilization Ordinance. The primary purpose of the analysis is to determine what effect, if any, the City's Ordinance (particularly the vacancy control aspect of the Ordinance), has on the cost of mobile home housing in each of the mobile home parks in Fremont. This report summarizes the findings from this analysis.

B. MOBILE HOME REGULATION

In 1978, California enacted its Mobile Home Residency Law (Chapter 2.5 of the California Civil Code, Sections 798 to 799, referred to as "MRL"). In most California mobile home parks, residents own their own homes, but rent the spaces (or "mobile home pads") on which the homes are located from the park owner/management. The Legislature "found that, because of high cost of moving mobile homes, the potential for damage resulting there from, the requirements relating to the installation of mobile homes, and the cost of landscaping or lot preparation, it is necessary that the owners of mobile homes occupied within mobile home parks be provided with the unique protection from actual or constructive eviction afforded by the provisions of this chapter."

The MRL limits the basis upon which a park owner may terminate a mobile home owner's tenancy (nonpayment of rent, violation of law or park rules, and park owner's desire to change use of land). The MRL contains a number of provisions to protect mobile home owners, but none limit the rent the park owners may charge.

In the aftermath of the MRL, various communities in California adopted mobile home rent control (or stabilization) ordinances. According to data available from the Golden State Mobile Home Owners League (GSMOL), over one hundred local government jurisdictions have enacted rent control or stabilization ordinances. These ordinances generally limit annual rent increases to the level of annual inflation, a percentage of annual inflation, a fixed percentage increase, a dollar amount, or some combination of these with a cap on increases. These ordinances have been enacted to preserve affordable housing, particularly as many mobile home owners are elderly individuals on fixed incomes.

Many ordinances provide a method for park owners to petition for an additional net operating income increase. In several cities, an appointed Rent Commission, Rent Board or Hearing Officer determines the increase. According to the GSMOL data, nearly half of the ordinances provide some form of vacancy control.

C. FREMONT'S MOBILE HOME SPACE RENT STABILIZATION ORDINANCE

Recognizing the significant distinction between the tenants of mobile home parks and other dwelling units, the City of Fremont adopted its Mobile Home Space Rent Stabilization Ordinance on February 12, 1987. The City recognized that mobile home owners, unlike apartment tenants or residents of other rental housing, are in the unique position of having made a substantial investment in a residence, the space for which (mobile home space) is rented or leased as distinguished from owned. The Ordinance has been amended many times over the years including most recently in 1995. (See Table I-1 for a summary of the Ordinance's history.)

Table I-1
Mobile Home Space Rent Stabilization Ordinance History
City of Fremont

February 12, 1987	City Council adopts Mobile Home Rent Stabilization Ordinance (Ordinance)
September 13, 1988	City Council adopts amendment to Ordinance clarifying issues related to Besaro special exemption
February 21, 1989	City Council adopts amendments to Ordinance: – amended definition of "housing service" – defined "service reduction"
February 13, 1990	City Council adopts amendment to Ordinance to provide for vacancy decontrol
April 14, 1992	City Council adopts emergency Ordinance to reestablish vacancy control
November 3, 1992	City Council adopts amendments to Ordinance: - eliminated sunset clause - included Besaro - required park owners to petition for major rent increases - provided additional protections for mobile homeowners regarding retaliatory actions - limited percentage on amount allowed for major capital expenses
June 20, 1995	City Council adopts amendment to Ordinance re: special rent increase at Niles and Southlake

Source: City of Fremont

In 1995, the City Council made several findings in support of the Ordinance. The following indented text is excepted from the Ordinance's findings (Section 3-13101).

(a) The State of California has recognized, by the adoption of special legislation regulating tenancies of mobile home owners in mobile home parks, that there is a significant distinction between the tenants (mobile home owners) of mobile home parks and other dwelling units, and the City of Fremont likewise has recognized that tenants of mobile home parks, unlike apartments tenants or residents of other rental housing, are in the unique position of having made a substantial investment in a residence, the space for which (mobile home space) is rented or leased as distinguished from owned.

(b) There is presently within the City of Fremont and surrounding areas a shortage of developed spaces for the location of mobile homes, and because of the shortage of developed mobile home spaces there is a low vacancy rate in mobile home parks that rent mobile homes spaces to mobile home owners.

(c) Mobile home owners, unlike apartment tenants or residents or residents of other rental units, are in the unique position of having made a substantial investment in a residence for which space is rented or leased. Alternative sites for the relocation of mobile homes are difficult to find due to the shortage of vacant mobile home spaces, the restrictions on the age, size, or style of mobile homes permitted in many mobile home parks, and requirements related to the installation of mobile homes, including permits, landscaping, and site preparation. Additionally, the cost of moving a mobile home is substantial and the risk of damage in moving is significant.

(d) In August 1991, an extensive study on "Mobile Home Ownership in Fremont" funded by the City of Fremont, was completed by Kenneth K. Baar, an expert in the field. The study made the following findings which are hereby adopted by the City Council:

(1) Fremont has three mobile home parks, which contain a total of seven hundred thirty-two mobile home spaces. These mobile home parks opened between 1968 and 1970. They have communal facilities as well as mobile home spaces for the mobile homes.

(2) While the mobile homes in these mobile home parks are denominated as "mobile homes," in fact, they are prefabricated homes that have been installed on foundations and have attached improvements, such as carports. Approximately three-quarters of the mobile homes are over one thousand square feet.

(3) As is standard in California mobile home parks, the mobile home spaces in these mobile home parks are rented to mobile home owners. When mobile home owners move, they sell their mobile homes in place. As a practical matter, mobile homes are immobile. They cannot be moved from one mobile home park to another because typically there are no vacant mobile home spaces within mobile home parks in the metropolitan area. Furthermore, the cost of moving mobile homes and setting them up in new mobile home spaces is very high relative to their value. As a practical matter, mobile home owners must sell their mobile homes "in place" and persons who desire to move into mobile home parks must purchase existing mobile homes in order to move into a mobile home park.

(4) Land use regulations effectively prohibit the creation of new mobile home parks by permitting alternative uses at higher densities. In effect, park owners are the beneficiaries of a publicly created monopoly position relative to the mobile home owners in their mobile home park due to the combination of the lack of vacant mobile home spaces in existing mobile home parks and the absence of any likelihood that new mobile home parks will be constructed. On the other hand, conversions of mobile home parks to other uses are subject to municipal approval of an accompanying relocation assistance plan.

(5) Mobile home ownership in a mobile home park has offered the advantage of costs that are less than half the cost of ownership of a single family dwelling. For mobile home owners who have moved in within the past five years, typical mobile home

purchase prices have been in the range of $50,000 to $70,000. Space rents have been in the range of $250 to $375. In contrast, in 1989, the average price for single family detached dwellings, townhouses and condominiums was $228,999.

(6) The costs of mobile home ownership are comparable to the cost of renting an apartment. Typical rents for apartments range from $600 to $850. The combined costs of mobile home park space rents of $350 and the carrying costs for a $50,000 mobile home ($500 per month) are in the range of $850. However, apartment living does not offer the advantage of providing each occupant with a detached structure, which can be modified and improved by its occupant. Also, mobile homes are larger on the average.

(7) The chief shortcoming of mobile home ownership is that the investment in the mobile home is subject to the rental conditions for the underlying land, that is not in control of the mobile home owner.

(8) The existence of housing alternatives for mobile home owners is largely dependent on the maintenance of their equities in their mobile homes. They can relocate to other types of housing only if they can "relocate" their equity in their mobile homes.

(e) The result of these conditions has been and continues to be the creation of a captive market for mobile home owners and a great imbalance in the bargaining position of the park owners and mobile home owners in favor of the park owners.

(f) This market situation has contributed or threatens to contribute to unreasonable space rent increases for mobile home spaces. This situation has resulted in serious concern and stress among significant portions of Fremont residents living in mobile home parks, who have sought and requested the city to adopt and maintain a rent stabilization ordinance to address their concerns. Because mobile homes are often owned by senior citizens, persons on fixed income, and persons of low and moderate income, significant rent increases fall upon these individuals with particular harshness.

(g) This market situation has also contributed to or threatens to contribute to other abuses by park owners which this ordinance also seeks to remedy or prevent, including protections against retaliation.

1. Summary of Fremont Ordinance Provisions

The ordinance limits park owners from increasing the space rent payable for use or occupancy of any mobile home spaces in excess of what is allowed by the ordinance. The ordinance provides for five types of rent increase (described below):

- Standard Rent Increases
- Special Rent Increases
- Administrative Fee Increases
- Capital Improvement Rent Increases
- "Major" Rent Increases

a. Standard Rent Increases

Once every twelve months, the park owner may impose a standard rent increase equal to the greater of:

- Three percent,
- Ten dollars per month, or
- Sixty percent of the percent change in the Consumer Price Index, provided that no standard rent increase of more than six percent may be imposed in any twelve month period.

All standard rent increases become a permanent part of the base rent upon which future increase are based.

The rent increase limitations do not apply to rental agreements subject to section 798.17 (a) and (b) of the MRL, to newly constructed mobile homes spaces pursuant to MRL Section 798.45, or to separately billed utilities pursuant to Section 798.41.

b. Special Rent Increases

Special rent increases are allowed at the Southlake and Niles Canyon Mobile Home Parks. Rents may be increased by an additional $3.87 each year in the years from 1995 through 2001. All special rent increases become a permanent part of the space rent upon which future rent increases are based.

c. Administrative Fee Increases

Once every twelve months, the park owner may increase the mobile home owner's rent based on the mobile home owner's pro-rata share of the city's rent stabilization administrative fee as calculated by Section 3-13115 of the Ordinance. Administrative fee rent increases are not included as part of the base rent upon which future rent increases are based.

d. Capital Improvement Rent Increases

A park owner may increase the mobile home owner's rent based on the mobile home owner's pro rata share of capital improvement expenditures in the park. The increase cannot exceed five percent of the mobile home owners existing rent. Any increase under this section cannot be included as part of the base rent upon which future rent increases are based.

e. Major Rent Increases

In the event a park owner proposes to increase the space rent payable for any mobile home space within any twelve-month period more than the amounts permitted, a petition must be filed by the park owner, heard at a hearing and approved by a hearing officer.

The Ordinance includes several factors that should be considered in determining a major rent increase such as unavoidable increases in maintenance, substantial rehabilitation or addition of capital improvements, rental history of spaces, physical condition of affected mobile home spaces and park, any increase or reduction of housing services since last rent increase, existing space rents for comparable mobile home spaces in other comparable parks, decrease in net operating income, fair return on property prorated among spaces, financial information park owner is willing to provide, and excessive expense. In no event may a hearing officer place a cap on any rent increase allowable under the Ordinance, specifically including but not limited to any rent increase necessary to provide the park owner with a fair return on investment.

f. Vacancy Control

When the Ordinance was originally adopted it controlled the rent on park spaces whether or not a coach was sold (vacancy control). However, in 1990 the City amended the Ordinance to provide for vacancy decontrol. Starting in 1990, upon sale of a coach, the space rent could increase to market rent levels (i.e. not controlled). The vacancy decontrol aspect of the Ordinance was amended in 1992 to reestablish vacancy control, and the City's Ordinance currently provides vacancy control on space rent upon sale (or in other words, no vacancy decontrol).

2. Challenge to Vacancy Control

In 1995, The City of Fremont settled a lawsuit with Fremont mobile home parks based on challenges to aspects of the City's Mobile Home Rent Stabilization Ordinance. The litigation included a claim that the failure to provide "vacancy decontrol" amounted to a "regulatory taking" in violation of the Fifth and Fourteenth Amendments to the United States Constitution. The 1995 settlement agreement permits this claim of "regulatory taking" to be raised for the period 1992 to the present under specific circumstances.

The mobile home park owners in the City of Fremont have brought to the City's attention, the Ninth Circuit Court of Appeal's decision in Richard v. City and County of Honolulu. Although the Richardson decision concerned regulations on long-term leases for land underlying condominiums, not regulations on rents for land underlying mobile homes, the park owners contend that Fremont's vacancy control is the same type of "regulatory taking" created by the Honolulu ordinance as found by the court in Richardson decision.

D. APPROACH TO ECONOMIC ANALYSIS OF VACANCY CONTROL

As part of the City of Fremont's efforts to respond to the concerns and rights of the mobile home park owners, as well as to respect the concerns and rights of the mobile home owners, the City initiated an economic analysis in order to determine the impact of the vacancy control aspect of the Mobile Home Rent Stabilization Ordinance.

1. Initial Proposed Approach to Study

Due to the number of stakeholders in the outcome of the study, the initial approach was to propose a two-phase scope of work to address the myriad of complex issues that needed to be addressed. The primary purpose of the first phase was to develop a detailed research methodology through a scoping session with the representatives of the various stakeholders, including City staff, mobile home owners' representatives and mobile home park owners. The purpose of the scoping session was to:

- Determine the key objectives for the work effort and establish priorities among work tasks.
- Determine which cities with mobile home parks should be included in the research effort for comparative purposes.
- Discuss the most expeditious research methodology and develop a list of potential industry contacts to be used to obtain key demographic and economic information.
- Establish a schedule for completion of each task, recognizing that some tasks rely on information to be developed by others.
- Exchange relevant information pertinent to the study, as available and appropriate.

The first phase was also envisioned to entail some preliminary market research, including a review of mobile home ordinances in neighboring cities and housing market trends in the City of Fremont. Through this initial work effort, it was envisioned that an agreed-upon research methodology would be developed that could address the needs and concerns of the divergent stakeholders that would be impacted by the outcome of the study.

Initially, the general approach for the second phase of the work effort was envisioned to be a case study of vacancy and pricing trends in mobile home parks since 1992 in selected cities in California, to include the following:

- Cities with Mobile Home Rent Control and Vacancy Control (Local Bay Area, Outside Bay Area)
- Cities with Mobile Home Rent Control and Vacancy De-Control Control (Local Bay Area, Outside Bay Area)
- Cities without Mobile Home Rent Control (Local Bay Area, Outside Bay Area)

Assuming this segmentation of the market could be achieved, an attempt would be made to identify and isolate the respective factors impacting resale value of mobile homes (e.g., vacancy control, space availability, and location) in the City of Fremont. This second phase of the study was to comprise the bulk of the research and analysis and was envisioned to require a minimum of 90 days to complete.

The initial scoping meeting with representatives from the various stakeholder groups was held on June 9, 1999. Attendees included mobile home owners and their representatives from each of Fremont's three mobile home parks, park owner representatives, City staff and Seifel Associates staff. At that time, it was envisioned that the consultants and City staff would reconvene with the stakeholders in 30 days to review the preliminary market analysis and prioritize next steps in the second phase of the study. However, shortly after the meeting, City staff informed Seifel Associates (SA) that there was insufficient time to conduct the two-phase study SA proposed, and interim stakeholder meetings would not be held on the study. SA was instructed to conduct whatever analysis could be accomplished within a 30 to 60 day timeframe. Given the severe time constraints imposed on the study and numerous data limitations (as detailed in the next chapter), the analysis has taken a different direction than initially planned and is not as comprehensive or complete as initially envisioned.

2. General Approaches

In an effort to obtain as much information as quickly as possible, the analysis in this report utilized a multi-prong approach. In brief, it incorporates the following general approaches:

- Numerous interviews and discussions with real estate brokers, mobile home lenders, mobile home manufacturers, mobile home park owner representatives and homeowner representatives and other professionals in the mobile home industry.
- Research and review of mobile home rent control (stabilization) ordinances of municipalities in Alameda and Santa Clara Counties, to develop a basis of comparison with Fremont's Ordinance. (Limited analysis was also done of San Mateo County Ordinances.)
- Comparative analysis of historic and current mobile home sales trends in the City of Fremont relative to other cities in Alameda County and Santa Clara County, particularly in the context of overall residential market. As discussed in the next chapter, due to the limitations of data and the time allotted to conduct the study, this analysis does not take into account many factors that could impact value, such as amenities and condition of the coach.
- Paired-sales analyses by a certified mobile home appraiser to test the hypothesis that a difference of $100 in rent translates into a $10,000 transfer in value to a mobile home sale. The appraiser compares sales values at the three mobile home parks in Fremont relative to the most comparable parks in the market area. To the extent possible, the appraiser's analyses take into account all qualitative factors which impact value, including amenities, age of coach and condition at time of sale.

Each approach, including respective findings and limitations, is discussed in greater detail in the following chapter.

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II. RESEARCH AND ANALYSIS

This Chapter describes the research and analysis conducted during the period from June 9, 1999 to August 16, 1999, and is organized into six sections.

Section A reviews the approach to the analysis and data sources.

Section B presents a description of the mobile home market in Fremont including:

- Mobile home parks in Fremont
- Rental increases at Fremont mobile home parks
- Mobile home sales in Fremont
- Comparison of mobile home sales to other indices

Section C contains a brief analysis of the regional market. This analysis was conducted in order to provide a framework for the analysis of mobile home market trends, and includes:

- Mobile Home Sales Compared to Other Indices
- Rent Control Ordinances in Local Market Area
- Mobile home sales in Fremont compared to neighboring cities
- New mobile home sales in Fremont compared to neighboring cities
- Mobile home sales in Fremont compared to most comparative parks

Section D presents an appraisal analysis of comparable parks to determine if there is any difference in value in parks with or without vacancy decontrol, and if so to analyze the dollar value from vacancy control or decontrol. This section presents:

- Basic appraisal approaches to real estate valuation
- "Paired" sales analysis of comparable sales

Section E presents information obtained from several mobile lenders and manufacturers regarding underwriting criteria for new and used mobile homes. The section includes an analysis of the ability for a potential manufactured home buyer to purchase a home under four scenarios.

