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CITY OF PARAMOUNT
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Paramount, CA 90723
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MOBILEHOME PARK MEMORANDUM OF UNDERSTANDING AND DECLARATION OF RESTRICTIVE COVENANTS

THIS MOBILEHOME PARK MEMORANDUM OF UNDERSTANDING AND DECLARATION OF RESTRICTIVE COVENANTS ((the "MOU") is entered into as of ______________________________, 2026 ("Effective Date"), by and between the CITY OF PARAMOUNT (the "City"), a municipal corporation, on the one hand, and [____] *[insert complete legal name of park owner]* ("Owner" or "Park Owner") of the mobilehome park commonly known as ____ *[insert complete name of mobilehome park]* ("Park") located at ____ *[insert street address, city, state, zip code]* and legally described on Exhibit A attached hereto and incorporated herein by this reference.

RECITALS

A. The City of Paramount has 17 mobilehome park sites totaling approximately 1,400 spaces per the Codes and Standards Automated System (CASAS) of the California Department of Housing and Community Development. This number of mobilehome spaces amounts to approximately 7.7 percent of the total housing stock in the City of Paramount.

B. There exists within the City of Paramount and the surrounding areas a serious shortage of mobilehome rental spaces, which has resulted in low vacancy rates and potential for rising space rents. Since 2000, the number of mobilehomes has decreased by 242 units in the City of Paramount alone.

C. Because of the high cost of moving mobilehomes, the potential for damage resulting therefrom, the requirements relating to the installation of mobilehomes, including permits, landscaping and site preparation, the lack of alternative home sites and associated infrastructure and utilities for mobilehome residences and the substantial investment of mobilehome owners in such homes, there exists a shortage of mobilehome park spaces.

D. It is necessary to protect the residents of mobilehomes from unreasonable space rent increases, while at the same time recognizing the need for mobilehome park owners to receive a just and reasonable income sufficient to cover the costs of repairs, maintenance, insurance, employee services, additional amenities and other operations, as well as a just and reasonable return on investment.

E. It is commonly known that, after initial installation, virtually all mobilehomes are never thereafter moved and when a resident decides to move, the mobilehome is commonly sold in place and if rents are below free-market levels, the possibility exists that a portion of the mobilehome space value might be transferred upon such sale unless rents are allowed to rise upon such sale to levels which are closer to or at free-market levels.

F. Decisions of a rent stabilization board or similar decision-making body may not necessarily fulfill the intent of protecting mobilehome residents from unreasonable space rent increases, nor do such decisions always provide an owner with the opportunity for a just and reasonable income sufficient to operate a mobilehome park, and to gain a fair and reasonable return on investment.

G. Concerns among residents and owners of mobilehome parks over rent increases and other park-related situations can often best be resolved between the two parties to negotiate in good faith and reach agreement.

H. It is the intent of this Memorandum of Understanding ("MOU") to protect mobilehome park residents from unreasonable space rent adjustments and mobilehome park owners from infringement upon property rights.

I. The purpose of this MOU is to establish an agreement among the above-mentioned parties concerning terms for tenancies, rent increases, park rules, responsibilities, and expectations of both mobilehome park owners and residents in Paramount.

J. This MOU is to establish and coordinate joint processes and procedures for the provision of rent increases by owners of mobilehome parks in Paramount and mobilehome owners living in mobilehome parks in Paramount.

AGREEMENT

NOW, THEREFORE, City and Owner agree as follows:

Section 1. DEFINITIONS. The following terms shall have the following meanings except as otherwise expressly provided in this MOU. When not inconsistent with the context, words used in the present tense include the future; words in the singular number include the plural, and those in the plural number include the singular.

A. "Annual" or "annually" means calendar year.

B. "Annual Base Rent Adjustment" or "Annual Adjustment" means the three percent (3%) annual increase made to the Base Rent not more frequently than once in a twelve-month period.

C. "Base Rent" or "Rent" means the space rent charged by a mobilehome park as of the MOU Effective Date, and recalculated annually thereafter according to any increase for an Annual Base Rent Adjustment or Vacancy Adjustment, and shall not include any additional increases except as provided in Section 3.B, Section 5 and Section 7. "Base Rent" includes money paid in consideration of the rental, use and occupancy of a Mobilehome Space in the Park including the provision of related Housing Services in connection therewith. "Base Rent" shall not include (i) any Pass-Through Adjustments approved under this MOU, (ii) any Pre-MOU Pass-Through Adjustments; (iii) any other separately billed fees, costs and charges initially imposed on the Park's Spaces prior to the Effective Date of this MOU, (iv) any amounts separately billed to Residents for separately metered utilities or services, as provided in Civil Code Section 798.41, and/or (iv) any other separate fees, assessments or costs which may be charged to Residents pursuant to the Mobilehome Residency Law or any other provision of state law.

D. "Capital Improvement" means, subject to the exclusions set forth in this definition, a new facility, building, structure, amenity, or other physical improvement or infrastructure constructed or installed after the Effective Date of this MOU, which directly and primarily benefits and serves the existing Residents by materially adding to the value of the Park, and which has a life expectancy of five (5) years or more. A Capital Improvement must be a completely new facility, building structure, building, amenity, or other physical improvement or infrastructure, not a replacement of an existing or previously existing improvement or infrastructure. An expansion of an existing facility, building, structure, amenity, or other physical improvement or infrastructure may qualify as a Capital Improvement under this definition only if the expansion is a totally new addition to an existing Capital Improvement. A facility, building, structure, amenity, or other physical improvement or infrastructure that is required as a result of improperly deferred maintenance does not qualify as a Capital Improvement under this MOU. A Capital Improvement, as defined herein, shall not include the construction of a new gas system, electrical system, or any other new utility system, in whole or in part, to serve, or serving, the Park, for which the gas rates, electricity rates, or other utility rates are established by the CPUC. To qualify as a Capital Improvement under this MOU, the facility, building, structure, amenity, or other physical improvement or infrastructure must be permanently fixed in place or relatively immobile. New furniture, computer equipment, and televisions, movable music systems or other types of equipment are not Capital Improvements within the scope of this definition. A Capital Improvement also does not include (i) any Pre-MOU Pass-Through Adjustment, as defined in this MOU, regardless of the type of facility, building, structure, equipment, machinery, service, improvement or infrastructure used in determining the cost of that Pre-MOU Pass-Through Adjustment; (ii) any other charge, fee or cost initially separately billed to any Space prior to the Effective Date of this MOU pursuant to state law; (iii) any amounts billed to Residents for separately metered utilities or services, as provided in Civil Code Section 798.41, and/or (iv) any other separate fees, assessments or costs which may be charged to Residents pursuant to the MRL or any other provision of state law.

1) In addition to the foregoing, a Capital Improvement is a construction project that meets all of the following requirements and complies with the provisions of Section 8:

a) The construction project is one made for purposes other than maintenance and repair; and

b) The construction project is completed after the MOU Effective Date; and

c) The construction project is carried out by the Park Owner during his/her/its ownership of the Park. A Capital Improvement completed in whole or in part by a prior owner of the Park does not qualify as a Capital Improvement under this definition; and

d) The construction project primarily benefits the Residents and is located in the Park; and

e) The construction project has a life expectancy of five (5) years or more and the cost of the Capital Improvement is permitted to be amortized over the useful life of the improvement as provided in Section 8.A.2(a)(3) of this MOU or under the U.S. Internal Revenue Code, but which may not be deducted for such tax purposes as an expense; and

f) The Capital Improvement project has a minimum value of at least forty thousand dollars ($40,000); or for Small Parks the Capital Improvement has a minimum value of at least twenty thousand dollars ($20,000). Individual Capital Improvements which are unrelated to the same underlying improvement shall not be consolidated together to calculate the minimum value, even if to be performed at the same time; and

g) Prior to commencing construction of the Capital Improvement, the Owner solicited at least two bids for the Capital Improvement and either (i) awarded the contract to the lowest responsible and responsive bidder, or (ii) provides, to any Resident so requesting, a written explanation of all reasons why the Park Owner concluded its selected contractor is best suited to complete the project, including but not limited to, based on price, prior experience on similar projects, qualifications, training, and references. Status of a contractor as a long-term independent contractor for Management shall not provide the basis for a finding that such contractor is the most qualified to perform the Capital Improvement within the meaning of this provision; and

h) Prior to commencing construction of the Capital Improvement, the Owner conducted a meeting and obtained majority consent (at least fifty percent (50%) plus one) from the Park's occupied rental Spaces, for construction of the Capital Improvement, in accordance with Section 8 of this MOU.

2) Examples of Capital Improvements are (subject to all other requirements listed this Section):

   a) Brand new buildings.

b) Physical expansions of existing buildings (additional square footage).

c) Brand new parking areas, sidewalks, or roads or other common area infrastructure in addition to infrastructure previously available to Residents.

d) Brand new trees or landscaping and associated irrigation and related infrastructure in common areas, in addition to trees and landscaping previously located in common areas.

e) New play areas, pools, laundry rooms, common areas, and bathrooms in addition to those previously available to Residents.

3) Capital Improvement costs eligible to be passed through to Spaces as a Capital Project Pass-Through Rent Adjustment include only those costs which are directly attributable to the Capital Improvement itself and not ancillary costs which do not on their own meet the definition of a Capital Improvement. Work completed by an employee of the Park as part of their usual duties or work performed by a long-term independent contractor of Management does not qualify as a Capital Improvement. Any expenses and other costs used in calculating a Capital Improvement shall be limited to only those costs expended by the Park Owner for the specific Capital Improvement in the Park.

E. “Capital Project” means a Capital Replacement or Capital Improvement, as defined in this Section.

F. “Capital Project Pass-Through Adjustment Cap” means the four percent (4%) maximum increase that may be charged by the Park Owner to each Space in the Park during a calendar year based on the combined total of all Capital Project Pass-Through Adjustments authorized by this MOU (including but not limited to, based on Emergency Capital Replacements, Major Water or Sewer Capital Projects, and any other type of Capital Improvement Pass-Through Adjustments and Capital Replacement Pass-Through Adjustments) plus all Pre-MOU Pass-Through Adjustments; but the “Capital Project Pass-Through Adjustment Cap” excludes any Property Tax Pass-Through Adjustment as defined in this Section 1 and authorized pursuant to Section 6. The Capital Project Pass-Through Adjustment Cap shall be determined annually for the Park pursuant to Section 8.A of this MOU.

