CITY OF HUNTINGTON BEACH
City Council Interoffice Communication

To: Honorable City Council Members

From: Debbie Cook, Mayor

Date: October 27, 2008

Subject: ***COUNCIL MEMBER ITEM FOR NOVEMBER 3, 2008, CITY COUNCIL MEETING – STATUS OF HUNTINGTON HARBOUR MOBILE HOME PARK***

STATEMENT OF ISSUE:

The Huntington Harbour Mobile Home Estates (HHME) is a 130-unit senior mobile home complex located at 16400 Saybrook Lane. The park was constructed in March 1972, with a 55-year lease term and rates are set by appraisals every five (5) years commencing in 2002. In May 1999, the residents formed a non-profit corporation and purchased the lease ($3,896,100). The lease for the mobile home park is separate from the property. In November 2006, the land was sold to Burnham USA for $19,000,000.

Over the last two years, there have been several lawsuits between the two parties (HHME and Burhnam). Pursuant to the lease terms, the five-year appraisal was recently completed (due 7/07; finalized 8/08). The land appraisal in 2002 was $8,300,000 and the 2007 appraisal has set the land value at $30,800,000. The new land value is used to calculate the rent of the mobile home park (6% of land value) and the new rent is due retroactive from 7/07.

The HHME Board had assumed that the land value would be increased and felt that the amount would be between $14 to $16 million dollars. In anticipation, the Board collected an increased amount of rent to assist with the retroactive payment due. However, due to the increased appraised value, the retroactive rent is close to $1.5 million. The Board states it can pay approximately half of the money from reserves and is trying to negotiate the remaining retroactive payment with Burnham.

Over the last two years, with the anticipated increase in rent due to the new appraisal and continued litigation, there has been a strain on the residents. The Board had increased the rent to $1,570 per space in July of 2007, anticipating a higher appraisal of the property. This increase created a financial burden on the senior complex resulting in approximately 25 homes for sale in the park. In addition, one senior lost his home to repossession due to an inability to pay the rent space and mortgage on the home.

Due to the increase in land value, the rent for the spaces will be increased to $2,141 per month. There are many additional residents that can not pay the increased amount. This may lead to additional foreclosures, repossessions, and/or abandonment of units by owners. The resulting foreclosures create several issues for the HHME and the city: 1) the loss of monthly space rent, which hinders the parks' ability to pay the lease rent; 2) the write off of City Housing Rehabilitation Loans which include four (4) loans for a combined total of $41,000; and 3) the emotional/physical toll on the senior residents who lose their home and have no alternative housing.

RECOMMENDED ACTION:

Direct the Mayor to write a letter on behalf of the City asking the Housing Community Development (HCD) and Attorney's Generals office to review the current situation at HHME or any other action as determined by the City Council.

Attachment: Huntington Harbour Mobile Home Estates Timeline
Space Rent Comparison

xc: Fred Wilson, City Administrator
Paul Emery, Deputy City Administrator
Bob Hall, Deputy City Administrator
Joan Flynn, City Clerk
Stanley Smalewitz, Economic Development Director

HUNTINGTON HARBOUR MOBILE HOME ESTATES (SENIOR PARK TIMELINE)

03/06/1972

Park construction and lease starts, key lease items are:

- Between Phelps family and Ghents (friends), 55 year term. Rents set by appraisals every 5 years starting in 2002 and thereafter.
- Ground Lease payments are 6% of appraisal and are retroactive to lease appraisal date.
- Tenant maintains senior park and pays all costs including property taxes.

05/19/1999

Residents formed non-profit corporation HHME and bought lease:

- Paid $3,896,100 for lease ($29,970 ea or $322/monthly loan payment for each resident).

06/01/2002

First appraisal was $8,300,000

11/29/2006

HHME offered $19,000,000 to purchase land.

12/06/06

Land sold for $19,000,000 to Burnham USA

03/05/07

Burnham's offers to sell for $40,000,000

04/10/07

Burnham offers ground lease payment of $1,650 per space a month not including tax and park operating expenses.

06/05/07

Burnham filed two 30 day notices re: insurance, records etc.

- High legal bills on this issue continued to 02/08.

06/07 to 04/08

Burnham suit to change appraisal methodology

- Litigation caused high legal fees ($200,000 in this 14 month period and impacts resale's in park).

08 & 09/07

Burnham files multiple 30 day notices of various kinds

- 7 Inspections claim approximately 400 questionable violations.
- More HHME reporting accounting violations alleged.