Section F summarizes the findings of SA's analysis.

A. APPROACH AND DATA SOURCES/LIMITATIONS

Appendix A lists the data sources researched and the organizations and persons contacted during the course of this study. Two primary data sources are available which track mobile homes sales: the Multiple Listing Services (MLS) and sales as reported by mobile home buyers to the State of California Housing and Community Development (HCD). Both sources have limitations, as discussed below:

a. MLS Data

The multiple listing service (MLS) is a paid subscription service available to real estate brokers to advertise sales listings to other brokers in the local market area. It is available in a short (list) form as well as a longer, more detailed form. The long form typically includes the sales and list price, bedroom and bathroom count, and may include information regarding condition and special features of the coach. However, the MLS has many limitations:

- The only way to obtain MLS data is to find a real estate broker who is willing to provide it. While SA were able to obtain MLS data for cities in southern Alameda County (Fremont, Hayward, San Leandro, and Union City), SA was not able to find a broker willing to provide data for other cities in Alameda County or for cities in Santa Clara County.
- The MLS data in Southern Alameda County is only available from 1996 onward, while MLS data for Santa Clara County is only available from 1994 onward. (The RFP had requested analysis from 1992 onward.)
- MLS data does not always include underlying rental information. Even when rents are included, it does not typically include information regarding amenities at the park, which can impact sales values.
- MLS data only includes resale information; it does not include new sales. SA's initial analysis focussed on new sales, as discussed above, because such an evaluation eliminates condition of the unit as a factor in sales price. (Presumably new coaches would all be in good condition.)
- MLS data is not available electronically. In order to conduct any meaningful data manipulation, this would necessitate manual entry of a substantial amount of data, which given the time and budget constraints of the analysis, was not considered a cost-effective use of time and budget allocated for this study.

b. HCD Data

Buyers of new and used coaches in California file paperwork with the State Department of Housing and Community Development (HCD) which includes the year, manufacturer and trade name of the coach, date sold, dimensions, square footage, and site address. For coaches which initially sold prior to July 1980, coaches are assessed an "in-lieu" tax by the HCD, based on the sales price, as reported by the buyer. Upon transfer, a use tax (sales tax) is also applied.

Occasionally HCD data will include the park name, the legal owner and selling dealer. HCD data both includes new sales and resales after 1993. HCD data is available from two firms. Berlin Research compiled data from 1990 through 1996, while Santiago Financial has compiled the information since that time. Berlin Research is able to provide the data electronically, while Santiago Financial does not have that capability.

- HCD sales data is self-reported by purchasers, and may be understated (for coaches which initially sold prior to July, 1980) in order to avoid or minimize the "in lieu" tax and use tax upon transfer, which is calculated based upon the sales price.
- HCD data does not include any information regarding bedroom and bathroom count, coach amenities or condition, park amenities or condition, or underlying rents. All of these factors are critical components in the valuation of the mobile home.
- Data from Santiago Financial (1997 to 1999) is not available electronically, thereby necessitating manual input of a substantial amount of data in order to manipulate data.
- Prior to 1997, there were limited sales of new coaches in Fremont, a primary focus of one of SA's initial analyses.
- Although the HCD data has limitations, it is considered the best source of data to perform comparative analysis of mobile home sales.

B. FREMONT MOBILE HOME PARKS

Fremont has three mobile home parks, with a total of 736 spaces, according to City records: Besaro Mobile Park, Niles Canyon Mobile Estates and Southlake Mobilehome Estates. All three parks opened between 1968 and 1970, and have community clubhouse facilities, and on-site management. Table II-1 presents summary statistics on Fremont Mobile Home Parks.

Table II-1
Fremont Mobile Home Parks
Summary Statistics

	Besaro	Niles Canyon	Southlake
Number of spaces	236	165	335
Acreage	32	17	59
Spaces/Acre	7.4	9.7	5.7
Opening Date	1970	1968	1971
Rental Range*	$366-$384	$456	$482-$524

* Rent includes trash pickup at Besaro and Southlake. Trash pickup fees have been added into Niles Canyon to make them consistent.

Source: Ken Baar August 1991 Report, City of Fremont, 1999.

Besaro and Niles Canyon only permit persons 55 or older to move in to the park. Until 1989, Besaro permitted all adults (18 or older). Niles Canyon permitted adults of any age until about fifteen years ago.

1. Besaro Mobile Park

Besaro Mobile Park is a senior park with a total of 236 mobile home lots, located on Deep Creek Road with easy off the Nimitz Freeway. Overall density at the park is just over 7 dwelling units per acre. Amenities include a clubhouse with kitchen, pool and jacuzzi.

2. Niles Canyon Mobile Estates

Niles Canyon Mobile Estates is a senior park with a total of 165 mobile home lots. It is the most remote of the City's three parks, located on Old Canyon Road off Niles Canyon Road, but offers views of the nearby hills. Overall density at the park is estimated between 9 and 10 dwelling units per acre. Amenities include a clubhouse with kitchen and television, pool and jacuzzi and RV storage.

3. Southlake Mobilehome Estates

Southlake Mobilehome Estates is the City's largest and only family park, with a total of 335 lots. Located on Durham Road, Southlake has a view of Mission Peak. Overall density at the park is estimated at between 5 and 6 units per acre. Amenities include a pool, clubhouse with hot tub and sauna, a large picnic area with a children's playground, tennis and basketball courts, a horseshoe pit and two duck ponds. Southlake has a substantial amount of open space around the individual homes and in its community facilities.

4. 1991 Study on Mobile Home Ownership in Fremont

As part of a 1991 study conducted by Ken Baar, Ph.D. on mobile home ownership in Fremont, a questionnaire was sent to all Fremont mobile home park households. The survey inquired about household composition and income, rents, mobile home purchase and financing, and mobile home characteristics; 430 (or 58 percent) of the city's mobile home households responded to the survey. Highlights of the 1991 survey results include:

- Most (78 percent) of the mobile homes were doublewide (twenty or twenty four feet wide); 19 percent were singlewide and 3 percent were triplewide.
- 61 percent of the mobile homes had over 1250 square feet, and 15 percent had fewer than 750 square feet.
- Most homes were manufactured in the early 1970s, when the parks opened, and some had been replaced in recent years.
- All except a few residents own their mobile home, rather than renting them.
- Half of the homeowners had moved in within the last five years.

- A substantial portion (43 percent) of the mobile home owners paid all cash for their mobile homes and owned their mobile homes free and clear. In Niles, 62 percent of the mobile home residents owned their homes free and clear.

5. Historical Space Rents at Fremont Mobile Home Parks

The Ken Baar survey also reviewed historical space rent increases between 1970 and 1991. In his survey, he reported that rents remained fairly level from 1970 to 1975, but increased by about 80 percent between 1975 and 1980. Between 1980 and 1985, rents increased about 30 percent in Besaro and Niles Canyon, and about 50 percent in Southlake. Based on these figures, he calculated that space rents at the three parks increased on average 6 percent annually between 1970 and 1986 (prior to the introduction of rent control).

In January 1987, the City of Fremont adopted its Mobile Home Rent Stabilization Ordinance; whereby base rents were rolled back to their January 1986 levels plus $10. Since January 1987, annual rent increases have been limited by the Ordinance (the greater of 3 percent, $10 per month, or 60 percent of the CPI increase). In February 1990, the City amended the Ordinance to provide for vacancy decontrol (which allowed rents to increase to "market" upon the voluntary vacancy of a mobile home space). At the time of Mr. Baar's survey (August 1991), he estimated that rent increases for units that had been sold with vacancy decontrol in place were about 70 percent above 1985 levels. SA does not have sufficient supporting rental data to provide an historical analysis of space rents back to 1970. However, SA has historical space rent increases from 1987 through 1999, as provided by City staff, and summarized in Table II-2.

The basic rent at all the parks includes the base rent for the underlying mobile home pad, as well as water, sewer and basic cable TV. Trash pick-up is also included in the rent at South Lake and Besaro, while tenants at Niles Canyon pay for garbage through a separate bill from the park owner. Therefore, in order to make the figures comparable, trash pick-up at Niles Canyon (paid by the tenants to the park owner, but not included in the rent) has been added into these figures, since it is part of the base rent at both Southlake and Besaro.

In addition, tenants at Niles Canyon receive a $5 per month credit for streetlight energy utilization.

The rental increases illustrated in Table II-2 are reflective of the following increases as allowed under the City's ordinance:

- Standard Rent Increases
- Special Rent Increases (Southlake and Niles Canyon only)
- Administrative Fee Increases
- Capital Improvement Rent Increases (currently only at Niles Canyon)

Table II-2
Mobile Home Space Rent History
City of Fremont
1987 - 1999[1]

Besaro[2]	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Average Annual Increases 1987-1999
Low Rent	N/A	$235	$255	$266	$276	$286	$294	$304	$314	$324	$334	$344	$355	$366	5.51%
Midpoint	N/A	$253	$267	$276	$286	$296	$304	$314	$324	$334	$344	$354	$365	$375	4.24%
High Rent	N/A	$270	$278	$287	$297	$307	$313	$323	$333	$343	$353	$363	$374	$384	3.23%

Southlake[3]	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	1987-1999
Low Point	N/A	$319	$329	$343	$353	$367	$379	$386	$398	$414	$430	$447	$464	$482	3.46%
Midpoint	N/A	$339	$353	$362	$372	$456	$397	$406	$418	$432	$449	$466	$484	$503	3.22%
High Rent	N/A	$358	$378	$380	$392	$545	$416	$425	$438	$451	$468	$486	$504	$524	3.00%

Niles Canyon[4]	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	1987-1999
Total Rent	$289	$299	$310	$320	$330	$340	$351	$353	$364	$379	$394	$417	$434	$456	3.31%

1 Years represent September through August for Besaro and Niles Canyon (where rent increases become effective September 1 of each year). For Southlake, rent increases were effective May of each year in 1987 -1991, and in October for years thereafter. Rent for all parks include base rent, water, sewer, basic cable, and garbage fees.

2 Besaro rents do not include a proposed $85.68/month increase that was to be effective May 1997. The owners of Besaro submitted a petition for a major increase in 1997, however, the City determined the petition was incomplete, and the increase was denied. The park owners are currently suing the City on this matter.

3 Southlake had a rental rebate of $100 in 1987. It is unclear how this rebate was structured. Southlake rents include "standard rents", as well as "special" rent increases, per provisions of the City's ordinance, which authorizes additional rental increases of $3.87/month for years 1995-2001, for residents at Southlake and Niles Canyon Mobile Home parks.

4 Niles Canyon had a rental rebate of $114 in 1987, which was credit against the rent increase that year at $10 per month until fully repaid. Niles Canyon rents include "standard" rents, as well as "special" rent increases, per provisions of the City's ordinance since Sept. 1995. In addition, Niles Canyon rents include "capital improvement" rent of $7.53/month commencing September 1, 1997, increased to $13.92/month in 1999. Capital improvement rents are in effect until improvement costs are fully amortized (12-20 years, depending upon the improvement). The City is Currently processing a petition from Niles Canyon for a major rent increase of $78 per month. A decision on this increase is expected in a couple of months.

Source: City of Fremont.

Based on these allowable increases, rents are currently highest at Southlake, where they range from a low of $482 per month to a high of $524 per month. By comparison, monthly rents at Besaro range from a low of $366 to a high of $384. However, it should be noted that the Besaro rents do not include a proposed $85.68 per month increase which was to be effective in May 1997. The owners of Besaro submitted a petition for a major increase that the City determined to be incomplete, and the increase was denied. The park owners are currently suing the City on this matter.

Effective October 1, 1999, rents at Niles Canyon (including garbage fees) will be approximately $456 per month. However, the City is currently processing a petition from the park owners for a major increase of $78 per month. A decision on this increase is expected within the next couple of months.

In 1991, while vacancy decontrol was in effect, rents at Southlake were as high as $545 per month (while rents at the other two parks were generally in the low to mid $300s). Since 1992, (when vacancy control was re-instated) median space rents at the City's mobile home parks have increased on average 3.1% annually at Besaro, 3.4% annually at Southlake and about 3.6% annually at Niles Canyon. By comparison, the consumer price index (CPI) for the Bay Area increased about 2.5% during this same period.

6. Mobile Home Sales in the City of Fremont

As a first step in our analysis, SA analyzed all mobile home sales in the City of Fremont excluding sales under $20,000 in value, as summarized in Table II-3. These figures are based on data compiled by Berlin Research and Santiago Financial and reflect sales values as reported to the State Department of Housing and Community Development. Sales under $20,000 in value were excluded from this analysis, assuming these were the result of abandonment proceedings, distressed sales, or not competitive mobile homes (i.e., they were trailers or recreational vehicles).

It is worth noting that the median mobile home sales price decreased from 1990 to 1992, when vacancy decontrol was in place, and then increased in 1993 once vacancy decontrol was eliminated. However, after 1993, the median sales value continued to drop until 1995, when it reached its lowest value since 1992 ($45,000). It appears that the overall decline in sales value between 1990 and 1995 was a result of the real estate recession that impacted the greater Bay Area in the early 1990's. Moreover, based on SA's analysis of residential pricing trends in Fremont and surrounding areas (as discussed in the next section), mobile home sales lagged behind other types of housing in its recovery from the real estate recession. Therefore, the 1998 median sales value ($59,000) was only slightly higher than in 1990 ($58,000). If vacancy control were forcing sales values upwards, we would have expected the sales analysis to demonstrate more dramatic increases since 1992.

Table II-3
Median Sales Prices of Mobile Homes
City of Fremont
1990-1998

Year	Median Sales Price[1]	Percentage Change
1990	$57,750	N/A
1991	$50,000	-13.4%
1992	$47,000	-6.0%
1993	$52,000	10.6%
1994	$50,000	-3.8%
1995	$40,750	-18.5%
1996	$45,000	10.4%
1997	$55,000	22.2%
1998	$59,500	8.2%
Average Annual Growth		
1990-1992	-9.8%	
1992-1998	4.0%	
1990-1998	0.4%	

[1] Sales for 1990 through 1996 are from Berlin Research. Sales for 1997 and 1998 are from Santiago Financial. Sales $20,000 and under have been excluded from the analyses

Source: Berlin Research; Santiago Financial.

SA also analyzed the median sales prices of doublewide homes since 1990, in order to compare these sales with the Ken Baar historical analysis from 1969 to 1990. The results of this analysis are presented in Figure II-1. According to Mr. Baar, sales values increased rapidly between 1969 and 1986, prior to the adoption of the Ordinance in 1987. Subsequent to the adoption of the Ordinance, including the vacancy control feature, sales values continued to increase. However, this increasing trend did not appear to be any more dramatic than that which occurred during the prior twenty years.

In 1990, with the adoption of the vacancy decontrol feature, sales values declined sharply until 1992. While at face value, this decline may appear to be a function of the vacancy decontrol feature; it is more likely attributable to the real estate recession, rather than to the vacancy decontrol.

7. Comparison of Fremont Mobile Home Sales to Rental Increases

Figure II-2 compares median mobile home sales in Fremont to median space rents at each of the three parks and the consumer price index (CPI) between 1990 and 1998. Each of these figures has been indexed, so that the first year is 1.0 and each subsequent year either increases or decreases from this base figure. This figure graphically demonstrates that median mobile home sales values have not kept pace with inflation, while rents at each of the three parks increased slightly faster than inflation.