G. “Capital Replacement” means, subject to the exclusions set forth in this definition, the substitution, replacement, or complete reconstruction of existing streets, sidewalks, security gates, sewer system, water system, outdoor or common area lighting, retaining walls, drainage, swimming pool, sauna, hot tub or other recreational amenities or similar buildings, facilities, structures, or other infrastructure within the Park after the Effective Date of this MOU, including but not limited to, the design, engineering, planning and construction of such replacements, and which meets all requirements of this definition. A Capital Replacement must include the substitution or replacement of an entire portion of the existing streets, sidewalks, utility lines, landscaping, recreational amenities, or other buildings, facilities, structures or infrastructure. A Capital Replacement shall not include the construction or replacement of any portion of the gas system, electrical system, or any other utility service, in whole or in part, to serve, or serving, the Park, for which rates are established by the CPUC. A Capital Replacement may include replacement of the water system or sewer system serving the Residents of the Park, unless the rates for such water system or sewer system are or become regulated by the CPUC. A Capital Replacement that is required as a result of improperly or unreasonably deferred maintenance, or to bring a Park building, facility, structure, infrastructure, service or amenity into compliance with a provision of the Paramount Municipal Code or state or federal law where the original installation or subsequent modifications or repairs were not in compliance with code requirements, do not qualify as Capital Replacement. A Capital Replacement must be permanently fixed in place or relatively immobile. Furniture, computer equipment and other types of equipment or machinery, televisions, or movable music systems are not Capital Replacements. Normal routine maintenance and repair is not a Capital Replacement. Work completed by an employee of the Park as part of their usual duties or by a long-term independent contractor is not an eligible Capital Replacement cost. A Capital Replacement generally occurs as a planned activity, with a defined time period for completion of the project, is completed by an independent contractor, and is a benefit to the Residents of the Park. The cost of a Capital Replacement for which the Park Owner is covered under insurance does not qualify as a Capital Replacement within the meaning of this definition. The Park Owner shall be required to document that the proposed Capital Project Pass-Through Adjustment does not include any costs reimbursed or reimbursable by insurance, whether or not insurance proceeds have been applied for or received. A Capital Replacement also does not include: (i) any Pre-MOU Pass-Through Adjustment, as defined in this MOU, regardless of the type of facility, building, structure, equipment, machinery, service, improvement or infrastructure used in determining the cost of that Pre-MOU Pass-Through Adjustment; (ii) any other charge, fee or cost initially separately billed to any Space prior to the Effective Date of this MOU pursuant to state law; (iii) any amounts billed to Residents for separately metered utilities or services, as provided in Civil Code Section 798.41, and/or (iv) any other separate fees, assessments or costs which may be charged to Residents pursuant to the MRL or any other provision of state law.

1) In addition to the foregoing, a Capital Replacement is a construction project that meets all of the following requirements:

   a) The Capital Replacement is one made for purposes other than maintenance and repair; and

   b) The Capital Replacement and completed after the MOU Effective Date; and

   c) The Capital Replacement Project is carried out by the Park Owner during his/her/its ownership of the Park. A Capital Replacement completed in whole or in party by a prior owner of the Park does not qualify as a Capital Replacement under this definition; and

   d) The Capital Replacement primarily benefits the residents of the Park; and

e) The Capital Replacement has a life expectancy of five (5) years or more and is permitted to be amortized over the useful life of the improvement as provided in Section 8.A.2(a)(3) of this MOU or under the U.S. Internal Revenue Code, but which may not be deducted for such tax purposes as an expense; and

f) The Capital Replacement has a minimum value of at least forty thousand dollars ($40,000); or for Small Parks the Capital Replacement has a minimum value of at least twenty thousand dollars ($20,000). Individual Capital Replacements which are unrelated to the same underlying Capital Replacement shall not be consolidated together to calculate the minimum value, even if to be performed at the same time; and

g) Except as otherwise provided with respect to an Emergency Capital Replacement as defined in this Section, prior to commencing construction of the Capital Replacement, the Park Owner (i) solicited at least two bids for the Capital Replacement and awarded the contract to the lowest responsible and responsive bidder, or (ii) provides to any Resident so requesting, a written explanation of all reasons why the Park Owner concluded its selected contractor is best suited to complete the project, including but not limited to, based on price, prior experience on similar projects, qualifications, training, and references. Status of a contractor as a long-term independent contractor for Management shall not provide the basis for a finding that such contractor is the lowest responsive and responsible bidder within the meaning of this provision; and

h) Except as provided otherwise with respect to an Emergency Capital Replacement, as defined in this Section 1, prior to commencing construction of the Capital Replacement, the Park Owner provided pre-construction notification to the Homeowners and met informally with the Residents and Homeowner Oversight Committee, in accordance with Section 8 of this MOU.

2) Capital Replacement costs eligible to be passed through to the Spaces may only be those which are directly attributable to the Capital Replacement itself and not ancillary costs which do not on their own meet the definition of a Capital Replacement. Work completed by an employee of the park as part of their usual duties or by a long-term independent contractor of Management is not a permissible Capital Replacement. Any expenses and other costs used in calculating a Capital Replacement shall be limited to only those costs expended by the Park Owner for the specific Capital Replacement in the Park.

3) Examples of what constitutes a Capital Replacement, on the one hand, or a repair or routine maintenance, on the other hand, are listed in the following chart:

[chart located on following page]

CAPITAL REPLACEMENT	REPAIR
Replacement of an entire HVAC unit with a new unit	Replacing parts of an HVAC unit
Replacing the entire roof on a whole building, facility or structure	Repairing or replacing a portion of the roof of a whole building, facility or structure
Replacing the entire pump system for a pool	Replacing parts in a pool pump
Planned replacement of an entire section of permanent landscaping with all new plants	Replacement of a few plants to address disease, damage or aesthetics
Replacing the entire plumbing system in a building, facility or other structure	Repair of plumbing leaks, or repair or replacement of a portion of existing pipes or equipment of an existing plumbing system
Replacement of existing streets	Slurry seal and/or coating of streets; repaving a portion of an existing street
Replacement of a Park monument sign with a completely new sign	Replacement of some portions of an existing monument sign
Replacement of an entire section of wall or fence of an existing building, facility or structure, or of the perimeter of the Park	Repair of fallen brick, stones, or wood of an existing wall or fence
	Replacement of street signs, parking signs, or hazard signs
	ROUTINE MAINTENANCE
	Interior or exterior painting
	Replacement of light bulbs
	Landscape services, street sweeping, pool cleaning, janitorial services, powerwashing services

H. “City” means the City of Paramount.

I. “City Clerk” means the position defined by Section 2.08.030 of the Paramount Municipal Code.

J. “City Manager” means the administrative head of the government of the City of Paramount as defined by Section 2.08.020 of the Paramount Municipal Code.

K. “CPUC” means the California Public Utilities Commission.

L. “Day” means, except as otherwise provided in this MOU, a calendar day.

M. “Disaster-Related Event” means a sudden event resulting from earthquake, fire, flood, microburst, or other natural occurrence over which the Owner has no reasonable control, and which was not caused by the Owner's acts or negligence.

N. “Emergency Capital Replacement” means a Capital Replacement (1) that resulted from a disaster-related event and is necessary in order to prevent an imminent threat to public health and safety of the Park, the Residents, or neighbors; (2) that must be carried out immediately; and (3) otherwise satisfies the definition of a Capital Replacement as set forth in this Section and satisfies the requirements of Section 8 of this MOU.

O. “Homeowner” means a person who owns a Mobilehome and has a Tenancy in a Space in the Park under a Rental Agreement; and who resides in the Mobilehome as his/her primary residence. The term “Homeowner” excludes (i) a subtenant of the Homeowner in the Mobilehome; (ii) the Park Owner, and (iii) any other member of Management who owns a Mobilehome in the Park. unless such manager resides in his/her Mobilehome as his/her primary residence in the Park.

P. “Homeowner Oversight Board” means that five-member committee for the Mobilehome Park selected by a majority vote of Homeowners in the Park (one vote per Space), or other methodology selected by the Homeowners.

Q. “Housing services” mean services, amenities and benefits connected with use or occupancy of a rental Space in the Park where such services are provided to Residents for the Base Rent charged for the Space, including, but not limited to: utilities, ordinary repairs, replacement and maintenance, laundry facilities, recreational facilities, a resident manager, refuse removal, parking, street cleaning and maintenance, and other benefits, privileges, facilities or terms and conditions of the residency.

R. “Immediate family” means any of the following as established by the Resident: a Resident’s spouse, registered domestic partner, sibling, parent, step-parent, child, step-child, grandchild, grandparent; a child, sibling, parent, grandchild, or grandparent of the Resident’s spouse or registered domestic partner; or other members of the Resident’s family residing in the Mobilehome to whom the Resident stands in loco parentis.

S. “In-place Transfer” of a Mobilehome means a sale, transfer or other conveyance of ownership of a Mobilehome with the Mobilehome remaining on the Space following the sale, transfer or other conveyance of the Mobilehome during the Homeowner’s Tenancy in the Park.

T. “Major Water or Sewer Capital Project” means any proposed Capital Replacement or Capital Improvement for a water project or sewer project that (1) completely improves or replaces more than 75% (seventy-five percent) of the water system or sewer system of the Park; and (2) such Capital Replacement or Capital Improvement is mandated by a new statute or regulation or required by the Park Owner’s insurance company to address a specific health or safety concern relating to the Park’s water system or sewer system; but (3) excludes any Capital Replacement or Capital Improvement for a water or sewer project that is the result of unreasonably deferred maintenance or is required by a provision of the

Paramount Municipal Code or state or federal law because the originally installation or subsequent modifications or repairs to the water or sewer system were not in compliance with code requirements.

U. "Management" means the Owner of the Mobilehome Park or an agent or representative authorized to act on the Owner's behalf in connection with matters relating to a Tenancy in the Park.

V. "Mobilehome" shall have the meaning set forth in Civil Code Section 798.3.

W. "Mobilehome Park" or "Park" means that specific mobilehome park identified in the Preamble of this MOU, and includes that area of land within the City described on Exhibit A, attached hereto and incorporated herein by this reference.

X. "Mobilehome Park MOU Working Group" means that group composed of representatives of all Park Owners, all Homeowners of all Mobilehome Parks in the City, and City representatives, formed in accordance with Section 9 of this MOU.

