



Long Term Leases and “Pass-Throughs”

BACKGROUND

The California Mobilehome Park Residency Law requires mobile home park owners to offer the residents living in their communities a one-year or twelve-month lease. It is the option of the prospective resident or resident to sign a month-to-month or 12-month lease. Some Parks offer long-term leases, which are defined as a lease longer than 12-months. According to the Mobilehome Park Residency Law, leases in excess of 12 months in length are exempt from rent control.

A prospective resident or current resident that signs a long-term lease agreement has the right to void the agreement within 72 hours. Current residents who are offered long-term leases have at least 30-days to review the lease.

Long-term leases typically range from three to ten years, but can be longer. The long-term lease sets forth a variety of terms relating to the tenancy in the Park including the amount of annual rent increases and other charges. Since the long-term lease limits the amount of annual increases, most leases also provide for the ability to “pass through” expenses for such things as capital improvements and uninsured losses. The way the pass-throughs generally work is that the amount of the uninsured loss, as an example, would be pro-rated among the lessees and “passed-through” as a temporary expense on the monthly rent statement. Another example of a typical “pass-through” would be a city, county or state government fee established by an elected official (ie, HCD fees).

Some leases provide that new capital expenses that would be passed through need to be approved by a majority of the park residents. An example would be the installation of a new security gate system for the park or the addition of a swimming pool.

MHET POSITION

MHET supports a rental property owner’s right to choose the type and length of rental agreement – month-to-month, one-year or long-term – that best suits the operation of the Park.

MHET supports the right of a Park resident or prospective resident to choose the type of rental agreement that best suits their needs.

MHET supports prospective and current mobile home park residents’ thorough review of all rental and Park documents and, further encourages the review of the documents by an attorney.