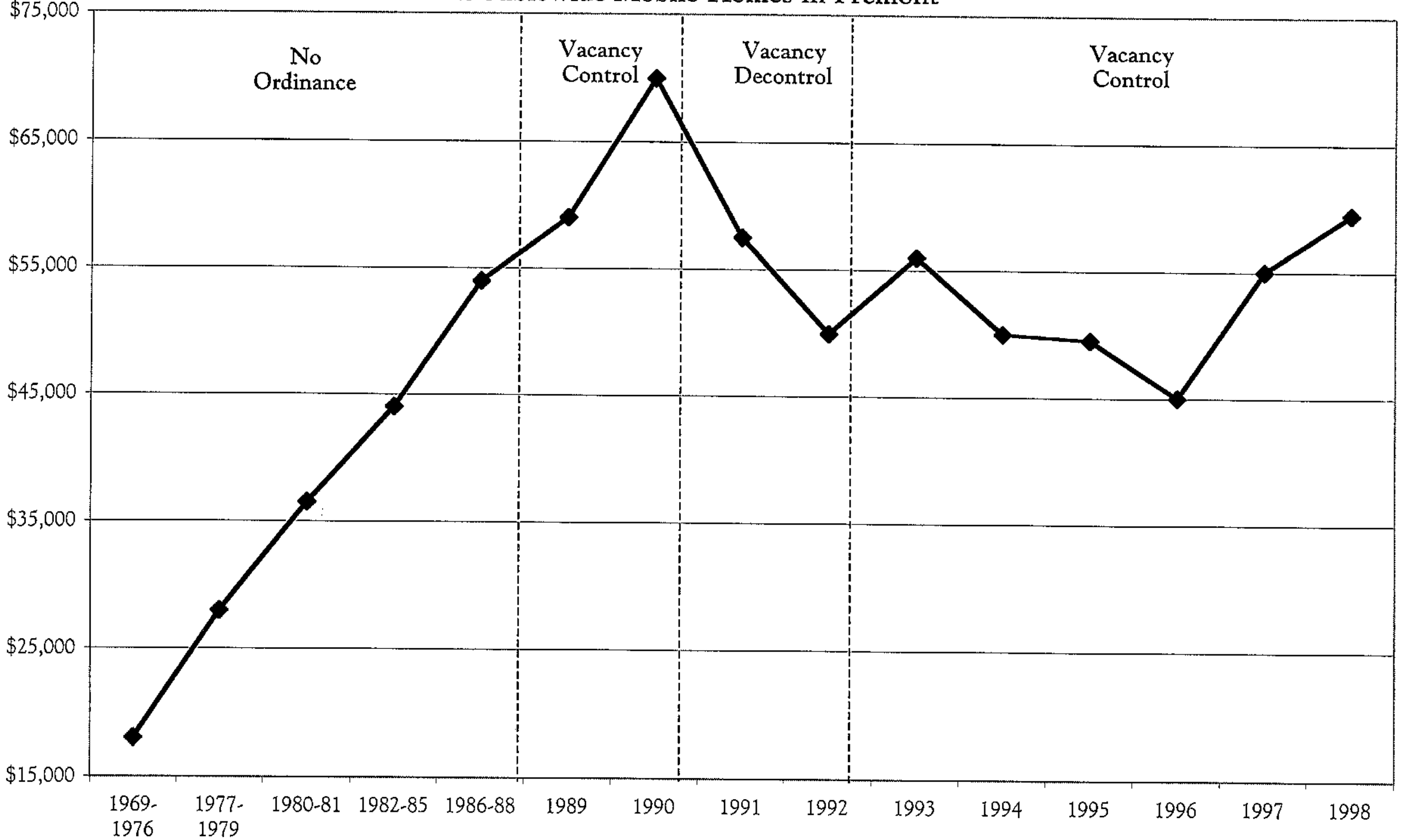
8. Comparison of Fremont Mobile Home Sales to Other Indices

As a framework for comparison with mobile home market trends, SA also analyzed pricing for rental and for-sale housing in the City of Fremont, as compared to inflation. Figure II-3 compares median mobile home sales to single family home prices, apartment rents (for a two-bedroom, one-bath unit) and inflation from 1990 to 1998.

Similar to Figure II-2, each of these figures has been indexed, so that the first year is 1.0 and each subsequent year either increases or decreases from this base figure. Mobile home sales have not followed the general trend line of other residential real estate values in the City. The 1998 figures for single family home sales and apartments are higher than those of 1990, while 1998 mobile home sales are about the same as 1990 values. Tables II-4 and II-5 present trends in single family home sales and apartment rents in the city of Fremont since 1990.

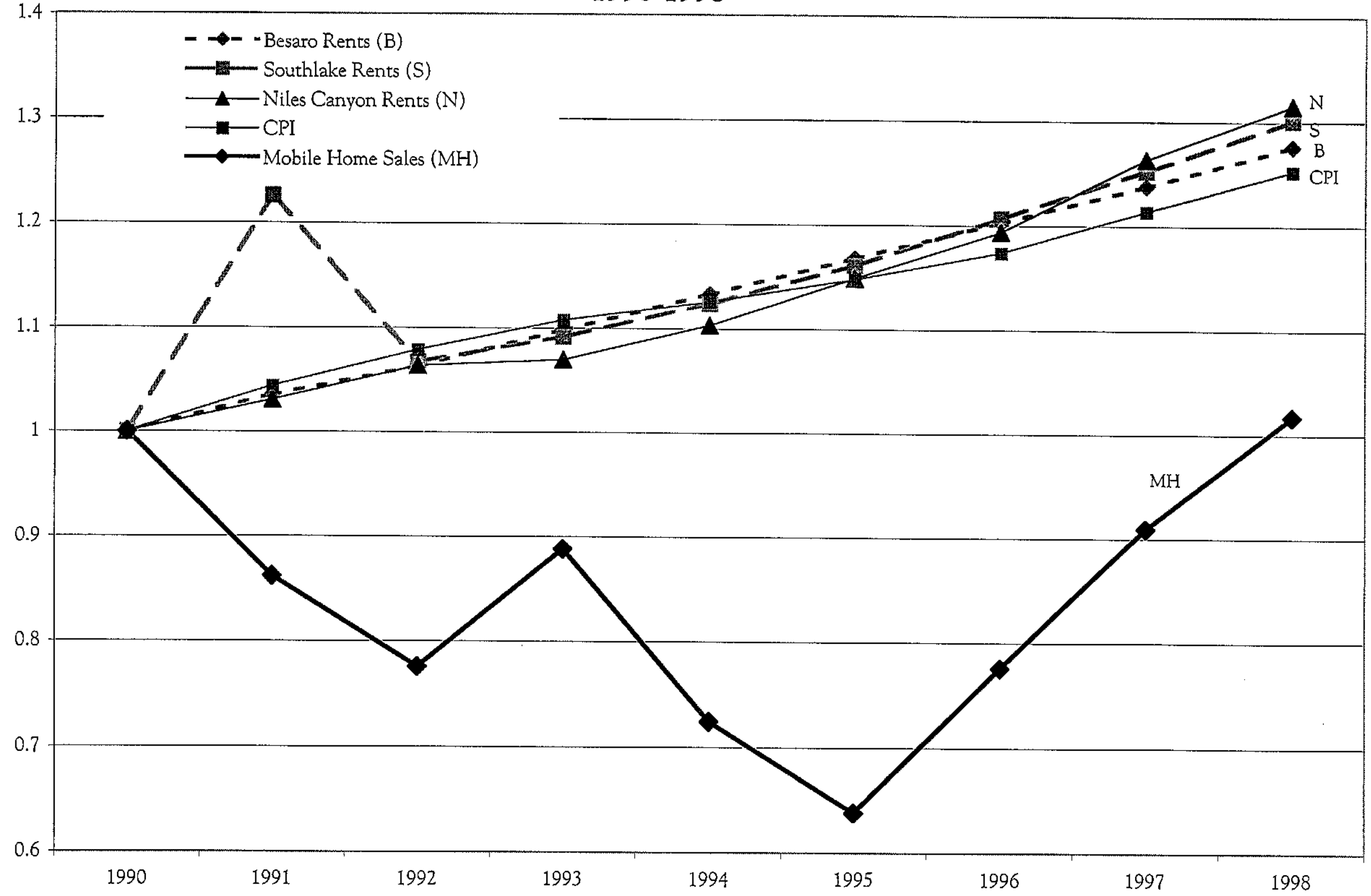
Based on the available data, single family homes appeared least impacted by the recession. Single family home sales value increases were only briefly less than inflationary increases - between 1990 and 1991 and again between 1994 and 1995. Apartments were impacted more dramatically than apartments, but less so than mobile home sales values. Apartment rents remained relatively flat between 1990 and 1995 (while the consumer price index continued to increase), but started a sharp recovery after 1995. Finally, mobile home sales values decreased between 1990 and 1992, increased in 1993, then dropped until 1995. Since 1995, mobile home sales values have increased, but still not recovered significantly above their 1990 level.

Figure II-1
Median Sales Price - 1969-1998
Doublewide Mobile Homes in Fremont



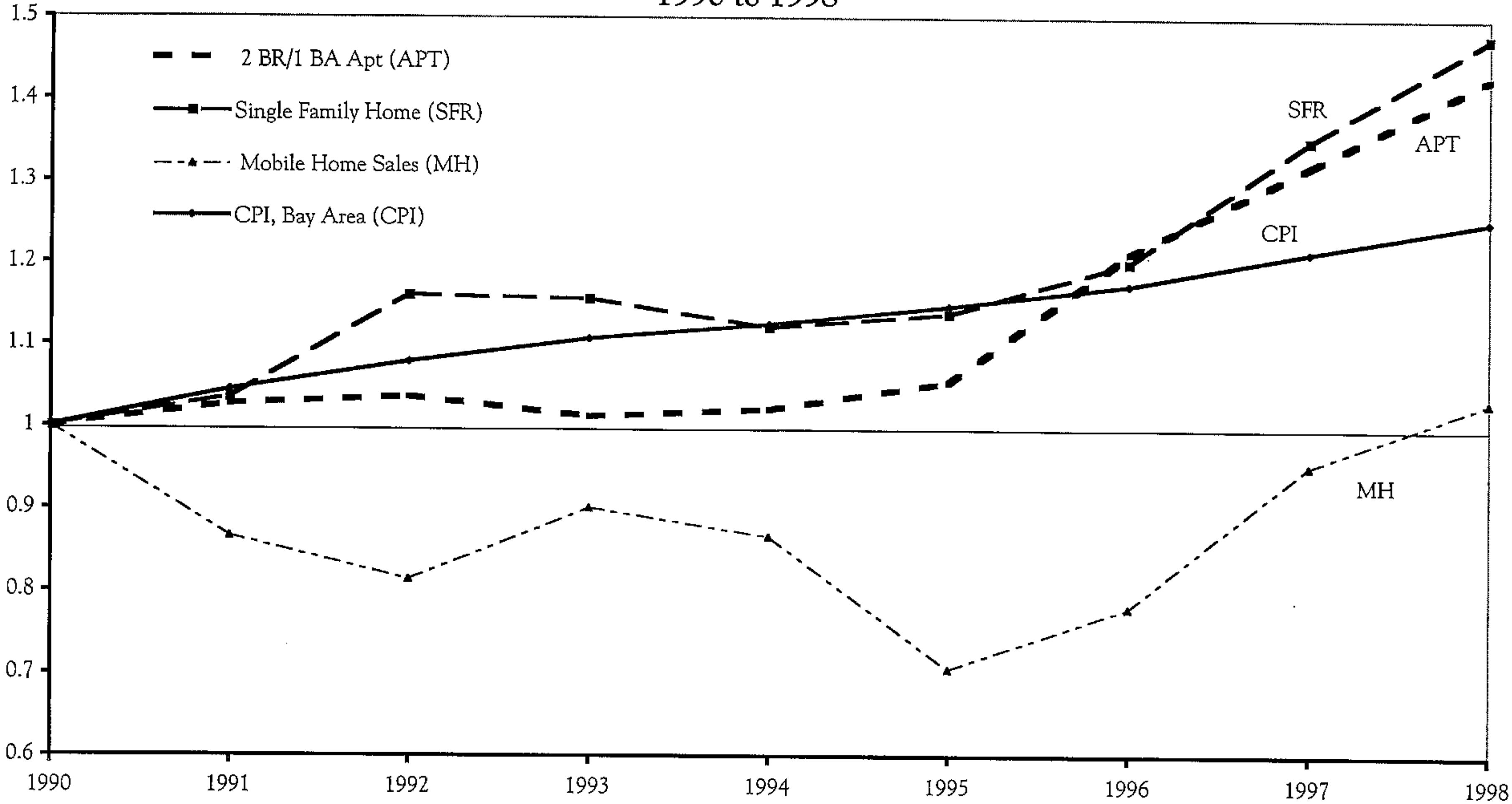
Source: 1969 to 1989 sales from August 1991 Ken Baar Report; 1990-1996 sales from Berlin Research; 1997-1999 sales from Santiago Financial.

Figure II-2
Mobile Home Park Rents Compared to Median Sales Values
1990-1998



Source: Berlin Research; Santiago Financial; Bureau of Labor Statistics; City of Fremont, 1999.

Figure II-3
Historical Comparison of Apartment Rents, Single Family Home Prices, Mobile Home Prices, Wages, and Inflation (CPI)
City of Fremont
1990 to 1998



Source: REALFACTS; Berlin Research; Bay East Association of Realtors; Bureau of Labor Statistics

Table II-4
Average Sale Prices of Single Family Homes
City of Fremont
1990-1998

Year	Average Sales Price [1]	Percentage Change
1990	$231,200	N/A
1991	$239,300	3.5%
1992	$268,200	12.1%
1993	$267,300	(0.3%)
1994	$259,300	(3.0%)
1995	$263,300	1.5%
1996	$277,700	5.5%
1997	$312,200	12.4%
1998	$341,400	9.4%
Average Annual Growth		
1990-1992	7.7%	
1992-1998	4.1%	
1990-1998	5.0%	

[1] Average annual sale price for single family homes from 1992 to 1998, tabulated by Bay East Association of Realtors. Prior to 1992, the index included sales from all types of housing, including condominiums and townhomes.

Source: Bay East Association of Realtors (formerly Southern Alameda County Association of Realtors).

Table II-5
Average Rents of 2 Bedroom 1 Bathroom Investment Grade Apartments
City of Fremont
1990-1998

Year	Median Rental Price	Percentage Change
1990	$753	N/A
1991	$773	2.7%
1992	$780	0.9%
1993	$762	-2.3%
1994	$769	0.9%
1995	$794	3.3%
1996	$913	15.0%
1997	$994	8.9%
1998	$1,075	8.1%
Average Annual Growth		
1990-1992	1.8%	
1992-1998	5.5%	
1990-1998	4.6%	

Source: REALFACTS

C. REGIONAL RESIDENTIAL MARKET CONTEXT

Fremont is part of a larger regional housing market that includes Silicon Valley. A Report entitled "No Vacancy: How to Increase the Supply and Reduce the Cost of Rental Housing in Silicon Valley" prepared in June 1996 by the Fisher Center for Real Estate and Urban Economics at U.C. Berkeley, analyzed rent trends and the forces behind rising rents and housing costs in Santa Clara County for the Santa Clara Housing Action Coalition. The economic and housing conditions in Fremont were determined to be closely linked to Santa Clara County as high tech firms in Silicon Valley increasingly expand into southern Alameda County. The report indicates that the conditions of supply and demand are driving rents and housing prices up as "many new workers and households that have migrated to Silicon Valley during the past ten years have had high enough incomes to afford more expensive apartment rents," and "not enough housing in general, and apartment buildings in particular, have been built in Santa Clara County during the last five years to accommodate the County's burgeoning economic base."

In the residential market, an approximate 5 percent vacancy rate is generally considered a "stabilized" vacancy. Significantly higher than 5 percent typically indicates an oversupply of housing, while significantly lower 5 percent generally signifies an undersupply of housing.

Table II-6 presents apartment vacancies for investment grade apartments in the City of Fremont and nearby southern Alameda County communities as of March 1999. The vacancy rate is below five percent in all of the communities, signifying a tight rental market. The lowest rate is in Hayward, which had a vacancy rate of 2.1 percent. The Countywide average vacancy rate is 3.1 percent, indicating a tight market. Due to recent construction of new apartment units in Fremont, as of March 1999, apartment vacancies in Fremont were 4.7 percent, up from a low of 2.4 percent in 1996. However, based on SA's knowledge of the local real estate market, this higher vacancy appears to be a temporary trend related to a significant number of new apartments which were completed and available in early 1999.

Table II-6
Apartment Vacancies in Investment Grade Properties
Fremont and Surrounding Market Area
March 1999

Market Area	Complexes	Units	Units/ Complex	Average Occupancy	Vacancy
Fremont	73	12,885	177	95.3%	4.7%
Hayward	57	7,234	121	97.9%	2.1%
Newark	5	763	153	97.1%	2.9%
Pleasanton	15	2,936	196	96.4%	3.6%
Union City	11	1,836	167	96.7%	3.3%
Alameda County	278	40,939	147	96.9%	3.1%

Source: REALFACTS

Ken Baar, in his August 1991 study, conducted a vacancy survey of the 26 parks in Alameda County with over 50 spaces (representing a total of over 4,786 spaces). All of the 23 parks that responded indicated that they did not have any vacancies. While SA did not conduct a vacancy survey as part of this analysis, based on SA's discussions with brokers and lenders active in the market, it is our understanding that there are rarely any vacancies, at mobile home parks in Alameda and Santa Clara Counties. This lack of vacancies in mobile home parks signifies a very strong demand for mobile home housing in the local market area.

Moreover, the supply of mobile homes in the City of Fremont and local market area has decreased slightly since 1990 (based on data tabulated by US Census and the California Department of Finance), summarized below in Table II-7.

Table II-7
1980 – 1999 Mobile Home Inventory
Fremont and Surrounding Market Area

Market Area	4/1/80	4/1/90	1/1/96	1/1/99	Increase/(Decrease)		
					1980-1990	1990-1996	1996-1999
Fremont	615	813	783	783*	198	(30)	0
Alameda County	5,732	7,234	6,944	6,951	1,502	(283)	7
Santa Clara	13,839	20,899	20,619	20,618	7,060	(281)	-1

*Includes mobile homes and trailers. Fremont has 736 mobile home spaces, per City data.
Source: 1980 and 1990 U.S. Census Data, 1999 California Department of Finance.

1. Mobile Home Ordinances of Neighboring Jurisdictions

SA's research on rent control ordinances focussed on neighboring cities in both Alameda and Santa Clara Counties and had two goals:

1. provide a basis for understanding how rent control ordinances are typically structured
2. Demonstrate an example of rent control with full vacancy decontrol to compare to Fremont for purposes of the economic analysis.