Y. "Mobilehome Space" or "Space" means the lot, pad or other site within the Mobilehome Park intended, designed, or used for the location or accommodation of one Mobilehome and any accessory structures or appurtenances attached thereto or used in conjunction therewith, which is subject to the terms and provisions of this MOU.

Z. "MOU" means this Memorandum of Understanding.

AA. "MRL" means the California Mobilehome Residency Law (California Civil Code Section 798, et seq.), as adopted or amended from time to time.

BB. "New Homeowner" means a purchaser of a Mobilehome in the Mobilehome Park or other Homeowner who has applied and been approved for a park residency but does not yet reside in the Park.

CC. "Owner" or "Park Owner" means the owner or operator of the Mobilehome Park identified in the Preamble of this MOU, and described in Exhibit A, attached hereto and incorporated herein by this reference, or an agent or representative authorized to act on said Owner's or operator's behalf in connection with the maintenance or operation of the Park; and includes "Management" as defined in this Section.

DD. "Pass-Through Adjustments" means all Capital Project Pass-Through Adjustments, (2) Property Tax Pass-Through Adjustments, and (3) Pre-MOU Pass-Through Adjustments, as defined in this MOU.

EE. "Planning and Building Director" or "Director" means the person serving as the Planning and Building Director for the City. This person may also mean an alternate City employee as appointed by the City Manager to fulfill the duties and obligations specific to the Planning and Building Director as outlined in this MOU.

FF. "Pre-MOU Pass-through Adjustments" means those charges, fees or other adjustments for capital improvements, capital replacements, infrastructure, or other work, projects, taxes or services in the Park that were initially separately billed from Space Rent prior to the Effective Date of this MOU. "Pre-MOU Pass-Through Adjustments" also include any charges, fees, adjustments or other increases that were initially lawfully billed by the Park Owner to the Spaces separately from Rent prior to the Effective Date of this MOU. and for which separate billing is still authorized under applicable law.

GG. "Property Taxes" means any and all general and special real estate regular and supplemental taxes which are levied against the Park based on the assessed value of the real property. "Property Taxes" shall not include any personal property taxes, assessments, fees, bond costs, or other similar charges.

HH. "Rental Agreement" means an agreement between Management and a Homeowner in the Park establishing the terms and conditions of a Tenancy in the Park. A lease is a Rental Agreement.

II. "Rent Cap" means the annual three percent (3%) maximum increase that may be charged by the Park Owner to each Space in the Park during a calendar year and no more frequently than once every twelve (12) months, based on the Annual Base Rent Adjustment.

JJ. "Resident" or "Current Resident" means a Homeowner, a subtenant of a Homeowner, members of the Homeowner's immediate family who reside in the Mobilehome, or other person who lawfully occupies a Mobilehome in the Park as their primary residence.

KK. "Small Park" means a Mobilehome Park with less than thirty (30) Mobilehome Spaces.

LL. "Tenancy" means the right of a Homeowner to the use of a Space within the Mobilehome Park on which to locate, maintain, and occupy a Mobilehome, site improvements, and accessory structures for human habitation, including the use of the services and facilities of the Park, and to related Housing Services.

MM. "Transfer" means the transfer of legal title or ownership of a Mobilehome, by sale, devise, inheritance or other lawful method.

NN. "Vacancy Adjustment" means an increase in Rent for a Vacant Space authorized under Section 7 of this MOU.

OO. "Vacant Space" means a Mobilehome Space which is empty because:

(1) the Mobilehome was removed by the Homeowner who will no longer reside in the Park; or

(2) the Mobilehome was destroyed by fire, flood, earthquake, microburst, or other natural catastrophe, and the Homeowner will no longer reside in the Park; or

(3) the Mobilehome was abandoned in place and the Park Owner lawfully gained title and removed the Mobilehome from the Park or moved the Mobilehome to another Space in the Park.

Section 2. TERM.

A. The term of this MOU shall be deemed to have commenced on the Effective Date, as set forth above, and shall continue for a period of ten (10) years and end at 11:59 p.m. on ______________, 2036, unless terminated earlier or extended as provided in this MOU.

B. The term of this MOU may be extended by mutual agreement by amendment signed by duly authorized representatives of the Owner and the City of Paramount, and recorded in the Office of the Los Angeles County Recorder. An amendment shall be effective upon the date of recordation with the County Recorder.

Section 3. MAXIMUM RENT.

A. Limitation. No Park Owner shall charge Rent for any Mobilehome Space in an amount greater than the Base Rent in effect on the Effective Date, subject to the adjustments and modifications as authorized pursuant to the provisions of this MOU.

B. Rent Cap. In no event shall the Annual Base Rent Adjustment exceed three percent (3%) of the existing Space Rent per each twelve (12) month period for each Space in the Park.

C. Capital Project Pass-Through Adjustment Cap. Except as provided in Paragraph (1) of this Subsection C, in no event shall the combined total of all Capital Project Pass-Through Adjustments authorized by Section 8 of this MOU plus all Pre-MOU Pass-Through Adjustments as defined in Section 1, exceed four percent (4%) of the existing Base Rent per each twelve (12) month period for each Space in the Park.

   1) The Capital Pass-Through Adjustment Cap shall not apply to or include any Property Tax Pass-Through Adjustment as defined in Section 6 of this MOU.

D. Changes in Law. Notwithstanding any other provision of this MOU, in the event that the State of California or any other governmental agency with jurisdiction over the City of Paramount enacts a statute or other law that preempts in whole or in part this MOU or otherwise supersedes in whole or in part any provisions of this MOU, then the provision(s) of such state statute or law will control.

E. Rent Increases Following MOU Termination. Nothing in this MOU shall preclude any Owner from applying for rent increases following the termination of this MOU.

Section 4. ANNUAL REGISTRATION; PARK RENT SCHEDULE.

A. General Requirement. The Park Owner shall file a Park rent schedule with the City following the Effective Date of this MOU, and annually thereafter in accordance with the requirements of this Section.

B. Initial Registration. Within thirty (30) days of the Effective Date of this MOU, the Park Owner shall file an initial Park rent schedule with the Director for all Spaces in the Park. The initial Park rent schedule shall contain all of the following information:

1) As of the initial Park rent schedule filing date, a list of all Spaces in the Park, by separately listing the Space number or lot number for each Space, and its status as a month-to-month Space, manager Space, Vacant Space, Space with vacant Mobilehome and/or long-term leased Space entered into pursuant to former Civil Code Section 798.17 where such long-term lease remains in effect; and

2) The Rent in effect for each Space as of the initial Park rent schedule filing date; and

3) For each Space vacant as of the initial Park rent schedule filing date, or for each vacant Mobilehome on a Space as of the initial Park rent schedule filing date, the date the Vacancy occurred, and the Rent in effect as of the Vacancy date; and

4) The month in which Management applies the annual Rent adjustment to each Space (known as the "anniversary date"). If anniversary dates vary by Space, the Park rent schedule shall separately list the anniversary date for each Space; and

5) As of the initial Park rent schedule filing date, an itemized list of each utility service separately billed to each Space (including type of utility service and name of each utility provider for a service separately billed to each Space); and

6) As of the initial Park rent schedule filing date, an itemized list of each utility service included in the Space Rent for each Space (including type of utility service and name of each such utility provider); and

7) As of the initial Park rent schedule filing date, an itemized list of each Pre-MOU Pass-Through Adjustment (as defined in Section 1.CC) and/or each other separately billed fee or charge to each Space (including the statutory or regulatory authority for billing the Residents of each Space for the Pre-MOU Pass-Through Adjustment and other separately-billed fee or charge), and the starting date and ending date for each Pre-MOU Pass-Through Adjustment and other separately billed fee or charge; and

8) Any other information or documentation deemed necessary by the Director to implement and administer this MOU.

C. Annual Registration. Not later than January 31st of each year after the Effective Date, the Park Owner shall file an annual Park rent schedule with the Director for all spaces, that contains all of the following information and documentation:

1) As of the annual Park rent schedule filing date, a list of all Spaces in the Park, by separately listing the Space number or lot number for each Space, and its status as a month-to-month Space, manager Space, Vacant Space, Space with vacant Mobilehome and/or long-term leased Space entered into pursuant to former Civil Code Section 798.17 where such long-term lease remains in effect; and

2) The Rent in effect for each Space as of the annual Park rent schedule filing date; and

3) For each Space and/or Mobilehome vacant as of the annual Park rent schedule filing date, the date the Vacancy occurred, and the Rent in effect as of the Vacancy date; and

4) As of the annual Park rent schedule filing date, an itemized list of the (a) amount of any Annual Base Rent Adjustment imposed on each Space since the most recent prior Park rent schedule was filed, (b) the effective date of the Annual Base Rent Adjustment imposed on each space since the most recent prior Park rent schedule was filed; and (c) the method by which the Annual Base Rent Adjustment was calculated; and

5) If any Space or Mobilehome was vacant at any time after the filing of the most recent prior Park rent schedule, but has been re-rented as of the new annual Park rent schedule filing date, an itemized list of each such Space, including the (a) space number, (b) date of new residency, (c) Base Rent in effect as of the Vacancy; (d) the Base Rent in effect upon the date of the new residency following the Vacancy; and (e) the method by which the Vacancy Adjustment was calculated; and

6) As of the annual Park rent schedule filing date, an itemized list of each utility service separately billed to each Space (including type of utility service and name of each utility provider for a service separately billed to each Space); and

7) As of the annual Park rent schedule filing date, an itemized list of each utility service included in the Space Rent for each Space (including type of utility service and name of each such utility provider); and

8) As of the annual Park rent schedule filing date, an itemized list of each Pre-MOU Pass-Through Adjustment and other fee or charge that was initially separately billed to each Space prior to the Effective Date of this MOU and that has continued to be charged to the Space, including: (a) the statutory or regulatory authority for billing the Residents for each such Pre-MOU Pass-Through Adjustment and other separately billed fee or charge, (b) the starting date of each Pre-MOU Pass-Through Adjustment and other separately billed fee or charge, and (c) the ending date for each such Pre-MOU Pass-Through Adjustment and other separately billed fee or charge; and

9) As of the annual Park rent schedule filing date, the amount of any Pass-Through Adjustment imposed on each Space since the most recent prior Park rent schedule was filed, including (a) the type of Pass-Through Adjustment; (b) the MOU provision under which the Pass-Through Adjustment has been imposed; (c) the dollar amount of the Pass-Through Adjustment; (d) the beginning date of the charge; and (e) the ending date (if any); and

10) Any other information or documentation deemed necessary by the Director to implement and administer this MOU.