01/08/08

Burnham offers: Lease $1650 per mo not including taxes or operating expenses or purchase offer of $38,000,000

HHME purchase counter offer of $22,000,000 rejected

04/08/08

Burnham files 2nd suit, wants $455,000 back rent

- Continuing lawsuits effectively stops sale of homes.

04/15/08

Trial on first suit

05/01 to 08/31/08

Appraisals delayed by 1st suit begin

08/31/08

Final appraisal $30,800,000

- New rent would be over $2,100 mo.
- Retroactive amounts of $1,500,000 are claimed

Current

HHME currently trying to negotiate settlement with Burnham

- Burnham on 09/19/08 threatens to evict and require land to be cleared to original state.

HUNTINGTON BEACH MOBILEHOME SPACE RENT COMPARISON INCLUDING TAXES AND ALL FEES

Huntington Shorecliffs 20701 Beach Blvd. Huntington Beach, CA 92648 (714) 536-4417	304	$1250
Rancho Del Rey Mobile Estates 16222 Monterey L Huntington Beach, CA 92649 (714) 846-1429 (includes 01/01/09 adjust)	379	$975 - 1020
Los Amigos MHP 18601 Newland St. Huntington Beach, CA 92646 (714) 962-7422	145	$700
Sea Breeze Mobile Estates 5200 Heil Ave. Huntington Beach, CA 92649 (714) 846-3888	65	$700
Del Mar Mobile Estates 19251 Brookhurst St. Huntington Beach, CA 92646 (714) 968-0484	142	$695
Skandia Mobile CC 16444 Bolsa Chica Huntington Beach, CA 92649 (714) 846-9693	167	$699

NOTE: HHME "share expense" of $322.00 represents the monthly cost of owning a share of the HHME Homeowners Association. These funds were spent to purchase the existing lease between the landowner (now Burnham USA) and HHME in 1999. The purchase of the lease by HHME (A Non-Profit Mutual Benefit CA Corporation) was done to ensure the lowest possible total rent cost for the shareholders. All shareholders are over 55 years old and most are retired and on fixed incomes. The rent increase resulting from the $30,800,000.00 appraisal will trigger a reduction of shareholders (economic eviction) and further increase the monthly rent figure.

Current shareholder delinquency as of October 2008 and projected forecast of delinquency and space vacancies project a monthly rent cost of $2438.00 ($2116.00 + $322.00) by December.

10/14/08

HUNTINGTON BEACH MOBILEHOME SPACE RENT COMPARISON INCLUDING TAXES AND ALL FEES

PARK NAME & ADDRESS	# SPACES	SPACE RENTS AS OF 10/08
Huntington Harbour Estates 16400 Saybrook Ln, Huntington Beach, CA 92649 (714)846-1010 **Current space rent**	130	$1248 + $322 HHME Share Expense = $1570
Huntington Harbour Estates 16400 Saybrook Ln, Huntington Beach, CA 92649 (714)846-1010 Projected new rent per $30,800,000 appraisal	**130**	**$1819 + $322 HHME Share Expense = $2141**
Huntington By the Sea 21851 Newland St. Huntington Beach, CA 92649 (714) 536-3826	306	$1200 - $1400
Pacific Mobile Home Park, 80 Huntington, Huntington Beach, CA (714) 536-3832	252	$925
Cabrillo MP 21752 Pacific Coast Hwy Huntington Beach, CA 92643 (714) 421-3148	45	$1350-1575
Villa Huntington Mobile Castles, 7850 Slater Ave, Huntington Beach, CA (714) 847-1181	125	$850
Huntington-by-the-Sea Mobile Village, 21851 Newland St, Huntington Beach, CA (714) 536-3826	306	$1100-1450
Huntington Mobile Estates 7652 Garfield Ave. Huntington Beach, CA 92648 (714) 847-3888	105	$820-945
Sea Aira Village, 6241 Warner Ave, Huntington Beach, CA 92648 (714) 847-1121	230	$989
Beach View MHP 17261 Gothard St. Huntington Beach, CA 92647 (714) 847-4444 (includes 01/01/09 adjustment)	82	$584 - 614
Rancho Huntington MH Estates 19361 Brookhurst St. Huntington Beach, CA 92646 (714) 962-7311	194	$700
Brookfield Manor 9850 Garfield Ave. Huntington Beach, CA 92646 (714) 968-0484 (includes 01/01/09 adjustment)	139	$715 - 740
Mariners Pointe 19350 Ward St. Huntington Beach, CA 92646 (714) 968-0820	98	$695

10/14/08