Alameda and Santa Clara Counties were chosen because they comprise the most competitive market area for the three Fremont mobile home parks.

a. Alameda County

In addition to the County of Alameda, four cities in Alameda County other than Fremont have rent control ordinances (or agreements) in place which affect their mobile home parks: Hayward, Oakland, Pleasanton and Union City. Rent increases are generally tied to a percentage of the annual increase in the Consumer Price Index (CPI), and/or are limited to a specified annual increase. Maximum increases in each city can be summarized as:

- Fremont allows the greater of 3%, $10 per month, or 60% of the CPI;

- Hayward allows the greater of 3% or 60% of CPI with a maximum 6% annual increase;
- Oakland allows 3% maximum annual increase;
- Union City allows increases up to 7%, provided such increases are less than 90% of the increase in the CPI.

All of these cities have rent review processes in place for park owners who wish to increase mobile home space rents greater than allowed under the respective ordinances. These reviews typically require submission of a petition to either a rent review board or hearing officer (typically a retired administrative law judge or a retired Superior Court judge). Petitioners must explain the amount of the requested increase and include documentation supporting the level of rent increase requested.

The only municipality in Alameda County with a vacancy decontrol feature in its rent control ordinance is the City of Oakland, which allows increases up to twice the annual allowable increase for voluntarily vacated units. However, it should be noted that Oakland's ordinance applies to all rental housing in the City, including mobile homes. Moreover, Oakland's three "mobile home" parks include a total of only 49 mobile home spaces, and would be more appropriately be characterized as "trailer parks" than mobile home parks, even though they are classified as mobile home parks by the State Department of Housing and Community Development. Thus, the parks in Oakland do not provide a good example of vacancy decontrol for comparative purposes to the Fremont parks.

Table II-8 provides a summary of the mobile home rent control ordinances in Alameda County.

b. Santa Clara County

Three cities in Santa Clara County have mobile home rent control ordinances:

- Milpitas allows the lesser of 50% of the CPI increase or 5% year;
- Morgan Hill allows the lesser of 75% of the CPI increase or 8% per year;
- San Jose allows 75% of the CPI, but not less than 3% or greater than 7%.

All three of these cities have what might be best classified as limited vacancy decontrol, which only applies in instances where the mobile home is removed from the space. None of these cities have vacancy decontrol for in-place sales. The City of Morgan Hill previously had vacancy decontrol for in-place sales from October 1989 to 1992. A rent rollback applies for mobile homes sold during this period.

Table II-9 presents a summary of rent control ordinances in Santa Clara County.

c. Summary

In our research, SA was unable to find a community in Alameda or Santa Clara County that had an ordinance with full vacancy decontrol. The Cities of Oakland, Milpitas, Morgan Hill and San Jose, have rent control ordinances with limited vacancy decontrol features. For the reasons stated earlier, parks in Oakland are not considered comparable to Fremont.

Table II-8
Summary of Rent Control Ordinances In Alameda County

Jurisdiction	Rent Control Ordinance	Date Adopted	Vacancy Decontrol	Maximum Rental Increase	# Mobile Home Parks[1]	# Mobile Homes Lots[1]	Notes
Alameda County	Yes	Dec-85	No	5% Maximum	712	22	5% maximum expressly applies to in-place transfers
Alameda	No				0	0	
Albany	No				0	0	
Berkeley	No				0	0	
Dublin	No				0	0	
Emeryville	No				0	0	
Fremont	Yes	Jan-87	No	Greater of: 3% per year, $10 month or 60% of CPI	3	732	Special increases allowed at Niles Canyon & Southlake
Hayward	Yes	2/19/80	No	Greater of: 3% or 60% of CPI (Max. 6% annual increase)	16	2,400	City put freeze on in-place transfer rents from 11/89 to 4/92
Livermore	No				7	443	
Newark	No				0	0	
Oakland	Yes	Sep-80	Limited	10% Max 5/80-10/83; 8% Max 11/83-9/86; 6% 10/86-2/95; 3% Maximum after 3/1/95	3	49	Ordinance applies to all rentals including mobile homes. Vacancy decontrol allows increases up to twice the annual allowable increase for "voluntarily" vacated units.
Piedmont	No				0	0	
Pleasanton	Yes	Feb-93	No	Generally increases of up to CPI, but no less than 1% and no greater than 5%	4	403	Rent Control Agreement with 3 of 4 park owners, rather than by ordinance
San Leandro	No				10	874	
Union City	Yes	May-80	No	Lesser of: 7% or 90% of change in CPI; once per year, additional major rent increases permitted	3	920	
Total County					758	5,843	

[1] Includes all parks classified as having mobile home lots by the State Department of Housing and Community Development. These figures exclude spaces designated as RV spaces, and therefore will not match figures published by the Department of Finance, as summarized in Table II-10

Source: Telephone Survey; Review of rent control ordinances; State Department of Housing and Community Development (HCD); Golden State Mobilhome Owners League (GSMOL)

Table II-9

Summary of Rent Control Ordinances in Santa Clara County

Jurisdiction	Rent Control Ordinance	Date Adopted	Vacancy Decontrol	Maximum Rental Increase	# Mobile Home Parks[1]	# Mobile Homes Lots[1]	Notes
Santa Clara County	No				2	56	
Milpitas	Yes	1992	limited	Lesser of: 50% of CPI or 5% per year	4	566	Decontrol when unit removed and not replaced. **No decontrol** for in-place sales.
Morgan Hill	Yes	Mar-83	limited	Lesser of: 75% of CPI or 8% per year	8	830	Limited decontrol for 30 days where home removed pursuant to termination of tenancy. Previously had decontrol for in-place transfers from 10/89 to 1992. A rent rollback applies for mobile homes sold during this period.
Mountain View	No				9	1,177	
Palo Alto	No				1	104	
San Jose	Yes	Jul-85	limited	5% prior to 10/1/93; 3% -10/93-9/94; After 10/94 75% of CPI, but not less than 3% or greater than 7%	62	10,823	8% increase allowed for in-place transfers between 10/91-4/92, for voluntary vacancy (e.g., abandonment), dealer pull-out of a unit or voluntary termination. **No Decontrol** for in-place transfer.
Santa Clara	No				1	92	
Sunnyvale	No				19	3,856	
Total County					***104***	***17,448***	

[1] Includes all parks classified as having mobile home lots by the State Department of Housing and Community Development. These figures exclude spaces designated as RV spaces, and therefore will not match figures published by the Department of Finance, as summarized in Table II-10

Source: Telephone Survey; Review of rent control ordinances; State Department of Housing and Community Development (HCD); Golden State Mobilhome Owners League (GSMOL)

We therefore focused our comparable sales analysis on parks within Milpitas, Morgan Hill and San Jose.

2. Analysis of Mobile Home Sales in Fremont Compared to other Cities With and Without Rent Control

SA first analyzed mobile home sales in cities in Alameda and Santa Clara Counties, to ascertain any differences between cities with and without rent control ordinances. A summary of this analysis is presented in Appendix B. It should be noted that SA deleted any sales $20,000 and under from this data, under the assumption that these sales were either abandonment or distressed sales, or were sales from parks that might be best characterized as RV parks rather than mobile home parks. The time period of 1990 to 1996 was used because data was available electronically from a consistent source: Berlin Research.[1]

Figure II-4 depicts median mobile home sales values in Alameda County between 1990 and 1996, while Figure II-5 shows comparable figures in Santa Clara County. As can be seen in these graphics, the data do not demonstrate any clear trends or distinguishing characteristics between cities with and without rent control. In other words, in comparing cities with rent control to those without rent control, SA does not find any evidence from 1990 to 1996 that rent control transferred significant value increases to mobile home coaches.

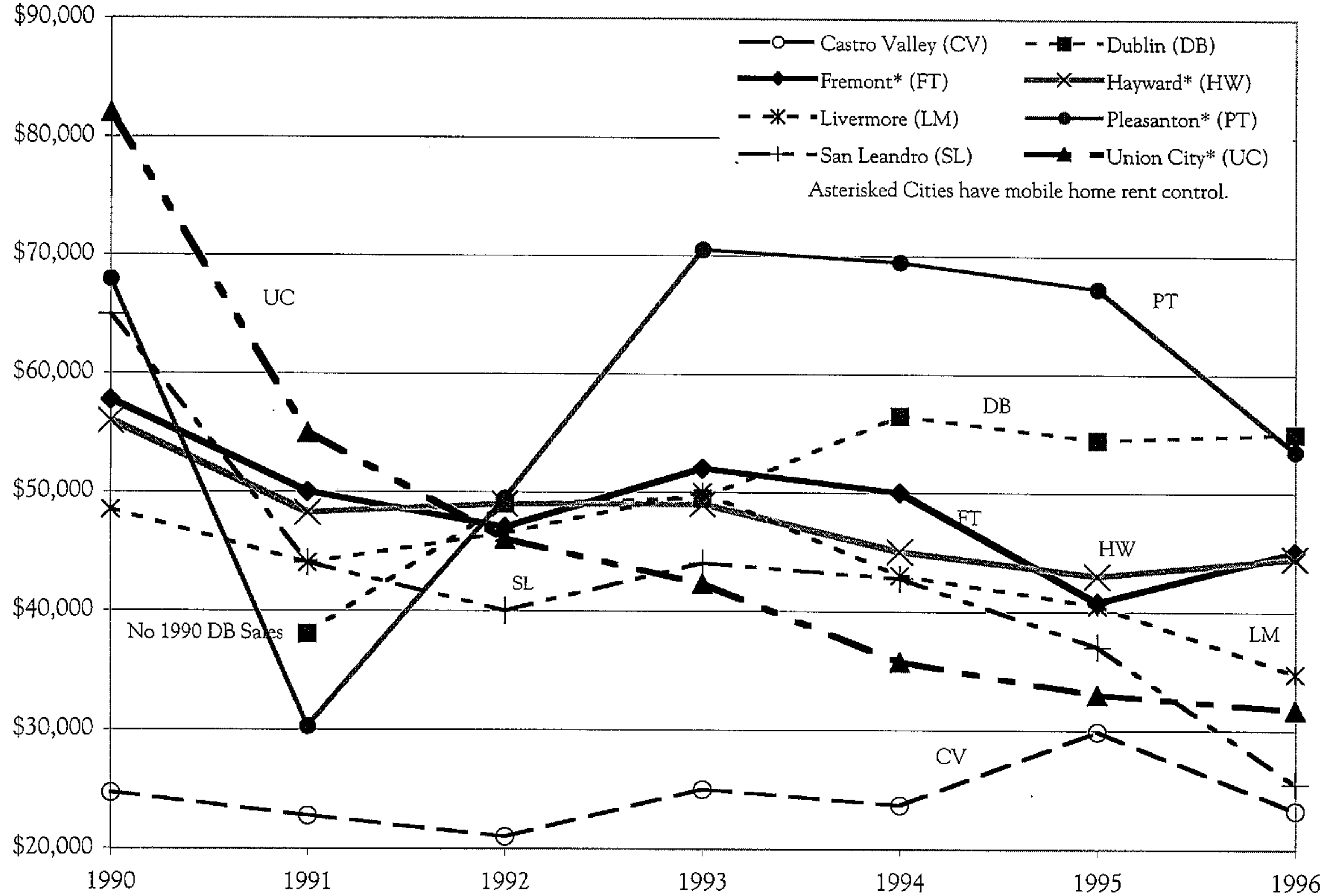
3. Analysis of Mobile Home sales in Fremont Compared to other Cities With Rent Control

Figure II-6 graphically depicts median mobile home sales from 1990-1996 in Fremont as compared to surrounding communities with mobile home rent control ordinances, with limited or no vacancy decontrol. This supporting data is presented in Table II-10. As can be seen, there is no clear trend in the median sales price data for these rent-controlled communities, and no distinguishing trends for cities which have partial vacancy decontrol (Milpitas, Morgan Hill and San Jose). Based on our review of this data and our discussions with brokers and lenders active, the vacancy decontrol feature does not appear to be as important a factor in determining mobile home sales values as other factors such as the general real estate market; size, age and/or location of the coach; space size and location and park amenities.

However, several things are worth noting regarding this data. First and foremost, this data does not distinguish between new or new sales, or between single wide and double wide coaches. Moreover, there is no way to know the bedroom or bathroom count, condition or amenities of any these coaches. Amenities such porches, plastered walls, carpets and appliances significantly affect the value of a coach. Also, the location of a particular coach in a mobile home park (e.g. near a lake or with a water view) affects its value.

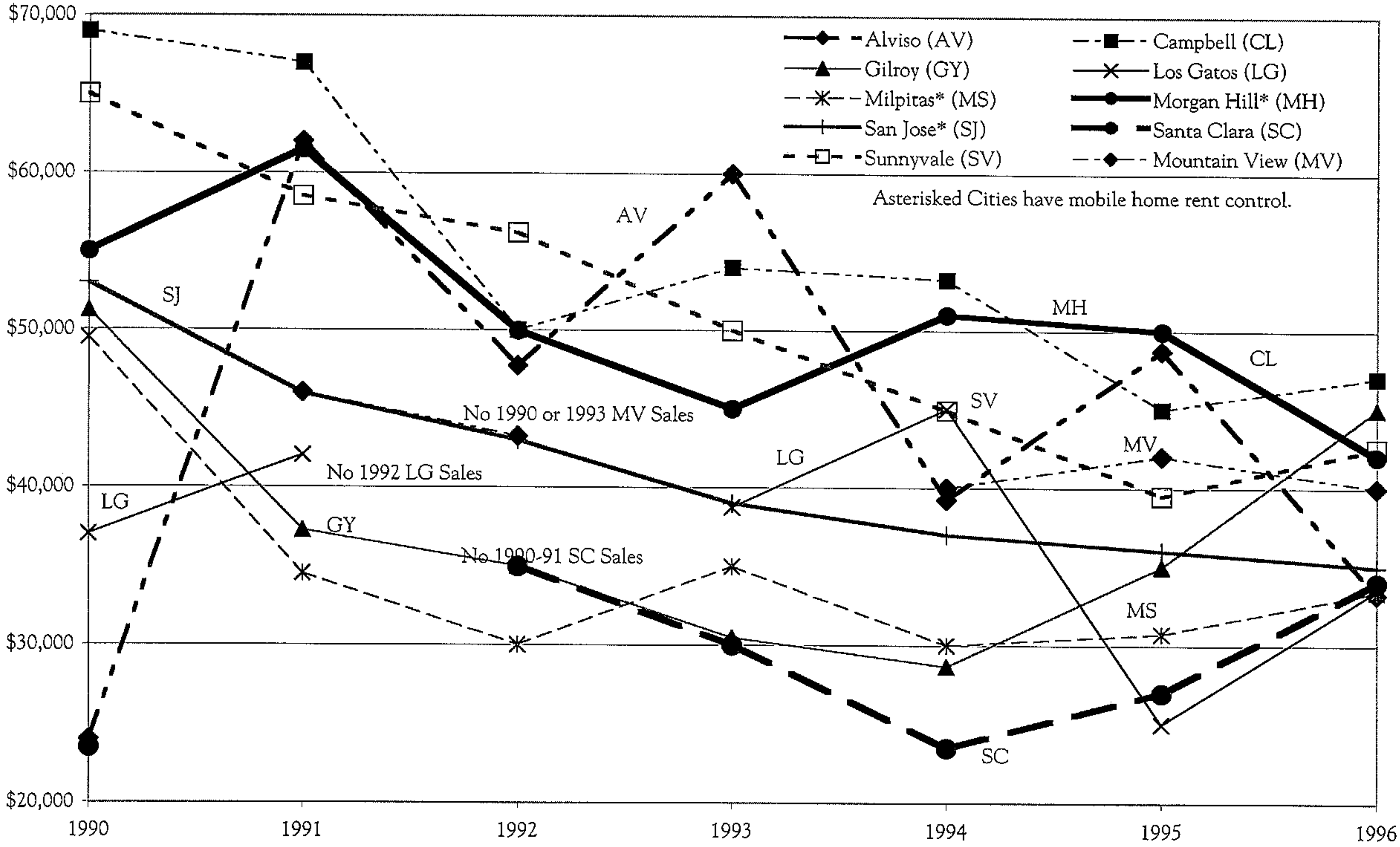
[1] Berlin Research terminated its data collection during 1997. Santiago Financial is the only published source of data from 1997 onward, and data is not available electronically.