Section 5. ANNUAL BASE RENT ADJUSTMENT.

A. Subject to the limitations contained in this Subsection A, once each calendar year, the Owner may increase the then-existing Base Rent by an amount not to exceed three percent (3%) of the then-existing Base Rent.

B. A Space shall be subject to only one Annual Base Rent Adjustment in a 12-month period. An Annual Base Rent Adjustment shall operate in a prospective manner only, and the retroactive charging or collection of an Annual Base Rent Adjustment at any time is prohibited. The monthly Base Rent paid by the Residents of a Mobilehome Space following approval of an Annual Base Rent Adjustment shall not exceed the sum of: (1) the monthly Base Rent in effect as of the date of issuance of notice of rent adjustment by Management pursuant to Subsection D plus (2) the Annual Base Rent Adjustment authorized by this Section for one month, unless a subsequent Annual Base Rent Adjustment or Vacancy Adjustment as authorized pursuant to this MOU. The Park Owner may also bill the Space for any Pass-Through Adjustments approved or authorized under this MOU, but such Pass-Through Adjustments shall not be part of the Base Rent or included in determining any Annual Base Rent Adjustment or Vacancy Adjustment.

C. The Park Owner shall not demand, accept or retain Rent for a Mobilehome Space exceeding the Base Rent for a Space, except as provided in this MOU. No notice of rent increase based on any Annual Base Rent Adjustment, Vacancy Adjustment and/or Pass-Through Rent Adjustment may be served, mailed or otherwise provided to any Space by the Park Owner unless such Rent Adjustment has been determined in accordance with the requirements of this MOU, and no such Annual Base Rent Adjustment, Vacancy Adjustment or Pass-Through Adjustment shall be demanded, collected or retained until lawful notice pursuant to the Mobilehome Residency Law, Civil Code Section 798 et seq., and/or such other State law-required prior notice of increase has been provided to the Residents of each Space. Within five (5) days prior to service of any notice to the Residents of an Annual Base Rent Adjustment, and/or Pass-Through Adjustment, the Owner shall provide the City Manager or his/her designee with the all of following information:

   1) The effective date of each noticed Annual Base Rent Adjustment, and/or Pass-Through Adjustment; and

   2) Identification of each Mobilehome Space affected; and

   3) The amount of the Base Rent for each Space prior to the effective date of the notice served upon each Mobilehome Space; and

   4) For the Annual Base Rent Adjustment: (a) the monthly dollar amount of the Annual Base Rent Adjustment, separately listed, for each Mobilehome Space in the Park; (b) the basis and method for determining each Annual Base Rent Adjustment with supporting data and calculations; and (c) the new Base Rent for each Space; and

   5) For each Capital Project Pass-Through Adjustment for each Space: (a) the monthly dollar amount of each Capital Project Pass-Through Adjustment; (b) the type of

Capital Project Pass-through Adjustment (Capital Improvement Pass-Through Adjustment, Capital Replacement Pass-Through Adjustment, Emergency Capital Replacement Project Pass-Through Adjustment, Major Water or Sewer Capital Replacement Project Pass-Through Adjustment, or Major Water or Sewer Capital Improvement Project Pass-Through Adjustment); (c) the amortization period; (d) the ending date, and (e) the basis for each Capital Project Pass-Through Adjustment with supporting data and calculations; and

6) For each Property Tax Pass-Through Adjustment: (a) the starting date, (b) the annual amount to be to each Space each year, and (c) the basis for each Property Tax Pass-Through Adjustment including supporting data and calculations.

Section 6. PROPERTY TAX PASS-THROUGH ADJUSTMENT UPON RESALE.

A. Subject to Subsections B and C of this Section, if the Park is sold to a third party pursuant to an arm's-length transaction, the new Owner may pass through to the Homeowners the increase in property taxes resulting from a reassessment of the Park upon such sale to the extent that such increase exceeds two percent (2%) from the fiscal tax year immediately preceding the sale. Imposition of the increase in Property Taxes as a result of the sale shall be phased onto each Space over not less than five (5) years with an equal increase imposed on each Space until the full amount of the Property Tax Pass-Through Adjustment for that Space has been implemented.

B. The Property Tax Pass-Through Adjustment shall be determined by the following method.

1) For the fiscal year immediately preceding the sale of the Park, the total Property Taxes imposed on the Park shall be determined.

2) For the fiscal year immediately following the sale, the increase in the Park's total Property Taxes over two percent (2%) from the prior fiscal year shall be determined ("Property Tax Increase Above 2%").

3) The Park's Property Tax Increase Above 2% shall be divided by five (5) years to calculate the annual phase-in amount of the Property Tax Increase Above 2% as a result of the sale ("Park Annual Phase-In Amount").

4) The Park Annual Phase-In Amount shall be billed to all of the Park's Spaces as the Park Property Tax Pass-Through Adjustment by cumulative increases for Years 1 through Year 5, until the full amount of the Park Property Tax Increase above 2% has been implemented for all Spaces. Commencing with Year 1 after determination of the Property Tax Pass-Through Adjustment, the cumulative Park Property Tax Pass-Through Adjustment shall be divided by the total number of Spaces and then divided by 12 months, to determine the Pass-Through Adjustment per Space per month for Years 1 through 5. For Year 6 and thereafter, the amount charged as the Pass-Through Adjustment for Year 5 shall continue to be charged to each Space until any reassessment of property taxes upon resale or any property tax reduction.

5) Example of Property Tax Pass-Through Adjustment Calculation:

[Example of Calculation below]

Calculation of Total Park Property Tax Pass-Through Adjustment	
(a) Total No. of Park Spaces	100
(b) Property Tax Increase above 2% (on Resale)	$25,000
(c) Park Annual Phase-in Amount [Line (b) divided by five years = $25,000 ÷5]	$5,000
(d) Park Property Tax Pass-Through Adjustment (Year 1) [Line (c)]	$5,000
(e) Park Property Tax Pass-Through Adjustment (Year 2) [Line (d) + Line (e)]	$10,000
(f) Park Property Tax Pass-Through Adjustment (Year 3) [Line (e) + Line (f)]	$15,000
(g) Park Property Tax Pass-Through Adjustment (Year 4) [Line (f) + Line (g)]	$20,000
(h) Park Property Tax Pass-Through Adjustment (Year 5) [Line (g) + Line (h)]	$25,000
(i) Park Property Tax Pass-Through Adjustment (Year 6 and after until new reassessment upon resale or property tax reduction) [Line (h)]	$25,000
Property Tax Pass-Through Adj. per Space per Month	
Year 1 ($5,000 ÷ 12 mos. ÷ 100 spaces)	$4.16
Year 2 ($10,000 ÷ 12 mos. ÷ 100 spaces)	$8.33
Year 3 ($15,000 ÷ 12 mos. ÷ 100 spaces)	$12.50
Year 4 ($20,000 ÷ 12 mos. ÷ 100 spaces)	$16.64
Year 5 ($25,000 ÷ 12 mos. ÷ 100 spaces)	$20.83
Year 6 and after (until new reassessment upon any resale or property tax reduction)	**$20.83**

C. A Property Tax Pass-Through Adjustment shall also be subject to the following provisions:

1) The Property Tax Pass-Through Adjustment may be imposed not more than once every twelve months.

2) The Property Tax Pass-Through Adjustment shall not be deemed to be part of Rent for purposes of calculating the Annual Base Rent Adjustment for a Space pursuant to Section 5 of this MOU, and shall be separately itemized on the monthly rent statement or invoice for each Space in accordance with Section 9 of this MOU.

3) The Property Tax Pass-Through Adjustment shall be exempt from the Pass-Through Adjustment Cap set forth in Section 3.C.

4) Billing for the Property Tax Pass-Through Adjustment shall comply with Section 9 of this MOU.

5) A Homeowner, Homeowner Oversight Board, and/or any other person representing a Homeowner, who is dissatisfied with a Property Tax Pass-Through Adjustment may request mediation in accordance with Section 14 of this MOU. A Property Tax Pass-Through Adjustment shall not be subject to any protest or arbitration procedure under this MOU.

Section 7. VACANCY ADJUSTMENTS.

A. Limitation. Notwithstanding the limitation providing for only one Annual Base Rent Adjustment per year for each Space pursuant to Section 3.B and Section 5.C, the Park Owner shall be permitted to increase the Base Rent applicable to a Mobilehome Space as a result of a Vacancy only in accordance with this Section. Any Vacancy Adjustment shall require prior notice in accordance with state law, and in addition the Owner shall comply with all requirements of Section 5.C and all other provisions of this MOU.

B. Allowable Vacancy Adjustments.

1) New Homeowner Occupant of Vacant Space. At the time a Vacant Space is initially rented to a New Homeowner, the provisions of Section 3 and Section 5.A and 5.B shall not apply, and the Rent for the Vacant Space may be increased to market rent or such other rate as determined in the discretion of the Park Owner at the time of such initial occupancy of the Vacant Space by the New Homeowner. This includes any Vacant Space as defined in Paragraphs (1) through (4) of Section 1.LL. Thereafter, all controls on Rent increases in this MOU shall become effective for the duration of the Residency, including but not limited to the Rent Cap and Capital Project Pass-Through Adjustment Cap.

2) In-Place Transfer from Sale to Third Party. Except as otherwise provided in Subsection C, upon the voluntary In-Place Transfer of a Mobilehome from the current Homeowner to a third party in an arms-length transaction, the provisions of Section 3 and Section 5.A and 5.B shall not apply, and the Rent may be increased to market rent or such other rate as determined in the discretion of the Park Owner at the time of the In-Place Transfer. The Rent imposed as a result of the In-Place Transfer shall constitute the new Base Rent for that Space, upon which future rent increases pursuant to this MOU shall be calculated. Thereafter, all controls on Rent increases in this MOU shall become effective, including but not limited to, the Rent Cap and Capital Project Pass-Through Adjustment Cap.