Figure II-4
Median Mobile Home Sales Values in Alameda County
1990-1996



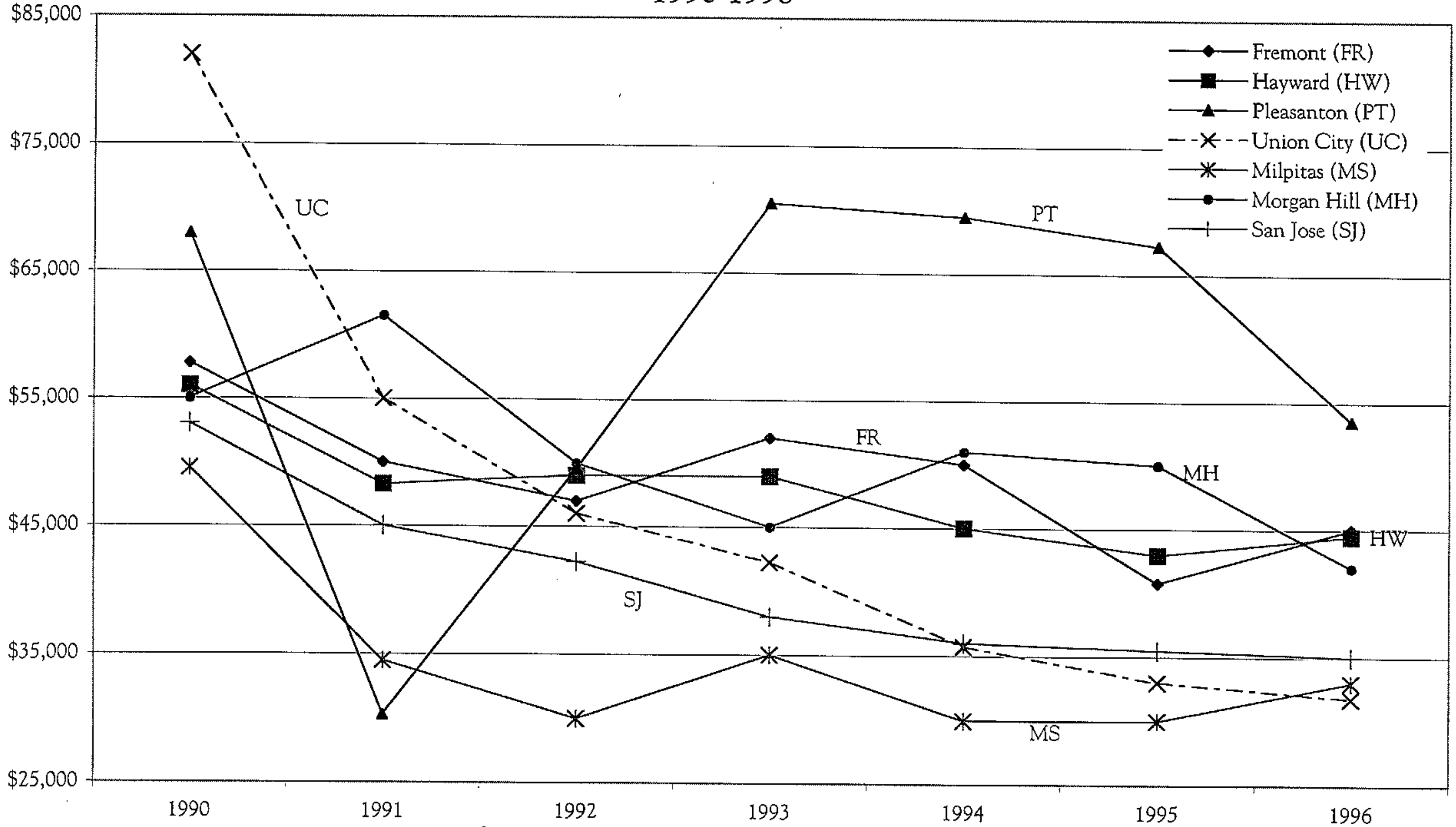
Source: Berlin Research Corporation

Figure II-5
Median Mobile Home Values in Santa Clara County
1990-1996



Source: Berlin Research

Figure II-6
Median Mobile Home Sales in Cities with Rent Control and Limited or No Vacancy Decontrol 1990-1996



Source: Berlin Research

Table II-10
Median Sales Prices of Mobile Homes
Fremont and Nearby Communities with Mobile Home Rent Control
1990-1996

Cities with Rent Control	1990	1992	1994	1996	Average Annual % Change		
					1990-92	1992-96	1990-96
Fremont	**57,750**	**47,000**	**50,000**	**45,000**	**(9.8%)**	**(1.1%)**	**(4.1%)**
Hayward	57,000	49,000	45,000	44,475	(6.5%)	(2.5%)	(3.8%)
Pleasanton	67,950	49,500	69,500	53,500	(14.7%)	2.0%	(3.9%)
Union City	82,000	46,000	35,750	31,750	(25.1%)	(8.9%)	(14.6%)
Milpitas	49,500	30,000	30,000	34,000	(22.2%)	3.2%	(6.1%)
Morgan Hill	55,000	49,975	51,000	42,000	(4.7%)	(4.0%)	(4.2%)
San Jose	53,000	43,000	37,000	35,000	(9.9%)	(5.0%)	(6.7%)

* Excludes sales $20,000 and under.
Source: Berlin Research

Most importantly, it should be noted that these sales figures do not represent the universe of existing mobiles in the market area in a given year. Rather they represent the sales which have transpired in a respective year. Accordingly, the data is biased, based on what sold in a given year. In other words, if the majority of sales in a particular year were older or inferior coaches, the sales values would be biased downward, which would be reflected in a lower median sales value. Conversely, if the majority of sales in a given year were newer coaches in excellent condition, the sales values would be higher in that year. In summary, the median sales values in a given year do not reflect the median value of all coaches in a particular city in that year--only of the sales which have transpired.

SA then analyzed the maximum mobile home sales price in each of these communities, under the theory that if values are truly increasing due to rent control, such increases should at a minimum be demonstrated in the community's maximum sales price each year, as summarized below.

Table II-11
Highest Sales Prices of Mobile Homes
Fremont and Nearby Communities with Mobile Home Rent Control
1990-1996

Cities with Rent Control	1990	1992	1994	1996	Average Annual % Change		
					1990-92	1992-96	1990-96
Fremont	98,000	107,500	78,000	85,500	4.7%	(5.6%)	(2.3%)
Hayward	100,000	110,000	102,000	96,000	4.9%	(3.4%)	(0.7%)
Pleasanton	93,000	84,000	97,000	85,000	(5.0%)	0.3%	(1.5%)
Union City	57,500	68,000	47,000	49,000	8.8%	(7.9%)	(2.6%)
Milpitas	67,000	61,000	87,000	91,000	(4.6%)	10.5%	5.2%
Morgan Hill	160,000	150,000	140,000	115,000	(3.2%)	(6.4%)	(5.4%)
San Jose	145,000	122,500	140,000	190,000	(8.1%)	11.6%	4.6%

Source: Berlin Research

Fremont, Hayward and Union City demonstrated fairly similar trends in their highest sales prices between 1990 and 1996 – increasing between 1990 and 1992 and generally decreasing between 1992 and 1996. This trend generally mirrors what was happening in the housing market, where average sales values generally increased between 1990 and 1992, then dropped during the recessionary period between 1992 and 1994 and then started to climb again.

Conversely, the highest sales values in Milpitas and San Jose decreased between 1990 and 1992, and generally increased between 1992 and 1996. In summary, the analysis of the highest sales values did not demonstrate any significant differences in trends between the cities with no vacancy control and those with partial vacancy decontrol.

4. New Mobile Home Sales in Fremont Compared to Neighboring Cities

SA then did a comparative analysis of new mobile home sales (of specific models and years) in Fremont as compared to neighboring cities. For example, we looked at the sales price of a new 1997 Silvercrest in the City of Fremont as compared to other cities (both with and without vacancy decontrol). As mentioned previously, we selected new models in an effort to eliminate condition of the unit as a factor in sales price (under the theory that new coaches would all be in comparably good condition). The objective of this analysis was to see if sales of similar coaches in Fremont had any value premium over comparable coaches in cities without rent control (e.g., Livermore) or with rent control and vacancy decontrol (San Jose and Milpitas – limited decontrol only). The results of this analysis are inconclusive. Sales of new models in Fremont do not demonstrate any clear premium over sales in other cities – on either a total value basis or on a sales per square foot basis.

Moreover, there are a number of issues and problems with this analysis:

- New sales are not reported by MLS, only by HCD (tabulated either by Berlin Research prior to 1996 or by Santiago Financial from, 1997 onward). HCD data does not include any information regarding bedroom and bathroom count, coach amenities or condition, locational factors, park amenities or condition, or underlying rents. All of these factors are critical components in the valuation of the mobile home.
- New coach sales will typically have a trade-in value, which is not reported in the sale, but impacts the sales value.
- The data does not include the amenities or options purchased with the new mobile home.
- Sales of new coaches in the City of Fremont since 1990 have been limited according to the data, constraining the amount of comparative data which can be evaluated.

5. Mobile Home Sales in Fremont Parks Compared to Most Comparative Parks

Based on SA's initial consultations with Mr. Steven Voisinet, a mobile home appraiser with the Meridian Group, the following parks in cities with limited vacancy decontrol are considered most comparable to those in Fremont:

- Besaro – Town and Country Mobile Village, San Jose
- Niles Canyon – Hacienda Valley Mobile Estates, Morgan Hill
- Southlake – Magic Sands, San Jose

SA evaluated sales of all mobile homes ($20,000 and greater) at each of these parks for comparative purposes, as tabulated in Table II-12.

Figure II-7 graphically depicts the analysis. Between 1992 and 1996, median sales at Besaro and Southlake were higher than their respective counterparts, while sales at Niles Canyon were lower. However, since 1996, median sales at the limited vacancy decontrolled parks have increased dramatically compared to lesser increases at Fremont. The net result is generally lower sales values in Fremont than in the limited vacancy decontrolled parks.

SA then evaluated sales of only new coaches at each of these respective parks, as summarized in Table II-13. As described previously, there are relatively few sales of new coaches in Fremont, with the majority of any new sales occurring in Southlake.

D. APPRAISAL VALUATION

Given the inconclusive results from the trends analysis discussed previously, SA contracted with the Meridian Group, to provide appraisal information on comparable parks to determine if there is any difference in value in parks with or without vacancy decontrol, and if so, to determine the dollar value from vacancy control or decontrol. This section discusses general appraisal methodology for mobile homes and comparable analysis prepared by Meridian Group for this study and summarizes the research SA performed on standard appraisal methods.

Table II-12
Mobile Home Sales in Fremont Parks[1]
Compared to Most Comparative Parks with Limited Vacancy Decontrol
1992 to 1999

A.

									1992-1998 Increase/(Decrease)[2]		
Besaro	1992	1993	1994	1995	1996	1997	1998	1999	Total $	Total %	Avg Ann. %
Low	$44,400	$27,500	$21,000	$24,500	$22,000	$30,000	$37,500	$56,000	($6,900)	(15.5%)	(2.8%)
Median	$56,000	$63,500	$65,000	$60,500	$53,000	$53,000	$57,000	$56,000	$1,000	1.8%	0.3%
High	$107,500	$93,000	$154,000	$85,500	$72,000	$86,500	$112,622	$56,000	$5,122	4.8%	0.8%
Median $/SF	$45.29	$43.74	$43.40	$45.01	$37.20	$40.00	$49.96	$50.72	$4.67	10.3%	1.7%
Number of sales	11	12	11	9	15	19	8	1			
Town and Country Mobile Village											
Low	$33,000	$21,500	$21,950	$23,000	$23,550	$30,500	$31,000	$80,000	($2,000)	(6.1%)	(1.0%)
Median	$33,000	$30,000	$29,000	$29,000	$25,700	$84,450	$98,062	$125,175	$65,062	197.2%	19.9%
High	$33,000	$57,650	$38,500	$40,000	$190,000	$105,000	$122,500	$141,300	$89,500	271.2%	24.4%
Median $/SF	$28.37	$22.57	$21.23	$30.21	$21.73	$58.57	$67.83	$77.45	$39.46	139.1%	15.6%
Number of sales	2	10	11	3	6	10	15	8			

B.

									1992-1998 Increase/(Decrease)		
Niles Canyon	1992	1993	1994	1995	1996	1997	1998	1999	Total $	Total %	Avg Ann. %
Low	$22,218	$21,000	$32,000	$21,750	$25,000	$27,900	$35,000	$0	$12,782	57.5%	7.9%
Median	$38,500	$45,113	$42,000	$38,500	$42,000	$47,000	$55,000	$0	$16,500	42.9%	6.1%
High	$51,950	$78,000	$51,000	$75,945	$67,205	$62,662	$121,445	$0	$69,495	133.8%	15.2%
Median $/SF	$32.68	$35.80	$31.25	$36.65	$33.48	$37.02	$40.20	$0.00	$7.53	23.0%	3.5%
Number of sales	8	6	7	15	13	7	7	0			
Hacienda Valley Mobile Estates											
Low	$25,000	$25,000	$28,000	$20,500	$26,000	$33,000	$28,700	$37,000	$3,700	14.8%	2.3%
Median	$37,500	$40,000	$40,000	$38,216	$37,250	$42,500	$50,950	$57,500	$13,450	35.9%	5.2%
High	$50,000	$77,500	$58,000	$52,000	$42,000	$102,118	$138,218	$87,500	$88,218	176.4%	18.5%
Median $/SF	$34.72	$29.46	$33.60	$30.66	$27.78	$37.85	$44.25	$45.63	$9.53	27.5%	4.1%
Number of sales	2	7	9	8	8	5	14	4			

C.

									1992-1998 Increase/(Decrease)		
Southlake	1992	1993	1994	1995	1996	1997	1998	1999	Total $	Total %	Avg Ann. %
Low	$21,500	$26,000	$29,500	$22,000	$20,500	$23,900	$31,000	$38,765	$9,500	44.2%	6.3%
Median	$41,500	$46,500	$45,000	$37,000	$48,000	$61,000	$74,300	$130,000	$32,800	79.0%	10.2%
High	$72,800	$65,000	$56,115	$84,398	$82,699	$115,800	$135,000	$132,191	$62,200	85.4%	10.8%
Median $/SF	$36.96	$41.50	$37.50	$35.16	$33.33	$41.73	$55.28	$82.26	$18.32	49.6%	6.9%
Number of sales	28	8	10	13	11	30	15	3			
Magic Sands											
Low	$23,000	$23,000	$21,000	$26,100	$21,500	$24,000	$20,740	$26,100	($2,260)	(9.8%)	(1.7%)
Median	$40,000	$38,000	$32,125	$36,450	$29,750	$49,975	$91,200	$108,450	$51,200	128.0%	14.7%
High	$58,500	$51,000	$56,500	$45,000	$65,721	$116,533	$134,900	$135,506	$76,400	130.6%	14.9%
Median $/SF	$35.90	$32.87	$27.35	$25.81	$25.79	$42.36	$71.50	$77.54	$35.60	99.2%	12.2%
Number of sales	16	25	26	20	18	44	64	8			

[1] Includes sales of all new and used mobile homes greater than $20,000. Sales $20,000 and under were eliminated because they were assumed to be abandonment or distressed sales.

[2] 1999 sales are excluded from the historical growth in sales prices because there were so few 1999 sales tracked by Santiago as of the publication of this report.

Source: Berlin Research, 1992-1996; Santiago Financial, 1997-1999.

Figure II-7
Median Mobile Home Sales in Fremont Compared to Comparable Parks with Vacancy Decontrol
1992-1998

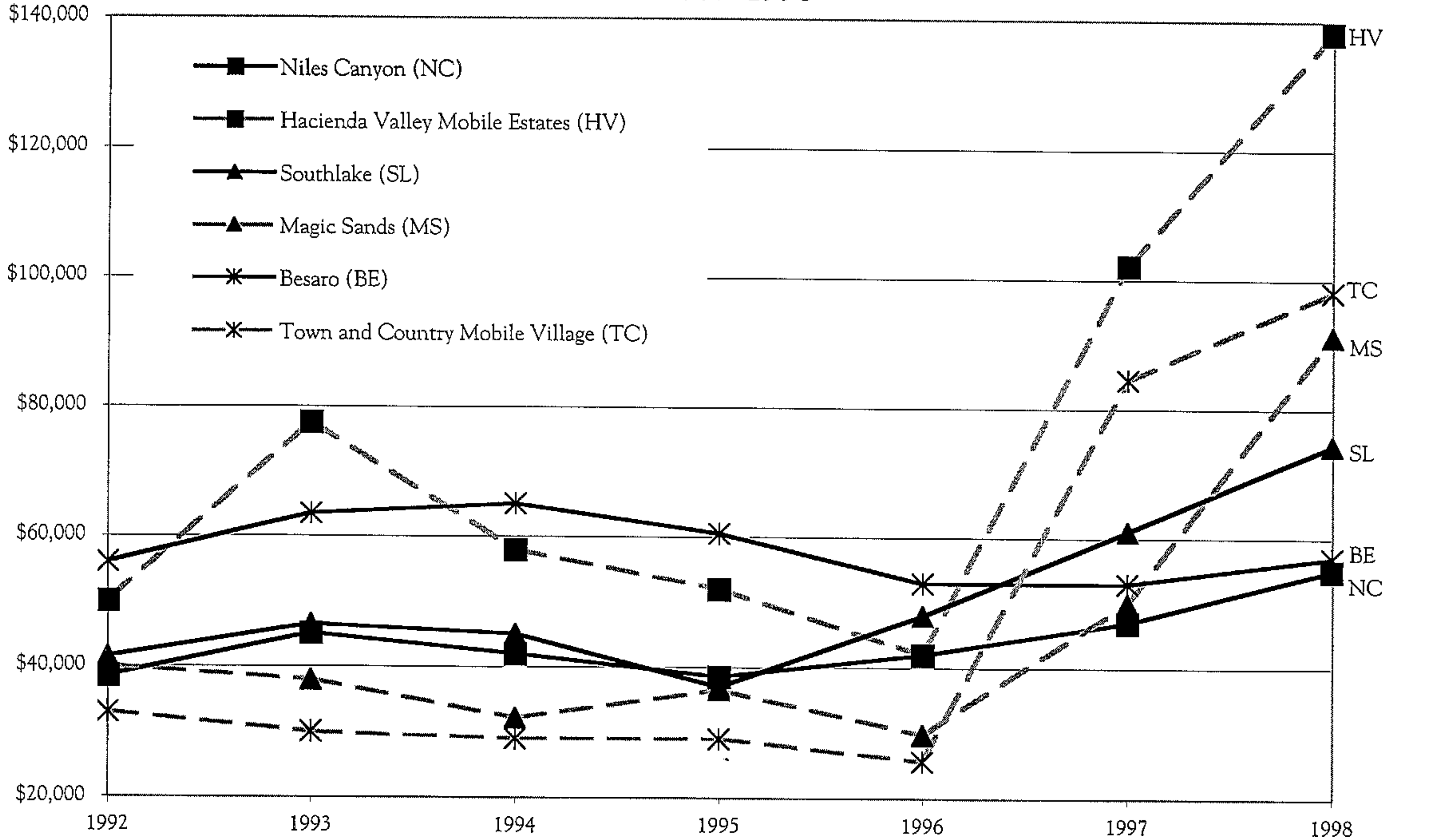


Table II-13
New Mobile Home Sales in Fremont Parks
Compared to Most Comparative Parks with Limited Vacancy Decontrol
1995 to 1999

Besaro Mobile Home Park Fremont	1995	1996	1997	1998	1999	Avg. Ann. % Increase 1995-99
Low	N/A	N/A	$51,405	$75,941	N/A	N/A
Midpoint	N/A	N/A	$53,203	$95,000	N/A	N/A
High	N/A	N/A	$55,000	$112,622	N/A	N/A
$/SF	N/A	N/A	$41.33	$74.80	N/A	N/A
Number of Sales	N/A	N/A	2	3	N/A	
Town and Country Mobile Village San Jose	1995	1996	1997	1998	1999	Avg. Ann. % Increase 1995-99
Low	$54,300	$68,124	$89,900	$97,636	$104,200	17.7%
Midpoint	$80,000	$87,000	$97,500	$109,000	$117,450	10.1%
High	$95,676	$102,000	$105,000	$141,300	$131,250	8.2%
$/SF	$57.77	$55.80	$64.26	$71.98	$80.40	8.6%
Number of Sales	3	7	9	9	4	

Fremont Niles Canyon	1995	1996	1997	1998	1999	Avg. Ann. % Increase 1995-99
Low	N/A	N/A	$47,000	$113,035	N/A	N/A
Midpoint	N/A	N/A	$54,831	$117,240	N/A	N/A
High	N/A	N/A	$62,662	$121,445	N/A	N/A
$/SF	N/A	N/A	$42.16	$76.74	N/A	N/A
Number of Sales	N/A	N/A	2	2	N/A	
Hacienda Valley Mobile Estates Morgan Hill	1995	1996	1997	1998	1999	Avg. Ann. % Increase 1995-99
Low	N/A	N/A	$102,118	$90,250	$87,500	N/A
Midpoint	N/A	N/A	$102,118	$104,000	$87,500	N/A
High	N/A	N/A	$102,118	$138,218	$87,500	N/A
$/SF	N/A	N/A	$76.21	$72.78	$70.56	N/A
Number of Sales	N/A	N/A	1	3	1	

Southlake Fremont	1995	1996	1997	1998	1999	Avg. Ann. % Increase 1995-99
Low	N/A	N/A	$52,165	$66,179	$130,000	N/A
Midpoint	N/A	N/A	$97,904	$113,763	$131,096	N/A
High	N/A	N/A	$115,800	$135,000	$132,191	N/A
$/SF	N/A	N/A	$77.38	$86.23	$87.43	N/A
Number of Sales	N/A	N/A	8	8	2	
Magic Sands San Jose	1995	1996	1997	1998	1999	Avg. Ann. % Increase 1995-99
Low	$65,721	$72,500	$44,865	$61,908	$107,000	13.0%
Midpoint	$82,075	$82,438	$102,000	$109,800	$115,200	8.8%
High	$107,000	$85,000	$129,000	$134,900	$135,506	6.1%
$/SF	$63.92	$59.74	$74.00	$80.30	$84.46	7.2%
Number of Sales	6	4	13	33	4	

Source: Berlin Research; Santiago Financial.

1. Basic Appraisal Approaches to Real Estate Valuation

There are three basic approaches to real estate valuation in real estate appraisal:

- Income
- Replacement cost, and
- Market value.

a. Income Approach

The income approach calculates the net operating income of a property and applies an "income capitalization" rate to yield value. It is based on the theory that the value of a property is based on its income generating potential. The income approach is generally not used in valuation of individual mobile homes, because mobile homes are typically owner-occupied, rather than rented. (However, the underlying pad is typically rented.)

Rather, the two approaches generally used to appraise the value of a mobile or manufactured home are the cost approach and the market approach.

b. Cost Approach

The cost approach derives a value based on the cost to replace or reproduce the home. Three industry sources are generally used to calculate the "replacement" cost of the mobile home:

- Kelley Blue Book Manufactured Housing Guide,
- National Automobile Dealers Association (NADA) Manufactured Housing Appraisal Guide
- Marshall & Swift Manufactured Housing Construction Cost Guide.

As part of this analysis, SA purchased both the Kelley Blue Book and the NADA Manufactured Housing Appraisal Guide (and accompanying National Appraisal System Field Instruction Manual and worksheets for estimating the "in-place location value" of manufactured housing). SA is also familiar with and has used in the past the cost estimating approach of Marshall & Swift, through our experience in numerous other real estate consulting assignments. The discussion below is based on SA's review of each of these valuation approaches.

These three approaches essentially look at the same basic factors to determine the "depreciated replacement value" of a mobile home, defined as the "*current retail price of an exact duplicate, except for the use of current materials and construction standards, but in the same relative construction grade, less accrued depreciation.*" (National Appraisal System Field Instruction Manual). Such factors include size of coach, manufacturer and model, age, and geographical location. (The location adjustment is very general, to take into account construction cost variances in different geographic locations in the country.)

The resultant base value estimate assumes the coach has the standard equipment of that year of manufacture, make, and model. This value is then adjusted up or down based on the condition and optional equipment of the coach. Book values assume a coach that is in average condition. A well-maintained coach brings a premium while a neglected coach will have its value adjusted downward. Further adjustments are made for any optional accessories that are added to the home such as additional rooms or bathrooms, special siding, fireplaces, decks, awnings, etc.

Finally, both the Kelley Blue Book and the NADA Appraisal Guide make adjustments to derive the "in-place location value" of the coach, based on the condition and amenities of the park in which the coach is located. Factors such as an urban or rural setting, park amenities and vacancies in the park are considered in this adjustment. Other characteristics unique to the park are also evaluated, such as minimum coach size, recreational facilities, park landscaping, park views, and park security (e.g., on-site management and/or gated community).

The main difference between the respective valuation approaches utilized by Kelley Blue Book and the NADA Guides is in the adjustment for park space rent. The NADA Appraisal Guide form includes a 5 percent downward adjustment if a park's space rents have been either increasing or decreasing. (SA has been unable to confirm the basis for this adjustment with the editor of the publication.) If rents have been stable, then no adjustment is made. In addition, the NADA appraisal forms include notations for parks with rent control and vacancy control, but no value adjustment is made.

The Kelley Blue Book makes an upward value adjustment for parks with higher rents. While this adjustment runs counter to the theory being tested in this analysis (i.e., lower rents result in a value premium which transfers to the coach), it is based on the theory that parks with higher rents are generally higher quality parks. There is no value adjustment in the Kelley Blue Book for being in a park with rent control or vacancy control.

Industry experts consulted as part of this assignment confirmed that the cost approach is useful in estimating the "retail" value of a coach that has not been placed in a park. However, they also generally agreed that, even when the "value in place" adjustments described above added into the analysis, the cost approach does not provide a reasonable estimate of "fair market value," which is typically estimated using a sales comparable approach, as described below. This assertion was confirmed by a number of sources SA spoke to in the course of our research including Mr. Steven Voisinet and Mr. Vincent Pulsipher, Editor of the N.A.D.A. Manufactured Housing Appraisal Guide, among others. In fact, Mr. Voisinet, with whom SA consulted for this assignment, does not believe there is any direct relationship between cost/replacement value and "market value," for which he typically calculates using a sales comparable approach, as discussed below.

c. The Market Approach

The Society of Real Estate Appraisers defines market value as "the price which a property will bring in a competitive market under all conditions requisite to a fair sale which would result from negotiations between a buyer and a seller, each acting prudently with knowledge and without undue stimulus." The market approach estimates the coach, based on sales of "comparable" coaches, adjusted for factors such as condition, bedroom count, amenities of the coach and park, and location factors. It should be noted that these adjustment factors are very subjective. While there are order of magnitude guidelines for appropriate ranges of adjustment factors, the dollar amount of the adjustment is ultimately left to the discretion of the individual appraiser.

Adjustments for Space Rent in Market (Sales Comparable) Approach

While some appraisers adjust for the underlying rent paid by a mobile home owner, some do not, according to the sources SA contacted. For example, the Meridian Group appraiser indicated that the five most important factors in estimating mobile sales value are (in order of importance):

- Size of coach (in square feet)
- Condition of coach
- Bedroom and Bathroom count
- Space Rent, and
- Age of coach

Three different mobile home manufacturers have also asserted their belief that space rents impact mobile home sales values. Attached to this report is a letter from Mr. Grady Burke of Burke Mobilehome Sales (and also an independent appraiser of mobile homes for over 20 years) wherein he asserts his belief that sales of mobile homes are tied to three factors:

- Location
- Price of the mobile home and
- Space rent

A copy of a letter is also attached from Mr. Jim Allen, President of Progressive Housing, wherein he opines that if two identical homes were on the market in the same park, the home with the higher space rent would be priced lower and sell slower than the home with the lower space rent.

Finally, Mr. Ari Sarkisian of Advantage Homes expressed a corollary belief that higher space rents result in lower home values.

On the other hand, the NADA Appraisal Guide offers a method of appraisal based on the market approach, which can then be compared to the "in-place location value." Data is gathered on recently sold homes with similar book values. They are then adjusted by their size, condition and park location in relation to the subject coach. However, no adjustments are made for the underlying space rent of the comparable sales.

2. Meridian Valuation Group Paired Sales Approach

Meridian Valuation Group (MG) recommended that the market (or sales comparable) approach be used to compare the results of "paired sales" in each of the three Fremont park's with those in comparable parks. Based on information MG had obtained from a presentation at a professional conference, MG posited that $100 more in rent would result in a decrease in sales price of

$10,000 or conversely $100 less in rent would result in an increase in sales price of $10,000. MG proposed to provide at least five "paired sales" from each park to demonstrate this hypothesis. MG also proposed to supplement this comparable park analysis with an analysis of sales in the Westwinds Mobile Home Park in San Jose that has a wide variation in rents within the park. Based on these two paired sales analyses, MG believed it could indirectly demonstrate the impact of vacancy decontrol by showing that significant rent increases of $100 (or more) would result in a significant decrease in sales price (or value).

As described in the next three sections, MG performed this analysis and presented tabular calculations of "paired sales." The initial analysis that was presented to SA did not contain consistent appraisal adjustments to the paired sales, and the initial results were inconclusive. (For example, in some cases an increase in bedroom size resulted in an increased adjustment of $3,500 per unit while in other cases it showed a decrease.)

SA pointed out modifications that needed to be made to his paired sales analysis to ensure that the adjustments were consistent for each comparable sale and requested that more paired sales be provided. The results shown in the next two sections have been modified accordingly but MG was only able to provide three paired sales for Besaro and Niles Canyon, while five were provided for Southlake. Only three paired sales were provided for Westwinds. In SA's opinion, this is too small a data sample from which to draw a significant conclusion.

Unfortunately, due to time constraints and lack of directly comparable sales, this was all the information that could be provided in the time frame allowed for this analysis. As will be shown in the next sections, both analyses do not show a proportionate dollar for dollar difference of $10,000 for each $100 difference in rent; however, they do indicate that sales values generally decrease as rents increase. However, there are exceptions to this general rule.

3. "Paired" Sales Analysis of Comparable Parks

"Paired" analysis involves comparing two comparable sales (one in Fremont and one outside Fremont) and comparing rents and sales values to ascertain any trends. For this analysis, MG initially suggested pairing Fremont parks with the following comparable three parks:

1. Besaro compared to Town & Country (San Jose).
2. Niles Canyon compared to Hacienda Valley (Morgan Hill)
3. South Lake compared to Magic Sands (San Jose)

MG's analysis was based on MLS sales data, adjusted for any differential factors impacting value, such as size, amenities, etc.

After its initial review of the data, MG opined that the sales in Hacienda Valley were not truly comparable to Niles Canyon, and used Vineyard Valley Mobile Home Park in Pleasanton instead. (As noted previously, Pleasanton has vacancy control and was not initially considered comparable for this reason.) His assessment of non-comparability was based on his evaluation of trends in rent increases at Hacienda Valley, as compared to the Fremont parks. However, the data he provided did not appear to support this conclusion. SA believes that Hacienda Valley may still serve as a viable comparable park to Niles Canyon.

Similar homes were chosen from each comparable park and compared to homes sold in Fremont, based on size, age and bedroom and bathroom count. The values of the coaches in the comparable parks were adjusted upward or downward based on their differences regarding condition, upgrades, living area and number of bedrooms and bathrooms to match those in Fremont. Bedrooms were adjusted upward at $3,500 for each additional bedroom and bathrooms at $2,500 for each additional bathroom. Differences in living area were adjusted at $25/SF and rounded to the nearest $500. Other adjustments were made based on condition of the coach, heating and cooling equipment and condition of the kitchen.

All the parks in this study are considered "excellent", as defined by the NADA Appraisal Guide Standards, meaning the parks have few, if any coaches for sale or vacant lots, and contain mostly newer, double wide homes in good condition.

Three "paired sales" were analyzed between Town and Country Mobile Home Park in San Jose and Besaro Mobile Home Park, as summarized in Table II-14. Both are "senior" parks, serving residents over the age of 55. Both parks also have asphalt-surfaced streets, concrete gutters, on-site management, pools, clubhouses, and average common ground landscaping.

Three "paired sales" were analyzed between Vineyard Villa Mobile Home Park in Pleasanton and Niles Canyon Mobile Home Park in Fremont, both of which are also senior parks (Table II-15). Both parks also have asphalt-paved streets, concrete gutters, on-site management, pools, and clubhouses. Niles Canyon may be considered a bit more desirable in terms of its amenities, since it has views of the surrounding foothills and better common ground landscaping. Included in Table II-15 are also two paired sales of Niles Canyon compared to Hacienda Valley in Morgan Hill, which were initially presented by the appraiser and later excluded from the analysis.

A total of five "paired sales" between Magic Sands Mobile Home Park in San Jose and Southlake in Fremont were analyzed, as summarized in Table II-16. Magic Sands was chosen as a comparable because they are both "family" parks. Each park has asphalt-surfaced streets, concrete gutters, on-site management, pools, and clubhouses. Southlake also has tennis and basketball courts and a picnic area with two duck ponds.

After the sales values of the coaches were adjusted, a ratio representing the difference in value to the difference in space rent of each of the pairs was created. The ratio was adjusted to show a difference in sales price for each $100 difference in rent.

4. Paired Sales Analysis of Westwinds Manufactured Home Communities, San Jose

Three additional "paired sales" from Westwinds Manufactured Home Communities (an 800-space park) in San Jose were analyzed, due to a unique situation which resulted in a wide variation of rents in the same park. According to MG, new owners purchased the park in June 1997. In September 1997, the new park owners notified those residents who did not have a lease that space rents would be increased by $280 per month over a three-year period to cover improvements to the park's streets, plumbing and electrical service. (Residents with leases would not be impacted by this proposed rent increase). A lawsuit between the residents and the park owners ensued. As part of the settlement, most of the residents agreed to a $118/month rent increase. Those residents who sued and did not settle, ultimately won their lawsuit, and no increase was imposed on those residents. Consequently, Westwinds has a wide variation in its rents, generally ranging from about $500 to $800 per month, based on available data. This provides a good example to study the relationship between space rents and sales values within one park location. Table II-17 summarizes of the "paired sales" analysis for Westwinds.

5. Summary of Findings from Paired Analyses

Based on the assumptions outlined above, the "paired sales" analysis of Fremont parks demonstrated that higher rents usually results in lower sales values. In eleven of the thirteen cases analyzed by MG, $100 lower rent value yielded higher sales values, ranging from $2,160 to $17,308 higher. In the other two cases, the coach with the higher space rent had a higher adjusted value (respective increases of $8,333 and $568 for every $100 increase in rent).

The analysis of the Westwinds Community showed ambiguous results. Two of the three paired homes demonstrated an increased sales value ($9,600 and $9,474, respectively) for every $100 decrease in rent. The third analyzed pair showed a lower sales value coupled with a lower rent, or a decrease of $4,358 in value for every $100 space rent decrease. MG could offer no explanation for this anomaly.