3) New Homeowner Upon Mobilehome Purchase from Park Owner. Upon the sale of a Mobilehome from the Park Owner to a new Homeowner who moves into the Park, the provisions of the provisions of Section 3 and Section 5.A and 5.B shall not apply, and the Rent may be increased to market rent or such other rate as determined in the discretion of the Park Owner at the time of the purchase of the Mobilehome by the new Homeowner. The Rent imposed as a result of that purchase shall

constitute the new Base Rent for that Space, upon which future Rent increases pursuant to this MOU shall be calculated. Thereafter, all controls on Rent increases in this MOU shall become effective, including but not limited to, the Rent Cap and Capital Project Pass-Through Adjustment Cap.

4) New Base Rent. The Rent imposed pursuant to Paragraphs (1), (2), or (3) shall constitute the new Base Rent for the Space, upon which future Rent increases pursuant to this MOU shall be calculated.

5) Applicability of MOU. Except as otherwise provided with regard to the amount of Rent imposed upon Vacancy, all other provisions of this MOU apply to a Vacant Space during any vacancy.

C. Other Prohibitions on Vacancy Adjustments. Notwithstanding any other provision of this MOU, the Park Owner shall not increase the Base Rent as a result of any of the following circumstances except in compliance with Sections 3 and 5 of this MOU:

1) A current Homeowner may move his/her Mobilehome in the Park from his/her current Space to a Vacant Space in the Park with approval of the Park Owner, provided that the Base Rent to be paid by the current Homeowner for rental of the Vacant Space shall be equivalent to the Base Rent paid by that current Homeowner in his/her old Space in the Park. For example: If the current Homeowner's rent was $400 in the old Space, and the prior rent for the Vacant Space was $300, the current Homeowner shall continue to pay $400 rent in the new Space. If the current Homeowner's rent was $400 in his/her old Space, and the most recent prior Rent of the Vacant Space was $500, the current Homeowner shall continue to pay $400 rent at the time of his/her transfer to the Vacant Space. Thereafter, all Rent controls in this MOU shall become effective, including but not limited to, the Rent Cap and Capital Project Pass-Through Adjustment Cap. The Rent for the Space vacated by the current Homeowner shall be subject to Paragraph (1) of this Subsection B.

2) The temporary removal of a Mobilehome from a Space by a Homeowner (a) at the request of the Park Owner, for the purpose of the Park Owner performing rehabilitation, or capital improvements to the Space, or (b) for the purpose of that Homeowner upgrading the Mobilehome with a newer Mobilehome; and after the occurrence of (a) or (b), the Homeowner continues to reside in that Mobilehome as their primary residence.

3) A transfer of title (a) whereby the Homeowner adds or removes one or more co-owners and continues to reside in the Mobilehome as his/her primary residence, or (b) whereby the Homeowner partially sublets the Mobilehome to additional persons (where subletting is allowed by the Park Owner or as otherwise permitted under the MRL) and the Homeowner continues to reside in the Mobilehome as their primary residence.

4) The transfer of title of the Mobilehome to another current Resident of the Park who vacates his/her other Space (but a Vacancy Adjustment may be imposed on the vacated Space pursuant to Subsection B.1, above).

5) The transfer of an existing Mobilehome to a newly Vacant Space in the Park (but a Vacancy Adjustment may be imposed on the vacated Space pursuant to Subsection B.1, above).

6) The transfer of the Mobilehome to the surviving joint tenant by devise, descent, or operation of law on the death of the joint tenant.

7) The transfer of the Mobilehome to the Homeowner's heir(s) on the death of the Homeowner.

8) The transfer of the Mobilehome to the personal representative of the estate of the Homeowner upon the death of the Homeowner.

9) The transfer of the Mobilehome resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse or registered domestic partner becomes the owner of the Mobilehome.

10) The transfer of the Mobilehome pursuant to an inter vivos trust in which the Homeowner is and remains the trustee or beneficiary and continues to reside in the Mobilehome as his/her primary residence.

Section 8. CAPITAL PROJECT PASS-THROUGH ADJUSTMENTS

A. <u>Determination of Capital Project Pass-Through Adjustment</u>. Subject to the requirements and procedures set forth in this Section, in addition to any Annual Base Rent Adjustment authorized under Section 3, above, the Park Owner may recover not more than seventy-five percent (75%) of the cost of a Capital Replacement or Capital Improvement completed within the Park, as a Capital Project Pass-Through Adjustment, amortized and spread equally among all Mobilehome Spaces in the Park in accordance with the provisions set forth in this Section. This Section shall apply to all proposed Capital Improvement Pass-Through Rent Adjustments and Capital Replacement Pass-Through Rent Adjustments.

1) Calculation Method. A Capital Project Pass-Through Adjustment shall not exceed seventy-five percent (75%) of the Capital Project cost, determined by amortizing seventy-five percent (75%) of the actual costs of the Capital Project (including design, permits, and construction), plus interest at the actual rate of interest paid by the Park Owner for any financing associated with the Capital Project over the applicable amortization schedule set forth in Section 7.B.2; and reduced by subtracting from the actual cost of the Capital Project the amount of any insurance proceeds, rebates, tax credits or warranty payments received by the Owner to defray the costs of the Capital Project. With respect to insurance, the Park Owner shall provide documentation establishing that (i) the Park Owner has not and will not submit an insurance claim for the cost of the Capital Project, and/or that its insurance claim was denied; (ii) no insurance proceeds were or will be received

for such Capital Project; (iii) if insurance proceeds were received, the amount of the insurance proceeds and calculations showing that the cost of the Capital Project was reduced by the insurance proceeds received or to be received; and (iv) copies of any and all insurance policies applicable or potentially applicable to the completed Capital Project. Notwithstanding the foregoing, in the event that the Park Owner receives insurance or any other reimbursement of any kind from any other source, the Capital Project Pass-Through Adjustment shall be modified and/or rescinded and the Park Owner shall issue a rebate to the Homeowners. If the project is self-financed, the cost of financing shall be determined by the average rate for thirty-year fixed mortgages plus one (1%) percent, which such average rate shall be the rate Freddie Mac last published in its weekly Primary Mortgage Market Survey ("PMMS"). The annual amortized cost determined in accordance with this Section shall be divided by twelve (12) and then divided equally among all Spaces in the Park.

2) Determination and Application of Capital Project Pass-Through Adjustment Cap. Notwithstanding the foregoing, all Capital Project Pass-Through Adjustments in combination with all Pre-MOU Pass-Through Adjustments, shall be subject to the four percent (4%) Capital Project Pass Through Adjustment Cap defined in Section 1.F of this MOU.

   a. Calculation of Capital Project Pass-Through Adjustment Cap. The Capital Project Pass-Through Adjustment Cap shall be determined annually for the Park as follows:

      i. Calculate the total Base Rents for one month for all Spaces in the Park as of January 1st of the current calendar year ("Total Monthly Park Base Rents").

      ii. Divide the Total Park Base Rents by the total number of spaces in the Park (the "Average Base Rent").

      iii. Multiply the Average Base Rent by 4%. The resulting sum is the Capital Project Pass-Through Adjustment Cap for the current calendar year.

EXAMPLE: CAPITAL PROJECT PASS-THROUGH ADJUSTMENT CAP	
(a) Total No. of Park Spaces	100
(b) Total Monthly Park Base Rents*	$60,000
(c) Average Base Rent [Line (b) ÷ Line (c)]	$600
(d) 4% Capital Project Pass-Through Adjustment Cap [Multiply Line (c) by 4%]	**$24**

*As of January 1st of each year

b. Application of Capital Project Pass-Through Adjustment Cap. Before imposing a Capital Project Pass-Through Adjustment on any Spaces, the Park Owner must determine if the Capital Project Pass-Through Adjustment Cap would be exceeded. For each proposed Capital Project Pass-Through Adjustment, the following calculation shall be made.

    i. Total together the monthly amount of all existing and proposed Capital Improvement Pass-Through Adjustments and Capital Replacement Pass-Through Adjustments determined under this Section 8, and all Pre-MOU Pass-Through Adjustments. (The resulting sum shall be collectively referred to as the "Total Pass-Through Adjustments").

    ii. Compare the Total Pass-Through Adjustments with the Pass-Through Adjustment Cap determined under Subparagraph (a), above. The Park Owner shall not impose Total Pass-Through Adjustments that result in a total monthly increase for each affected Space by more than four percent (4%) of the current average Base Rents of the Park within the calendar year.

c. Extended Amortization Period. In the event that the Total Pass-Through Adjustments (as determined under Paragraphs (a) and (b)) would result in a total monthly increase for the affected Mobilehome Space by more than four percent (4%) of the existing Base Rent for a twelve-month period, then the amortization period for each such Capital Replacement and/or Capital Improvement shall be extended for such period(s) of time as necessary to ensure that, the combined Total Pass-Through Adjustments do not exceed the Capital Project Pass-Through Adjustment Cap for that calendar year.

d. Pre-MOU Pass-Through Adjustments. Any separately billed fee, charge, or other adjustment that satisfies the definition of a Pre-MOU Pass-Through Adjustment in Section 1 of this MOU shall be included in the Total Pass-through Adjustments to determine and apply the Capital Adjustment Pass-Through Adjustment Cap, whether or not such Pre-MOU Pass-Through Adjustment went through any pre-notification process, resident vote or other process prior to the Effective Date of this MOU. A Pre-MOU Pass-Through Adjustment shall not be subject to any protest or arbitration procedure under this MOU, except to the extent relevant to any contention that the Capital Project Pass-Through Adjustment Cap was not properly applied as required by this MOU for implementation of a Capital Project Pass-Through Adjustment to be initially implemented after the Effective Date of this MOU.

3) Amortization Schedule. For the purpose of determining any Capital Project Pass-Through Adjustment permitted under this MOU, the cost of Capital Replacements or Capital Improvements for those items listed below, shall be amortized according to the following schedule or the schedule consistent with the U.S. Internal Revenue

Code, whichever is longer, or as otherwise modified to comply with the Capital Project Pass-Through Adjustment Cap. For items meeting the definition of Capital Replacement or Capital Improvement herein, but not listed on the amortization schedule below, the amortization period shall be consistent with the U.S. Internal Revenue Code. Notwithstanding the foregoing, a longer period may be agreed to by the Owner so long as any such revised amortization period is applied to all Spaces in the Park and the amount of the Capital Project Pass-Through Adjustment is imposed in an equal monthly amount on all Spaces in the Park.