Table II-14
Paired Sales Analysis
Besaro Mobile Home Park Compared to Town & Country Mobile Home Park in San Jose

	Comparable #1		Comparable #2		Comparable #3	
	Besaro	Town & Country Mobile Home Park	Besaro	Town & Country Mobile Home Park	Besaro	Town & Country Mobile Home Park
Sales Price	$75,000	$49,500	$85,000	$50,000	$75,000	$57,000
Sales Date	Dec-98	Dec-98	Jun-99	Jun-99	Jun-99	Apr-99
Site Difference	Superior	Inferior	Superior	Inferior	Superior	Inferior
Adjustment		10,000		10,000		10,000
Age (years)	23	25	18	22	23	22
Adjustment		1,000		2,000		(500)
Condition	Average	Inferior	Average	Average	Average	Average
Adjustment		$5,000				
Bed/Bath	3/2	2/2	2/2	2/2	2/2	2/2
Adjustment		$2,500				
Gross Living Area (SF)	1,344	1,440	1,440	960	1,440	1,344
Adjustment		($2,500)		$12,000		$2,500
Heating/Cooling	Central	None	None	None	None	None
Adjustment		$2,500				
Kitchen	Standard	Inferior	Standard	Standard	Standard	Standard
Adjustment		$2,500				
Total Adjustment	$0	$21,000	$0	$24,000	$0	$12,000
Adjusted Value	$75,000	$70,500	$85,000	$74,000	$75,000	$69,000
Difference in Adjusted Value	($4,500)		($11,000)		($6,000)	
Space Rent ($/mo)	$374	$420	$374	$475	$380	$417
Difference in Space Rent	$46		$101		$37	
Value Increase per $100 of Rent Decrease	$9,783		$10,891		$16,216	

Source: Meridian Valuation Group Study, dated August 9, 1999.

Table II-15
Paired Sales Analysis
Niles Canyon Mobile Home Park Compared to Vineyard Villa Mobile Home Park in Pleasanton and Hacienda Valley in Morgan Hill

	Comparable #1		Comparable #2		Comparable #3		Comparable #4		Comparable #5	
	Niles Canyon	Vineyard Villa	Niles Canyon	Vineyard Villa	Niles Canyon	Vineyard Villa	Niles Canyon	Hacienda Valley	Niles Canyon	Hacienda Valley
Sales Price	$68,000	$78,000	$57,500	$76,000	$68,000	$65,000	$42,000	$45,000	$57,500	$69,000
Sales Date	Nov-98	Feb-99	Jun-99	May-99	Jan-98	Oct-98	Sep-96	May-96	Jun-99	Mar-99
Site Difference	None	None	None	None	None	None	None	None	None	None
Adjustment										
Age (years)	30	24	30	26	30	26	25	23	30	20
Adjustment		($4,000)		($2,000)		($2,000)		($1,000)		($5,000)
Condition	Average	Superior	Average	Excellent[1]	Average	Average	Average	Average	Average	Superior
Adjustment		($5,000)		($10,000)						($7,500)
Bed/Bath	2/2	2/2	2/2	2/2	2/2	2/2	2/2	2/2	2/2	2/2
Adjustment										
Gross Living Area (SF)	1,368	1,368	1,368	1,440	1,368	1,200	1,344	1,400	1,368	1,440
Adjustment				($2,000)		$4,000		($2,500)		($2,500)
Heating/Cooling	None	None	None	None	None	None	None	None	None	None
Adjustment										
Kitchen	Standard	Standard	Standard	Superior	Standard	Remodeled	Standard	Standard	Standard	Standard
Adjustment				($5,000)		($3,500)				
Total Adjustment	$0	($9,000)	$0	($19,000)	$0	($1,500)	$0	($3,500)	$0	($15,000)
Adjusted Value	$68,000	$69,000	$57,500	$57,000	$68,000	$63,500	$42,000	$41,500	$57,500	$54,000
Difference in Adjusted Value	$1,000		($500)		($4,500)		($500)		($3,500)	
Space Rent ($/mo)	$434	$446	$440	$460	$434	$460	$382	$294	$298	$460
Difference in Space Rent	$12		$20		$26		($88)		$162	
Value Increase per $100 of Rent Decrease[2]	($8,333)		$2,500		$17,308		-$568		$2,160	

[1] Comparable home #2 had extensive remodeling improvements which are reflected in the adjustments.
Source: Meridian Valuation Group Study dated August 9, 1999.

Table II-16
Paired Sales Analysis
Southlake Mobile Home Park Compared to Magic Sands Mobile Home Park in San Jose

	Comparable #1		Comparable #2		Comparable #3		Comparable #4		Comparable #5	
	Southlake	Magic Sands	Southlake	Magic Sands	Southlake	Magic Sands	Southlake	Magic Sands	Southlake	Magic Sands
Sales Price	$23,000	$50,000	$60,000	$85,000	$23,000	$50,000	$39,000	$50,000	$70,000	$87,000
Sales Date	Apr-99	Nov-98	Apr-99	Jun-99	Nov-98	Apr-99	Oct-98	Oct-98	Jun-99	Jun-99
Site Difference	None	None	None	None	None	None	None	None	None	None
Adjustment										
Age (years)	27	26	27	20	28	27	23	31	25	22
Adjustment		(500)		(3,500)		(1,000)		4,000		(1,500)
Condition	Average	Superior	Good	Superior	Average	Average	Average	Average	Average	Excellent[1]
Adjustment		($5,000)		($5,000)						($10,000)
Bed/Bath	2/1	2/2	2/2	3/2	2/1	2/2	2/2	2/2	2/2	2/2
Adjustment		($2,500)		($3,500)		($2,500)				
Gross Living Area (SF)	672	860	1,440	1,440	672	860	869	840	1,440	1,440
Adjustment		($4,500)				($4,500)				
Heating/Cooling	None	None	Central	Central	None	None	None	None	None	None
Adjustment										
Kitchen	Standard	Standard	Standard	Superior	Standard	Superior	Standard	Standard	Standard	Standard
Adjustment				($5,000)		($5,000)				
Total Adjustment	$0	($12,500)	$0	($17,000)	$0	($13,000)	$0	$4,000	$0	($11,500)
Adjusted Value	$23,000	$37,500	$60,000	$68,000	$23,000	$37,000	$39,000	$54,000	$70,000	$75,500
Difference in Adjusted Value	$14,500		$8,000		$14,000		$15,000		$5,500	
Space Rent ($/mo)	$465	$327	$504	$448	$465	$327	$482	$354	$504	$448
Difference in Space Rent	($138)		($56)		($138)		($128)		($56)	
Value Increase per $100 of Rent Decrease	$10,507		$14,286		$10,145		$11,719		$9,821	

[1] Comparable home #5 had extensive remodeling improvements which are reflected in the adjustments.
Source: Meridian Valuation Group Study dated August 9, 1999.

Table II-17
Paired Sales Analysis
Sales Compared Within the Westwinds Manufactured Home Communities in San Jose

	Coach A	Coach B	Coach C	Coach D	Coach E	Coach F
Sales Price	$62,000	$60,000	$80,000	$68,000	$95,000	$90,000
Sales Date	Jul-98	Sep-99	Apr-99	77/98	Jul-99	May-99
Site Difference	None	None	None	None	Average	Large
Adjustment						(3,500)
Age (years)	26	23	23	22	7	7
Adjustment		(1,500)		(500)		
Condition	Average	Superior[1]	Average	Average	Average	Superior[1]
Adjustment		($7,500)				($7,500)
Bed/Bath	3/2	2/2	2/2	2/2	3/2	3/2
Adjustment		$3,500				
Gross Living Area (SF)	1,440	1,296	1,560	1,440	1,534	1,172
Adjustment		$3,500		$3,000		$9,000
Heating/Cooling	None	None	Central	Central	Central	Central
Adjustment						
Kitchen	Standard	Superior	Standard	Standard	Standard	Superior
Adjustment		($5,000)				($5,000)
Total Adjustment	$0	($7,000)	$0	$2,500	$0	($7,000)
Adjusted Value	$62,000	$53,000	$80,000	$70,500	$95,000	$83,000
Difference in Adjusted Value	($9,000)		($9,500)		($12,000)	
Space Rent ($/mo)	$479	$574	$608	$390	$578	$703
Difference in Space Rent	$95		($218)		$125	
Value Increase per $100 of Rent[2]	$9,474		-$4,358		$9,600	

[1] These homes had extensive remodeling improvements which are reflected in the adjustments.

[2] Most of the paired sales demonstrate an increase in value with decreased rent. Coaches "C" and "D" demonstrate decreased value with decreased rent.
Source: Meridian Valuation Group Study dated August 9, 1999.

Table II-18
Appraiser "Paired Sales" Analysis
Value Increase per $100 of Rent Decrease for All Parks Analyzed

Parks	High	Median	Low
Besaro Mobile Home/Town & Country Mobile Home Park (San Jose)	$16,216	$10,891	$9,783
Niles Canyon Mobile Home Park/Vineyard Villa Mobile Home Park (Pleasanton) and Hacienda Vallev (Morgan Hill)	$17,308	$2,160	($8,333)
Southlake Mobile Home Park/Magic Sands Mobile Home Park (San Jose)	$14,286	$10,507	$10,145
Overall Fremont Mobile Home Parks	$17,308	$10,145	($8,333)
Westwinds Manufactured Home Communities	$9,600	$9,474	($4,358)
All Parks Evaluated	$17,308	$9,802	($8,333)

Source: Meridian Valuation Group Study dated August 9, 1999.

E. MOBILE HOME UNDERWRITING CRITERIA

In addition to the economic analysis and consultations with the appraiser, SA contacted numerous industry organizations and professionals (as listed in Appendix A). Most notably, we had discussions with several mobile lenders and manufacturers regarding underwriting criteria for new and used mobile homes, including , Mr. Len Porzio at Santiago Financial and Mr. Jack Ferris at Ferris Financial. Based on these discussions, SA prepared an analysis of the ability for a potential manufactured home buyer to purchase a home under four scenarios:

1. A new home valued at $100,000 in a park with $350/month space rents;
2. A new $100,000 home in a park with $525/month space rents;
3. A used home valued at $60,000 in a park with $350/month space rents; and
4. A used home valued at $60,000 in a park with $525/month space rents.

The difference in rent, $350 to $525, is the difference between the lowest 1999 rent and the highest 1999 rent in Fremont Parks as reported by the city. The home prices were estimated based on typical homes sold in the City of Fremont.

For all scenarios, the buyer's annual salary was assumed to be $50,000, or a monthly income of $4,167. The down payment was assumed at 10 percent of the purchase price for the new home and 15 percent of the purchase price for the used home. The loan term was assumed to be 30 years (360 months) for the new home and 15 years (180 months) for a used coach. The interest rate on the new coach was assumed at 8 percent and at 12 percent for the used coach.

The buyer of the new coach must also pay property taxes (estimated at 1.25 percent of the sales value), escrow fees, loan fees, etc. The used coach purchaser must also pay HCD fees, escrow fees, loan fees, etc.

For each scenario, a debt ratio was calculated. The debt ratio is the total monthly expenses of the buyer (existing debt, insurance, new loan payment, and space rent) divided by the person's monthly income. For the underwriter to consider the loan applicant a safe risk for the loan, the debt ratio must be under 33 percent.

Table II-19 summarizes the results of this analysis for the lower rent ($350/month), while Table II-20 presents the comparable analysis for the higher rent ($525/month).

As this analysis demonstrates, the only way this particular applicant can afford this home is if he or she purchases a mobile home in the park with lower space rents. His debt ratio will be under 33 percent if he purchases a used or a new home. In the park with higher space rents, his debt ratio exceeds the 33 percent limit, thereby disqualifying him from the home purchase. In this sense, the underlying space rent clearly determines the maximum home price for which a homebuyer can qualify. In other words, higher rents could limit the pool of prospective purchasers for mobile homes, which in turn could result in lower sales offers.

Table II-19
Financing of New and Used Manufactured Homes
Upper Rent Limit of $525 per Month

New Manufactured Home		Used Manufactured Home	
Sales Price[1]	$100,000	Sales Price	$60,000
Property Tax (1.25 % of sale price)	1,250	Property Tax	
Sales Tax		Sales Tax	
HCD Fees		HCD Fees	125
Escrow Fees	400	Escrow Fees	400
Appraisal	275	Appraisal	275
Loan Fees/Points	2,127	Loan Fees/Points	2,127
Other Fees	375	Other Fees	375
Total Purchase Price	104,427	Total Purchase Price	63,302
Down Payment (10% of Purchase Price)	10,000	Down Payment (15% of Purchase Price)	9,000
Amount to Finance	94,427	Amount to Finance	54,302
Term (months)	360	Term (months)	180
Interest Rate	8%	Interest Rate	12%
Monthly Payment	693	Monthly Payment	652
Monthly Income[2]	4,167	Income (monthly)	4,167
Expenses		Expenses	
Debt	272	Debt	272
Insurance	50	Insurance	25
Mortgage	693	Mortgage	652
Space Rent	525	Space Rent	525
Total	1,540	Total	1,474
Debt Ratio	36.96%	Debt Ratio	35.37%

[1]Based on prototypical cost for new and used mobile homes in the City of Fremont in 1998 and 1999
[2]Based on 80% annual income of $50,000 which is equivalent to 95% of HUD median income for family of 2 and 85% of HUD income for family of 3 and approximately 75% of HUD median income for family of 4

Table II-20
Financing of New and Used Manufactured Homes
Lower Rent Limit of $350 per Month

New Manufactured Home		Used Manufactured Home	
Sales Price[1]	$100,000	Sales Price	$55,000
Property Tax (1.25 % of sale price)	1,250	Property Tax	
Sales Tax		Sales Tax	
HCD Fees		HCD Fees	125
Escrow Fees	400	Escrow Fees	400
Appraisal	275	Appraisal	275
Loan Fees/Points	2,127	Loan Fees/Points	2,127
Other Fees	375	Other Fees	375
Total Purchase Price	104,427	Total Purchase Price	58,302
Down Payment (10% of Purchase Price)	10,000	Down Payment (15% of Purchase Price)	8,250
Amount to Finance	94,427	Amount to Finance	50,052
Term (months)	360	Term (months)	180
Interest Rate	8%	Interest Rate	12%
Monthly Payment	693	Monthly Payment	601
Monthly Income[2]	4,167	Income (monthly)	4,167
Expenses		Expenses	
Debt	272	Debt	272
Insurance	50	Insurance	25
Mortgage	693	Mortgage	601
Space Rent	350	Space Rent	350
Total	1,365	Total	1,248
Debt Ratio	32.76%	Debt Ratio	29.94%

[1]Based on prototypical cost for new and used mobile homes in the City of Fremont in 1998 and 1999
[2]Based on 80% annual income of $50,000 which is equivalent to 95% of HUD median income for family of 2 and 85% of HUD income for family of 3 and approximately 75% of HUD median income for family of 4

However, as was discussed earlier in this chapter, significant portions of mobile home owners in Fremont own their coaches. This is particularly the case at Niles Canyon and Besaro, where seniors have presumably sold their homes (once their children are grown) and used the proceeds to buy a coach outright. Nonetheless, SA would still expect that a mobile home with a higher space rent would translate into a lower cash sales offer, as the space rent would still be considered by the prospective purchaser as an ongoing cost of the mobile home purchase.

F. SUMMARY OF FINDINGS

In summary, based on the analysis conducted and reviewed in this chapter, mobile home sales in Fremont have experienced rapid increases between 1995 and 1998, presumably due to increased market demand and limited supply. Under the theory of "complementary" goods, where mobile home space rent increase are limited (and kept artificially low below market rates), there could be some transfer of value to the mobile sales value. However, since 1990, mobile home space rents have increased faster than inflation, while median mobile home sales prices only increased nominally. In other words, while value transfer might occur in an inflationary (or increasing) real estate market, the available data has been clouded by the recessionary market of the early to mid 1990's. Furthermore, space rents differ from park to park in Fremont, and value transfers could accrue differentially as a result.

One of the "rules of thumb" cited by appraisers and brokers (and by Ken Baar in the August 1991 study) is that a $100/month difference in space rent translates into a $10,000 difference in value. The paired sales conducted by the Meridian Group, experienced residential and mobile home appraisers, demonstrated that a $100 decrease in rent usually translates into a higher sales value, although there were three cases (out of a total of 16 examples) where a higher rent yielded a higher sales value. The value premium in the 13 remaining examples varied significantly – from under $2,200 to over $17,300, with a median increase of about $9,800 in sales value for each $100 less in space rent.

In conclusion, SA believes there could be a value transfer, given the right market conditions, if space rents are kept artificially low upon resale. However, the dollar amount of the transfer cannot be precisely quantified, based on the appraisal analysis conducted as part of this study due to the limited number of paired sales. Moreover, the impacts of the recessionary market in the early and mid 1990's have clouded the data, so that no clear trends can be established for the period for which data is available – 1990 to 1996.

APPENDICES

REPORT ON THE ANALYSIS
OF THE CITY OF FREMONT'S
MOBILE HOME RENT STABILIZATION ORDINANCE

APPENDIX A: DATA SOURCES AND PERSONS CONTACTED

APPENDIX B: SUPPORTING TABLES

APPENDIX A:
DATA SOURCES AND PERSONS CONTACTED

APPENDIX A

Data Sources:

Bronson Berlin, Berlin Research Data 1993- 1996, Berlin Research Corporation, 1241 Johnson Avenue, #230, San Luis Obispo, CA 93401

REALFACTS, 372 Bel Marin Keys Blvd, Ste. H, Novato, CA 94949 415.884.2480 http://www.Realfacts.com

1997-1999 Data from Santiago Financial Incorporated, Tustin, CA 92780, 714.731.8080

San Francisco Examiner and Coldwell Banker Residential Real Estate Services

State of California Department of Housing and Community Development, Division of Codes and Standards, Mobilehome Parks Program

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U.S. Bureau of the Census, 1980 and 1990 U.S. Census Data

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Kelley Blue Book Official Manufactured Housing Guide, April – September 1999, Kelley Blue Book, PP Box 19691, Irvine, CA 92623

Marshall & Swift Manufactured Housing Construction Cost Guide

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Roger Zolldan, Prudential Realty (formerly Dutra Realty), 510.657.8222

Other Sources:

Advantage Homes, 26230 Industrial Boulevard, Hayward, CA 94545, 510.264.9050

Appraisal Institute, 875 North Michigan Avenue, Suite 2400, Chicago, IL 60611, 312.335.4100 http://www.appraisalinstitute.org

Burke Mobilehomes Sales, 1085 Tasman DR. #77, Sunnyvale, CA 94089
D and D homes 510.754.5509 Antioch

Fleetwood Homes 800.420.9645 Woodland

Golden State Mobilhome Owners League, Inc.
http:www.gsmol.org/GSMOL/TOPLINKS/faq.html

Manufactured Housing Network: the Premier Website for the Manufactured Housing Industry, http://www.mfghomes.com

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Mobilehome.net, HomeSales Advertising
http://www.mobilehome.net/coummities/index/htm

MOBILEHOMES TODAY, P.O. Box 2004, Morgan Hill, CA 95038, 408.779.8989

Oakwood Homes Corporation, http://www.oakwoodhomes.com

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Sf.gate.com

Silvercrest Western Homes Corporation, 109 Pioneer Ave., Woodland, CA 95776
http://silvercrest.com

State of California State Census Data Center, 916.322.4651

Statewide Home Builders Corporation, Oakland, CA 510.436.5311

APPENDIX B:
SUPPORTING TABLES

Appendix Table B-1
Sales Price of All Mobile Homes in Alameda County 1990-96

Municipality	1990	1991	1992	1993	1994	1995	1996	Avg Annual Increase 1990-92	1992-96	1990-96
Alameda										
Lowest Sale	$24,000							(100.0%)	N/A	(100.0%)
Midpoint	$24,000							(100.0%)	N/A	(100.0%)
Highest Sale	$24,000							(100.0%)	N/A	(100.0%)
$/SF	$33.33							(100.0%)	N/A	(100.0%)
Albany										
Lowest Sale	$31,500							(100.0%)	N/A	(100.0%)
Midpoint	$31,500							(100.0%)	N/A	(100.0%)
Highest Sale	$31,500							(100.0%)	N/A	(100.0%)
$/SF	$39.38							(100.0%)	N/A	(100.0%)
Castro Valley										
Lowest Sale	$23,400	$22,000	$21,000	$22,000	$20,500	$29,900	$22,500	(5.3%)	1.7%	(0.7%)
Median	$24,700	$22,750	$21,000	$25,000	$23,700	$29,900	$23,250	(7.8%)	2.6%	(1.0%)
Highest Sale	$26,000	$23,500	$21,000	$28,000	$26,900	$29,900	$24,000	(10.1%)	3.4%	(1.3%)
$/SF	$17.15	$37.90	$43.75	$33.25	$37.59	$37.38	$28.96	59.7%	(9.8%)	9.1%
Dublin										
Lowest Sale		$38,000	$49,000	$42,000	$52,000	$45,000	$53,000	N/A	2.0%	N/A
Median		$38,000	$49,000	$49,500	$56,500	$54,450	$55,000	N/A	2.9%	N/A
Highest Sale		$38,000	$49,000	$56,000	$63,000	$60,000	$66,500	N/A	7.9%	N/A
$/SF		$24.23	$29.91	$33.33	$33.80	$34.90	$37.77	N/A	6.0%	N/A

Appendix Table B-1
Sales Price of All Mobile Homes in Alameda County 1990-96

Municipality	1990	1991	1992	1993	1994	1995	1996	Avg Annual Increase 1990-92	1992-96	1990-96
Fremont										
Lowest Sale	$23,000	$22,000	$22,000	$21,000	$32,000	$21,750	$22,000	(2.2%)	0.0%	(0.7%)
Median	$57,750	$50,000	$47,000	$52,000	$50,000	$40,750	$45,000	(9.8%)	(1.1%)	(4.1%)
Highest Sale	$98,000	$80,500	$107,500	$93,000	$78,000	$89,000	$85,500	4.7%	(5.6%)	(2.2%)
$/SF	$50.00	$42.33	$38.19	$41.34	$41.67	$37.31	$36.11	(12.6%)	(1.4%)	(5.3%)
Hayward										
Lowest Sale	$20,500	$21,500	$20,600	$21,000	$21,000	$20,500	$21,000	0.2%	0.5%	0.4%
Median	$56,000	$48,250	$49,000	$48,000	$45,000	$42,950	$44,475	(6.5%)	(2.4%)	(3.8%)
Highest Sale	$100,000	$110,000	$110,000	$102,500	$102,000	$95,000	$96,000	4.9%	(3.3%)	(0.7%)
$/SF	$59.72	$44.76	$43.30	$41.83	$38.09	$36.27	$33.77	(14.9%)	(6.0%)	(9.1%)
Livermore										
Lowest Sale	$23,900	$23,000	$25,950	$22,000	$24,500	$25,000	$20,485	4.2%	(5.7%)	(2.5%)
Median	$48,475	$44,000	$46,500	$50,000	$43,000	$40,500	$34,750	(2.1%)	(7.0%)	(5.4%)
Highest Sale	$75,500	$84,000	$82,000	$80,000	$67,000	$75,000	$55,000	4.2%	(9.5%)	(5.1%)
$/SF	$44.44	$48.05	$47.92	$45.57	$37.67	$38.31	$36.33	3.8%	(6.7%)	(3.3%)
Oakland										
Lowest Sale				$34,900		$88,000		N/A	N/A	N/A
Midpoint				$34,900		$88,000		N/A	N/A	N/A
Highest Sale				$34,900		$88,000		N/A	N/A	N/A
$/SF				$22.72		$65.48		N/A	N/A	N/A

Appendix Table B-1
Sales Price of All Mobile Homes in Alameda County 1990-96

								Avg Annual Increase		
Municipality	1990	1991	1992	1993	1994	1995	1996	1990-92	1992-96	1990-96
Newark										
Lowest Sale	$46,842							(100.0%)	N/A	(100.0%)
Midpoint	$46,842							(100.0%)	N/A	(100.0%)
Highest Sale	$46,842							(100.0%)	N/A	(100.0%)
$/SF	$86.74							(100.0%)	N/A	(100.0%)
Pleasanton										
Lowest Sale	$30,000	$25,700	$31,500	$49,950	$23,000	$31,500	$28,000	2.5%	(2.9%)	(1.1%)
Median	$67,950	$60,250	$49,500	$70,500	$69,500	$67,250	$53,500	(14.6%)	2.0%	(3.9%)
Highest Sale	$93,000	$102,500	$84,000	$96,000	$97,000	$101,500	$85,000	(5.0%)	0.3%	(1.5%)
$/SF	$57.18	$51.24	$46.88	$52.46	$48.43	$50.28	$41.67	(9.5%)	(2.9%)	(5.1%)
San Leandro										
Lowest Sale	$21,000	$20,150	$21,000	$22,500	$22,000	$22,000	$23,000	0.0%	2.3%	1.5%
Median	$65,000	$44,000	$40,000	$44,000	$42,750	$37,000	$25,500	(21.6%)	(10.6%)	(14.4%)
Highest Sale	$84,000	$75,000	$79,500	$71,200	$58,000	$59,000	$50,000	(2.7%)	(10.9%)	(8.3%)
$/SF	$50.93	$44.44	$35.32	$36.92	$31.62	$29.17	$26.37	(16.7%)	(7.0%)	(10.4%)
Union City										
Lowest Sale	$25,000	$21,000	$22,500	$28,000	$22,750	$23,000	$22,000	(5.1%)	(0.6%)	(2.1%)
Median	$82,000	$55,000	$46,000	$42,250	$35,750	$33,000	$31,750	(25.1%)	(8.9%)	(14.6%)
Highest Sale	$57,500	$83,000	$68,000	$60,000	$47,000	$58,225	$49,000	8.7%	(7.9%)	(2.6%)
$/SF	$51.54	$45.54	$40.93	$38.72	$32.05	$36.11	$26.75	(10.9%)	(10.1%)	(10.4%)

Note: Includes only those municipalities with sales to report. Sales $20,000 and under have been excluded assuming these are either abandonment or distressed sales or lower end trailers, as opposed to competitive mobile home sales. Vacancy decontrol was in place in Fremont from 1990-92. Blanks indicate no sales data available for these years.

Source: Berlin Research

Appendix Table B-2
Sales Price of All Mobile Homes in Santa Clara County 1990-96

								Avg Annual Increase		
Municipality	1990	1991	1992	1993	1994	1995	1996	1990-1996	1990 -92	1992-96
Alviso										
Lowest Sale	$66,500	$61,000	$26,000	$23,500	$36,000	$22,500	$21,000	(37.5%)	(5.2%)	(0.1%)
Median	$24,000	$62,000	$47,750	$60,000	$39,250	$48,750	$33,250	41.1%	(8.7%)	5.6%
Highest Sale	$24,000	$63,000	$74,000	$68,000	$52,000	$59,500	$53,000	75.6%	(8.0%)	14.1%
$/SF	$33.33	$41.69	$35.01	$44.44	$32.75	$31.87	$26.02	2.5%	(7.2%)	(4.0%)
Campbell										
Lowest Sale	$50,000	$38,900	$37,000	$25,000	$25,000	$22,000	$28,000	(14.0%)	(6.7%)	(0.0%)
Median	$69,000	$67,000	$50,000	$54,000	$53,250	$45,000	$47,000	(14.9%)	(1.5%)	(6.2%)
Highest Sale	$81,000	$83,000	$78,000	$87,500	$80,000	$75,000	$77,000	(1.9%)	(0.3%)	(0.8%)
$/SF	$61.64	$57.64	$53.98	$45.14	$44.21	$38.93	$40.19	(6.4%)	(7.1%)	(6.9%)
Cupertino										
Lowest Sale	$35,000							(100.0%)	N/A	(100.0%)
Median	$35,000							(100.0%)	N/A	(100.0%)
Highest Sale	$35,000							(100.0%)	N/A	(100.0%)
$/SF	$48.61							(100.0%)	N/A	(100.0%)
Gilroy										
Lowest Sale	$21,000	$23,000	$21,000	$22,000	$20,999	$22,500	$30,000	0.0%	9.3%	0.0%
Median	$51,250	$37,250	$35,000	$30,500	$28,650	$35,000	$45,000	(17.4%)	6.5%	(2.1%)
Highest Sale	$57,000	$60,000	$68,000	$60,000	$47,500	$46,700	$49,000	9.2%	(7.9%)	(2.5%)
$/SF	$35.81	$37.30	$28.65	$26.76	$25.88	$25.00	$29.82	(10.6%)	1.0%	(3.0%)

Appendix Table B-2
Sales Price of All Mobile Homes in Santa Clara County 1990-96

								Avg Annual Increase		
Municipality	1990	1991	1992	1993	1994	1995	1996	1990-1996	1990 -92	1992-96
Los Gatos										
Lowest Sale	$23,000	$30,000		$27,500	$45,000	$25,000	$30,000	(100.0%)	N/A	0.0%
Median	$37,000	$42,000		$38,750	$45,000	$25,000	$33,500	(100.0%)	N/A	(1.6%)
Highest Sale	$65,500	$42,000		$50,000	$45,000	$25,000	$43,000	(100.0%)	N/A	(6.8%)
$/SF	$53.57	$60.00		$48.95	$41.67	$34.72	$39.33	(100.0%)	N/A	(5.0%)
Milpitas										
Lowest Sale	$23,000	$22,900	$22,500	$22,500	$22,000	$23,515	$21,000	(1.1%)	(1.7%)	(0.0%)
Median	$49,500	$34,750	$30,000	$35,000	$30,000	$30,750	$33,998	(22.2%)	3.2%	(6.1%)
Highest Sale	$67,000	$67,000	$61,000	$58,000	$87,000	$48,500	$91,000	(4.6%)	10.5%	5.2%
$/SF	$44.89	$46.45	$41.03	$33.98	$33.33	$30.77	$27.56	(4.4%)	(9.5%)	(7.8%)
Morgan Hill										
Lowest Sale	$22,500	$21,200	$25,000	$22,000	$23,000	$20,500	$24,000	5.4%	(1.0%)	0.0%
Median	$55,000	$61,500	$49,975	$45,000	$51,000	$51,000	$42,500	(4.7%)	(4.0%)	(4.2%)
Highest Sale	$160,000	$138,000	$150,000	$142,500	$140,000	$140,000	$115,000	(3.2%)	(6.4%)	(5.4%)
$/SF	$46.00	$46.07	$37.07	$34.09	$36.53	$37.15	$36.89	(10.2%)	(0.1%)	(3.6%)
San Jose										
Lowest Sale	$20,529	$20,713	$20,163	$20,160	$20,100	$21,000	$20,294	(0.9%)	0.2%	(0.0%)
Median	$53,000	$45,950	$43,000	$39,000	$37,000	$36,000	$35,000	(9.9%)	(5.0%)	(6.7%)
Highest Sale	$145,000	$105,000	$122,500	$130,400	$140,000	$89,000	$190,000	(8.1%)	11.6%	4.6%
$/SF	$43.90	$40.33	$35.87	$32.51	$29.28	$27.78	$28.65	(9.6%)	(5.5%)	(6.9%)

Appendix Table B-2
Sales Price of All Mobile Homes in Santa Clara County 1990-96

								Avg Annual Increase		
Municipality	1990	1991	1992	1993	1994	1995	1996	1990-1996	1990 -92	1992-96
Santa Clara										
Lowest Sale	$23,487		$24,000	$30,000	$23,500	$27,000	$32,500	1.1%	7.9%	0.0%
Median	$23,487		$35,000	$30,000	$23,500	$27,000	$34,000	22.1%	(0.7%)	6.4%
Highest Sale	$23,487		$65,000	$30,000	$23,500	$27,000	$37,500	66.4%	(12.8%)	8.1%
$/SF	$40.78		$37.04	$25.42	$43.52	$37.09	$33.85	(4.7%)	(2.2%)	(3.1%)
Saratoga										
Lowest Sale	$48,000							(100.0%)	N/A	(100.0%)
Median	$48,000							(100.0%)	N/A	(100.0%)
Highest Sale	$48,000							(100.0%)	N/A	(100.0%)
$/SF	$96.00							(100.0%)	N/A	(100.0%)
Sunnyvale										
Lowest Sale	$20,500	$21,000	$22,000	$21,000	$44,000	$20,800	$21,000	3.6%	(1.2%)	0.0%
Median	$65,000	$58,500	$56,200	$50,000	$44,890	$39,500	$42,500	(7.0%)	(6.7%)	(6.8%)
Highest Sale	$119,000	$123,000	$128,000	$113,500	$108,500	$97,000	$115,000	3.7%	(2.6%)	(0.6%)
$/SF	$53.82	$49.87	$48.26	$40.18	$33.33	$30.01	$32.73	(5.3%)	(9.3%)	(8.0%)
Watsonville										
Lowest Sale				$40,000				N/A	N/A	N/A
Median				$59,500				N/A	N/A	N/A
Highest Sale				$79,000				N/A	N/A	N/A
$/SF				$45.54				N/A	N/A	N/A

Appendix Table B-2
Sales Price of All Mobile Homes in Santa Clara County 1990-96

								Avg Annual Increase		
Municipality	1990	1991	1992	1993	1994	1995	1996	1990-1996	1990 -92	1992-96
Palo Alto										
Lowest Sale		$34,000	$24,000					N/A	(100.0%)	N/A
Median		$34,000	$24,000					N/A	(100.0%)	N/A
Highest Sale		$34,000	$24,000					N/A	(100.0%)	N/A
$/SF		$54.49	$48.00					N/A	(100.0%)	N/A
Mountain View										
Lowest Sale		$21,186	$20,500		$22,500	$21,500	$21,500	N/A	1.2%	N/A
Median		$46,000	$43,250		$40,000	$42,000	$40,000	N/A	(1.9%)	N/A
Highest Sale		$78,000	$78,500		$79,900	$79,000	$83,500	N/A	1.6%	N/A
$/SF		$50.00	$49.40		$42.50	$42.02	$39.73	N/A	(5.3%)	N/A

Note: Includes only those municipalities with sales to report. Sales $20,000 and under have been excluded assuming these are either abandonment or distressed sales or lower end trailers, as opposed to competitive mobile home sales. Vacancy decontrol was in place in Fremont from 1990-92. Blanks indicate no sales data available for these years.

Source: Berlin Research