CAPITAL IMPROVEMENT OR REPLACEMENT	AMORTIZATION PERIOD (YEARS)
Air Conditioners	7
Appliances (other than those listed)	7
Backflow Device	10
Cabinets	7
Carpentry	10
Carpeting	7
Copier	6
Copper Pipes	10
Dishwasher	7
Doors	10
Drapes	5
Dryer	7
Electrical Wiring	15
Fan	7
Fencing • Block Wall • Wood • Security	 15 7 15
Fire Alarm System	7
Fire Escape	15
Floor Covering (linoleum or vinyl)	7
Flooring	7
Furniture	7
Garbage Disposal	7
Gates (Security)	15
Gutters	15
Heating	10
Insulation	10
Light Fixtures	5
Oven	6
Patio Furniture	5
Paving (asphalt, cement)	15
Plastering	10
Plumbing • Fixtures • Pipes	 10 15
Pool Heater	5
Pumps	7
Refrigerator	7
Roofing	27.5

Sewer Line Construction	15
Smoke Detector	7
Solar System	10
Stove	7
Stucco	10
Telephone System	6
Walls	10
Washing machine	7
Water Heater	7
Window Coverings	7
Windows	15

4) Notice of Increase. No Capital Project Pass-Through Adjustment shall be implemented on any Space unless the Owner provides the affected Spaces with at least ninety (90) days written notice of the proposed Capital Project Pass-Through Adjustment. Notice of the Capital Project Pass-Through Adjustment shall not be issued until the Capital Project has been completed as determined by final inspection of all governmental entities, if any, having jurisdiction over the Capital Project, subject to notice requirements applicable thereto.

5) Itemization; Exclusion from Rent.

   a) The monthly amount of any Capital Project Pass-Through Adjustment, the date it is initially imposed, and the expiration date, shall be separately itemized on the monthly rent bill or statement for each Space in accordance with Section 9.

   b) A Capital Project Pass-Through Adjustment shall not be deemed to be part of Rent for purposes of calculating the Annual Base Rent Adjustment pursuant to Section 5 or a Vacancy Adjustment pursuant to Section 7 of this MOU.

   c) A Capital Project Pass-Through Adjustment, and Pre-MOU Pass-Through Adjustment, shall each be eliminated as a financial obligation for each affected space at the conclusion of the amortization period, and the Pass-Through Adjustment charge shall be removed from the monthly rent statement or other rent bill for each affected Space.

6) Protests and Arbitration.

   i. In the event that any Homeowner, the Homeowner Oversight Board, or any other legal or other representative on behalf of any Homeowner, contends that the Capital Replacement Pass-Through Adjustment or Capital Improvement Pass-Through Adjustment does not meet the requirements for a Capital Project Pass-Through Adjustment pursuant to this Section 8, or was not determined in accordance with the requirements of this MOU, the Homeowner, Homeowner Oversight Board, or other representative may file a protest to the Capital Project Pass-Through Adjustment in accordance with Subsection E of this Section.

ii. Any party dissatisfied by the outcome of a protest on a Capital Project Pass-Through Adjustment may file a request for arbitration pursuant to Subsection F of this Section.

B. <u>Capital Replacement Project - Pre-Notification Requirement for Capital Replacement Pass-Through Adjustment</u>. Except as otherwise provided in Paragraph 3 of this Subsection B, prior to commencing a proposed Capital Replacement, the Park Owner shall comply with the following requirements.

1) The Park Owner shall notify all Homeowners, the Homeowner Oversight Board and the Director in writing of the planned Capital Replacement at least thirty (30) days prior to the project being undertaken. This notification must contain the following information:

   a) A general description of the Capital Replacement to be undertaken; and

   b) The estimated start date; and

   c) The estimated cost of the proposed Capital Replacement; and

   d) A statement that the Park Owner considers the project to meet the definition of a Capital Replacement as defined in this MOU.

2) The notification to the Homeowners may be mailed to each Homeowner in the Park, or affixed to the main entry door of the Mobilehome on each Space. This notification is for informational purposes only, and the Park Owner is not required to obtain approval from the Homeowners prior to the start of the Capital Replacement. However, if the Park Owner fails to comply with this pre-notification requirement, the Park Owner will be prohibited from including the costs of the Capital Replacement in a future Capital Project Pass-Through Adjustment pursuant to this MOU or as the basis for any other increase in Rent or other fee, assessment or charge to be imposed on any Spaces in the Park.

3) Following issuance of the pre-construction notice, upon request of any Homeowner, the Homeowner Oversight Board or any other Resident, the Park Owner, Homeowner Oversight Board, and Residents, and/or their respective representatives, shall meet informally to provide an opportunity for the Residents to receive additional information on the need and scope of the proposed Capital Replacement, and endeavor to reach resolution of any disputes regarding the proposed Capital Replacement.

4) Notwithstanding Paragraph (1) of this Subsection B, the Owner may implement a Capital Project Pass-Through Adjustment based upon an Emergency Capital Replacement resulting from a Disaster-Related Event, even if the Owner did not provide at least thirty (30) days' prior notice to the Homeowners and/or Planning

and Building Director before commencing construction of the Emergency Capital Replacement, if compliance with the 30-day notice requirement is not feasible or possible due to an imminent threat to public health and safety resulting from the Disaster-Related Event, based on the following findings by the Director:

a) The work meets the definition of an Emergency Capital Replacement; and the facts and circumstances demonstrate that the Emergency Capital Replacement is necessary as a result of a Disaster-Related Event; and

b) There was no time to provide thirty (30) days' prior written notice to the Homeowners before commencement of construction, due to the need to immediately prevent or correct the imminent threat to public health and safety of the Park, its Residents and/or its neighbors; and

c) Not less than five (5) days prior to commencement of construction (or such shorter period of time as warranted due to the nature of the emergency), the Owner notified the Homeowner Oversight Board in writing of (i) the proposed commencement of construction of the Emergency Capital Replacement , (ii) provides an itemization of the work to be performed and an estimate of costs to be incurred, and (iii) the anticipated start date and completion date of the Emergency Capital Replacement; and

d) The Owner commenced construction of the Emergency Capital Replacement not later than two weeks (14 days) after the Disaster-Related Event constituting the emergency and completed the Emergency Capital Improvement as expeditiously as possible. "Commencement of construction" means the Owner obtained signed contracts with contractors, builders and other third parties necessary to carry out the Emergency Capital Project, obtained necessary permits and commenced substantial physical construction on the project within that time period; and

e) Not less than five (5) days after commencement of construction, the Owner provided written notice to the Planning and Building Director, the Homeowners, and Homeowner Oversight Board of the commencement of construction of the Emergency Capital Replacement and provided copies of all documentation upon which the Owner relied in causing the Emergency Capital Replacement to be carried out.

5) The Owner may impose an Emergency Capital Replacement Project Pass-Through Adjustment arising from any disaster-related event in excess of the initial forty thousand dollars ($40,000) of such costs (or for Small Parks, in excess of the initial twenty-thousand dollars ($20,000)), provided such costs are amortized in accordance with the procedure for amortizing Capital Projects under Section 8.B, above and the Owner complies with all other provisions of Section 8.A and 8.B of this MOU.

C. <u>Capital Improvement Pass-Through Adjustment Requirements and Procedures</u>. The Park Owner may impose a Capital Improvement Pass-Through Adjustment only after compliance with all requirements and procedures set forth in this subsection.

1) Pre-Notification Requirement for Capital Improvement Pass-Through Adjustment.

a) The Park Owner must notify the Homeowners and the Planning and Building Director in writing of a planned Capital Improvement project at least sixty (60) days prior to the commencement of the proposed project. This notification must contain all of the following information:

i. A general description of the proposed Capital Improvement; and

ii. Notice that copies of the contract for construction of the Capital Improvement are available within the Park office for review by the Residents and/or their representatives during regular business hours; and

iii. The estimated duration of the time needed to complete the Capital Improvement, including its estimated start date and completion date; and

iv. The estimated cost of the Capital Improvement, and an itemization of all costs of the Capital Improvement; and

v. The amount of any financing to carry out the Capital Improvement, including the lender, interest rate and terms of financing; and

vi. A statement that the Park Owner considers the project to meet the definition of a Capital Improvement as set forth in this MOU; and

vii. The date and time of the ballot election for the Homeowners to vote on the proposed Capital Improvement (which such election date shall be set by the City Clerk).

b) The notification to the Homeowners may be mailed to each Homeowner or affixed to the main entry door of each Mobilehome in the Park by the 60-day deadline.

2) Pre-Construction Capital Improvement Meeting between Park Owner and Residents

a) Not less than thirty (30) days prior to the proposed commencement date of the Capital Improvement, the Park Owner shall meet with the Homeowners, other Residents, and Homeowner Oversight Board to seek their input into the proposed Capital Improvement and resolve any issues related to the proposed Capital Improvement and/or cost. The meeting may be held prior to, or concurrently with, the Capital Improvement ballot election outlined in Paragraph (3) of this Section.

b) Not less than fifteen (15) days prior to the meeting, the Park Owner shall post notice of the date and time of the meeting at the Park's clubhouse and office, and shall mail or personally deliver copies of the meeting notice to the Homeowners of each Space and the Homeowner Oversight Board. Proof of service and posting signed under penalty of perjury, on a City-approved form, shall be concurrently submitted by the Park Owner to the City Clerk on the same day as the posting and mailing of the meeting notice to the Homeowners and Homeowner Oversight Board.

c) All Homeowners and other Residents of any Space may attend the meeting. At the meeting, the Park Owner shall provide attendance sign-in sheets, and the Park Owner shall take official minutes of the meeting. The Park Owner shall provide attendees with a summary of (i) the proposed Capital Improvement; (ii) all costs to be incurred, including but not limited to, inspections, design, permits, construction and financing,and the method to determine the financing; (iii) the reasons for the proposed Capital Improvement; (iv) a summary of each bid or proposal received, including name of each bidder/proposer, their expertise and years of experience, and each bid/proposal cost; and (v) a written explanation from the Park Owner explaining the reasons for the selection of the contractor. The summary shall include sufficient detail for the Residents to understand the nature and extent of the proposed work and the costs to be incurred therein. If the Owner proposes to carry out the Capital Improvement in whole or in part with his or her own labor, the summary provided to the Residents shall include an explanation of the proposed Owner-performed work and costs.

3) Capital Improvement Ballot Election

a) Not less than thirty (30) days prior to the proposed commencement of the Capital Improvement, the City Clerk shall conduct a Capital Improvement ballot election on the date set forth in the 60-day notice required by Section 8.C.1(a)(vii), above, in accordance with the procedures set forth in this Section. The Park Owner is required to obtain approval of the proposed Capital Improvement from a majority (at least 50% plus one) of all occupied Spaces in the Park. If the Park Owner fails to obtain majority consent, the Park Owner shall be prohibited from including the costs of the Capital Improvement as a future Capital Project Pass-Through Adjustment pursuant to this MOU, or the basis for any other fee, increase or charge to any of the Spaces. Notwithstanding the foregoing, Major Water or Sewer Capital Improvements shall be exempt from the requirement for a ballot election as provided in Subsection D of this Section.

b) Subject to the 30-day deadline set forth in subparagraph (a), the Capital Improvement ballot election shall be held on a date set by the City Clerk or designee and previously included in the 60-day notice required by Section 8.C.1(a0(vii), above. Not less than fifteen (15) days prior to the election, the Park Owner shall post notice of the date and time of the election in the Park's clubhouse and office, and mail or personally deliver copies of the notice and the Capital Improvement election ballot to the Homeowners of each Space and to the Homeowner Oversight Board The Ballot shall be in the form attached as Exhibit B. Proof of service and posting signed under penalty of perjury, on a City-approved form, shall be concurrently submitted by the Park Owner to the City Clerk on the same day as the posting and mailing of the election notice to the Homeowners of each Space and the Homeowner Oversight Board.

c) <u>Americans With Disabilities Act</u>. In compliance with the Americans with Disabilities Act, if the Homeowners need the Ballot in an alternative format, or require special assistance to participate in the ballot election, they must contact the City Clerk's office at least 72 hours prior to the commencement of the ballot election to enable the City to make reasonable arrangements to ensure accessibility.

d) At the place and time of the election, the City Clerk or designee shall collect one completed Election Ballot Form from each Space occupied by Homeowner(s). Each occupied Space shall be entitled to submit one confidential ballot to the City Clerk at that time, representing one vote per Space, on the question whether each Space consents to the proposed Capital Improvement. In the event that the Homeowners of a Space are unable to attend the election in person, the Homeowners of such occupied Space may designate in writing a personal representative to submit their ballot for that Space to the City Clerk at the election. Regardless of the number of Homeowners who own the Mobilehome, only one ballot will be accepted for each Space or counted in the vote.

e) Following the submittal of ballots, the City Clerk or designee shall count the ballots at City Hall or such other place as determined by the City Clerk. The City Clerk shall determine the means and method for maintaining the confidentiality of the ballots.

f) The City Clerk shall thereafter provide written notice of the election results to the Park Owner, including the number of votes in favor and the number of votes against the proposed Capital Improvement, by (i) posting the results on the City's website, (ii) posting the results at City Hall in the location where agendas are posted, and (iii) mailing a copy of the tally to the Park Owner and Homeowner Oversight Board by first-class mail. The Park Owner shall post a copy of the City Clerk's tabulation and notice of election results in the Park's clubhouse and office; and mail or personally deliver copies to each Homeowner of each space within five days of service of the results by the City. Proof of service and posting shall be filed with the City Clerk's office within five days thereafter.

4) Upon approval of the Capital Improvement Pass-Through Adjustment by a majority of the occupied Spaces pursuant to Subsection C.3 of this Section, and completion of construction, the Capital Improvement Pass-Through Adjustment may be implemented by the Park Owner subject to compliance with Paragraphs (3) through (6) of Section 8.A and Sections 8.E and 8.F of this MOU.

D. Major Water or Sewer Capital Pass-Through Adjustment Requirements and Procedures. The provisions of Section 8.A through 8.F shall apply to Major Water or Sewer Capital Project Pass-Through Adjustments except as provided in Paragraph (1).

Capital Improvement Ballot Election Exemption. A ballot election shall not be required for a Major Water or Sewer Capital Improvement, and the provisions of Section 8.C.3 shall not apply.

E. Capital Project Protest Procedure. Any Homeowner, and/or the Homeowner Oversight Board, or the legal or other duly authorized representative of a Homeowner or the Homeowner Oversight Board may challenge any Capital Project Pass-Through Adjustment for which a 90-day notice has been received, by filing a protest in accordance with the following provisions.

1) Deadline to File Protest. The protest, including all supporting documentation, shall be filed with the Planning and Building Director not later than fifteen (15) days after the date the Park Owner's 90-day notice of Capital Replacement Pass-Through Adjustment or Capital Improvement Pass-Through Adjustment is mailed or personally served on the affected park residents by the Park Owner. The protest shall include all grounds upon which the protest is filed, including but not limited to, the following:

a) The Capital Improvement or Capital Replacement was the result of improperly or unreasonably deferred maintenance;

b) The Capital Improvement or Capital Replacement was the result of the need for the Park Owner to bring the Park, its facilities, buildings, structures, amenities, systems, improvement, or other infrastructure into compliance with a provision of the Paramount Municipal Code or state law where the original installation or modifications were not in compliance with code requirements;

c) The project does not qualify as a Capital Replacement or Capital Improvement because it was ordinary or routine maintenance and repair;

c) The Capital Improvement or Capital Replacement was completed prior to the MOU Effective Date;

d) The Capital Improvement or Capital Replacement, in whole or in part, was not constructed by the Park Owner during his/her/its ownership of the Park;

e) The Capital Improvement or Capital Replacement primarily benefits the Park Owner;

f) The Capital Improvement or Capital Replacement does not have a minimum life expectancy of five (5) years;

g) The Capital Improvement or Capital Replacement has not been amortized over the useful life as provided in Section 8.A.2 of this MOU;

h) The Capital Replacement does not have a minimum value of at least forty thousand dollars ($40,000); or twenty thousand dollars ($20,000) for Small Parks; and/or individual Capital Replacements were consolidated together to calculate the minimum value;

i) The cost of the Capital Improvement or Capital Replacement is excessive and does not meet industry standards prevailing in the community including but not limited to, the Park Owner did not obtain at least two bids or award the project to the lowest responsive and responsible bidder prior to carrying out the project or did not retain an experienced and licensed contractor to carry out the Capital Improvement or Capital Replacement;

j) The Park Owner contended that the project was an Emergency Capital Replacement, but the project does not meet the definition and requirements for an Emergency Capital Replacement as defined in this MOU; and/or

k) The Park Owner contended that the project was a Major Water or Sewer Capital Project, but the project does not meet the definition of and requirements for a Major Water or Sewer Capital Project as defined in this MOU.

2) Planning and Building Director Decision. Any protest to the Capital Project Pass-Through Adjustment by any Homeowner, the Homeowner Oversight Board, and/or any duly-authorized representative of a Homeowner or Homeowner Oversight Board shall be resolved by the Director within thirty (30) days of receipt of the protest. The Director may appoint a hearing officer to evaluate and issue a recommendation on the protest. The costs of the hearing officer shall be borne by the City until the City's annual hearing budget is exhausted. For any protests received in any year after which time the City's available budget is exhausted, the Director will inform the person submitting the protest, in writing, that City funds for the hearing officer are no longer available; and the person(s) submitting the protest must bear the hearing officer's cost.

a) The Director may sustain, deny or modify any Capital Project Pass-Through Adjustment following submittal of a protest. The Director shall sustain the challenge to a Capital Project Pass-Through Adjustment brought under this Subsection if any of the following findings are made:

i. The project does not meet the definition of a Capital Improvement, Capital Replacement, Emergency Capital Replacement, or Major Water or Sewer Capital Project as defined in and required by this MOU;

ii. The proposed amortization period for the Capital Project does not comply with the amortization provisions of this MOU;

iii. The Capital Project meets the definition of a Capital Replacement, Emergency Capital Replacement, Capital Improvement and/or Major Water or Sewer Capital Project as defined in this MOU, but the costs do not comply with the requirements of this MOU and must be modified or eliminated from the Rent; and/or

iv. The procedures described for the respective Capital Project Pass-Through Adjustment as listed in the MOU herein were not followed.

b) If the Planning and Building Director denies the protest against a Capital Project Pass-Through adjustment for which the Park Owner has served a 90-day notice, the Capital Project Pass-Through Adjustment shall be effective pursuant to the terms of that notice previously issued by the Park Owner. If the Director sustains the protest in part, and approves a modified Capital Project Pass-Through Adjustment in an amount different from the amount stated in the previously served 90-day notice or modifies the amortization period, that modified Capital Project Pass-Through Adjustment may be imposed upon the expiration of a revised 90-day notice that sets for the revised Pass-Through Adjustment. If the Director sustains the protest in its entirety, the Park Owner shall rescind the notice of proposed pass-through adjustment and the Capital Project Pass-Through Adjustment shall not be charged to any Space in the Park.

c) The Planning and Building Director shall issue a written decision on the protest, which shall contain findings and conclusions in support of the decision. The City Clerk or designee shall serve a copy of the Director's decision on the Park Owner, the Homeowners, the Homeowner Oversight Board, and their duly authorized representatives (if any). The Director's decision shall be final and not subject to any further appeal within the City except as otherwise provided in Subsection F (Arbitration Procedure) of this Section.

3) Submittal of Modified Park Rent Schedule. Within thirty (30) days of mailing of the Director's decision, Management shall submit a modified Park rent schedule to the City, containing the Rents actually charged to the Spaces based on the Director's decision, which such modified rent schedule shall comply with the requirements of this MOU, including but not limited to, the requirements for subsequent Annual Registrations under Section 4 of this MOU.

4) Filing Fee. A protest filed against a noticed Capital Project Pass-Through Adjustment shall be accompanied by the filing fee as may be set, and periodically modified, by resolution of the City Council from time to time. A protest shall not be accepted for filing unless accompanied by the applicable filing fee.

F. Arbitration Procedure. In the event that the Park Owner, any Homeowner, and/or the Homeowner Oversight Board is dissatisfied with the decision of the Director on a protest, the dispute shall be resolved by binding arbitration in accordance with the following provisions.

1) Deadline to Request Arbitration. The party contesting the Planning and Building Director's decision must file a request for arbitration within thirty (30) days after the date the Director's decision is mailed to the Park Owner, Homeowners, and the Homeowner Oversight Board, and their duly authorized legal or other representatives (if any) by the City.

2) Arbitration Procedure; Costs. In the event that the Park Owner, any Homeowner, and/or Homeowner Oversight Board disagrees with the Director's decision on a protest, the dispute shall be submitted to binding arbitration pursuant to the applicable procedures of the American Arbitration Association or other arbitration service mutually agreed upon by the Park Owner and Homeowner Oversight Board. The determination made pursuant to such arbitration shall be binding, final and enforceable in the same manner as a final judgment of a court of law. The costs of such arbitration shall be shared equally between the Park Owner and the Homeowners.

5) Modified Park Rent Schedule following Arbitration. Within thirty (30) days of mailing of the arbitrator's decision, Management shall submit a modified Park rent schedule to the City, containing the Rents actually charged to the Spaces based on the arbitrator's decision, which such modified Park rent schedule shall comply with the requirements of this MOU, including but not limited to, the requirements for subsequent Annual Registrations under Section 4 of this MOU.

Section 9. ITEMIZATION AND EXPLANATION OF FEES AND CHARGES ON RENT STATEMENT.

A. In addition to any requirements of State law, each monthly rent statement or invoice delivered to each Mobilehome Space shall comply with all of the requirements of this Section.

1) The Park Owner shall separately list each of the following on the monthly rent schedule or invoice served on each Space:

a. The Base Rent for each Space as of the date of the rent statement or invoice; and

b. The amount of the Annual Base Rent Adjustment used in determining the current Base Rent; and

c. Each Pre-MOU Pass Through Adjustment, including its (i) monthly dollar amount, (ii) category or purpose, (iii) amortization period, (iv) beginning date, and (v) expiration date; and

d. Any Property Tax Pass-Through Adjustment, including its monthly amount and beginning date; and

e. Each Capital Improvement, Capital Replacement or Emergency Capital Replacement Pass-Through Adjustment, and/or Major Water or Sewer Pass-Through Adjustment, including (i) the monthly dollar amount, (ii) the name or type of project, (iii) the total cost of the project used to calculate the Capital Project Pass-Through Adjustment, (iv) the amortization period, (v) the commencement date and (vi) the ending date; and

f. Each separately billed or submetered utility charge shall be identified by the utility type (e.g., water or electricity) and such other information as may be required by the MRL; and

g. Any other State-mandated or permitted fee or charge including name, statutory authority, amount of fee or charge, rate or method for charging or billing, and term of fee or charge (if any); and

h. Any other separately billed charge, fee, or other adjustment for any type of repairs, improvements or other work performed in the Park and initially imposed by the Park Owner on the Spaces prior to the Effective Date of this MOU, including the monthly amount, name or type of adjustment, and term of fee or charge (if any).

2) The Park Owner may continue to charge each Space for any separately billed charge, fee or other adjustment for any type of repairs, improvements or other work performed in the Park and initially imposed on the Spaces prior to the Effective Date of this MOU, subject to the Pass-Through Adjustment Cap set forth in Section 3.C and the itemized listing required under Section 9.A(1) of this MOU.

3) Upon completion of the amortization period for any Pass-Through Adjustment subject to this MOU, the Park Owner shall cease billing the Spaces for that Pass-Through Adjustment and the charge for such Pass-Through Adjustment shall be removed from the monthly rent statement.

4) The Park Owner shall cease charging any other State-mandated or permitted fee or other charge upon the repeal of the statute or other law authorizing imposition of that charge.

Section 10. RENT SUBSIDY (SAFETY NET) PROGRAM FOR LOW-INCOME RESIDENTS.

A. Implementation. The Owner agrees to implement a safety net program within the Park designed to provide relief from Annual Base Rent Adjustments and Pass-Through Adjustments to Homeowners that, due to financial circumstances, are unable to pay the increased Base Rent or Pass-Through Adjustments. The safety net program shall be summarized in a written document and at a minimum, provide relief from Annual Base Rent Adjustments and Pass-Through Adjustments to Homeowners pursuant to all of the following terms and conditions:

1) Any Space occupied by a Homeowner(s) with (a) a verified combined household income equal to or less than twice the monthly Rent, and (b) less than $50,000 in assets, not including their Mobilehome, furniture, or vehicles, shall be eligible to apply for the safety net program. Examples of documentation to establish the Space's combined household income may include, but are not limited to, pay stubs, bank statements, disability or other public benefits, and tax returns.

2) Subject to Paragraph (3), below, qualifying Homeowners may receive a minimum Rent credit for the amount of any rent adjustment authorized under this MOU that causes their monthly Rent, including all Pass-Through Adjustments, to exceed thirty-three percent (33%) of their Space's combined household income, with a monthly maximum credit of $150.00.

3) This program is limited to all Spaces in the Park occupied by a Homeowner. In the event that more than fifteen percent (15%) of the Spaces qualify in a given park, then the Park Owner shall have option of providing priority to households on a first-come first-serve basis. The Park Owner may choose to participate in an independent program in which a third party (e.g., Manufactured Housing Educational Trust) is used to determine household eligibility to the program, and to process program applications.

4) Qualifying Homeowners shall not be required to reimburse the Owner for any rent credits received;

5) Each individual household of a Space must submit an application verifying (a) total household income and (b) assets of less than $50,000 on a form distributed by the Park Owner. Each Space that is approved for the safety net program shall be required to reapply once every twelve months, such that the Park Owner can determine whether that Space continues to qualify for the program. Participation in the safety net program shall terminate if the Space no longer qualifies, or the Homeowners no longer reside in the Park.

6) Qualifying Homeowners must have resided at the Park for at least one (1) year to be eligible for the safety net program and, and must reapply each year they remain in the program;

7) Participation in the safety net program can be limited for each qualifying Space at the Owner's reasonable, good faith discretion, and maybe provided on an ongoing annual basis as long as the Homeowner remains eligible for a full year;

8) The Park Owner will be responsible for managing its safety net program. The City shall have no responsibility for and right to manage any safety net program established by the Park Owner;

9) Items (1) through (8) are minimum requirements, to assist the Homeowners in greatest need at the Park. The Park Owner is free to establish more generous guidelines but cannot be required to do so. The Park Owner shall provide the City with written information on the Owner's safety net program, outlining their program guidelines and criteria, at the City's request on an annual basis. Nothing herein shall prevent the Park Owner from offering a safety net program that serves Homeowners or other Residents not meeting the qualifications stated herein or provides greater protections to Residents.

Section 11. MOBILEHOME PARK MOU WORKING GROUP

A. During the first year of the Term of this MOU, the Owners of all of the participating Parks in Paramount, or their delegates, agree to meet as a working group with City representatives, as designated by the City Manager, and with representatives of Homeowners from all Parks, to discuss any issues that may arise with regards to the implementation and interpretation of this MOU.

1) The goal is to have one representative of the Homeowners from each Park subject to the MOU included in the MOU Working Group. The City shall establish an application for Homeowner representatives to be appointed to serve a five-year term. The Director shall review and select the Homeowner representatives and may also appoint alternates for each Homeowner representative in the event the designated representative cannot attend meetings or vacates the position.

2) The goal is to have at least one regional representative of the owner of each Park subject to the MOU.

B. The meetings shall be conducted at least twice during the first year of the term of this MOU, but shall be held more often if issues or concerns are raised by Homeowners or Park Owners need to be addressed. Meeting dates shall be established by the City at the beginning of each calendar year. Meetings will be open to the public and subject to the Ralph M. Brown Act. Brief action meeting minutes will be prepared by the City after each meeting and made available to the public.

C. If the Park Owners and the Homeowners determine that there is a need to continue the meetings after the first year, the Director may either extend the appointments of the Homeowner representatives or seek applications for new appointments and determine a schedule for going forward.

D. The purpose of the meetings with the Park Owners and Homeowners is to address issues of a general and common nature related to the MOU rather than individual disputes between an individual Homeowner or Resident and an individual Park Owner.

Section 12. HOMEOWNER OVERSIGHT BOARD/PARK MANAGEMENT COMMITTEE.

A. The Homeowners of the Park will select representatives to act on behalf of the Homeowners with respect to communications with Management. The Park will have at least one Homeowner representative that may speak to Management concerning each Homeowner's concerns, suggestions or complaints.

B. The Park Owner shall meet upon reasonable notice with the Homeowner Oversight Board no more frequently than once in a thirty-day period. Meetings of the Homeowner Oversight Board/Park Management Committee may be combined with meetings required between Management and Residents as may be required by the MRL.

C. Meetings of the Homeowner Oversight Board/Park Management Committee may be conducted either in person or virtually by using telephone, audio-video, or other audio-only conferencing. Procedures shall comply at a minimum with the requirements of the MRL.

D. With respect to any concerns submitted in writing by the Homeowner Oversight Board to the Owner, the Owner shall provide a written response to the action items within thirty (30) days after the meeting.

E. Nothing in this Section shall eliminate the Owner's obligation to meet with any individual Resident to address such Resident's concerns with respect to issues within the scope of the MRL, including but not limited to, Civil Code Section 798.53, or any other provision of law.

Section 13. CONTINUED COMMUNICATION AND UPDATES BETWEEN PARK OWNERS AND RESIDENTS

A. During the Term of this MOU, the Park Owner shall provide a prospective Resident with a summary of the MOU, in a form approved by the City as set forth in Exhibit C, attached hereto. The Owner shall further provide a prospective Resident with a complete copy of the MOU upon request, without charge.

B. During the Term of this MOU, the Park Owner shall maintain all of the following information and documentation in the Park office, and open for inspection by the Residents during all business hours, as follows:

1) A copy of this Memorandum of Understanding; and
2) A copy of the Summary of this Memorandum of Understanding; and
3) A copy of the current Mobilehome Residency Law; and
4) A copy of the Park's Rules and Regulations; and

5) Information about the California Department of Housing and Community Development's Mobilehome Residency Law Protection Program, including but not limited to its website and contact information, as follows or as may be updated from time to time:

   https://www.hcd.ca.gov/manufactured-and-mobilehomes/mobilehome-assistance-center/how-to-submit-complaint

   Mobilehome Residency Law Protection Program (MRL Complaints):
   (800) 952-8356
   (800) 735-2929 (TTY)
   MRLComplaint@hcd.ca.gov

C. During the Term of this MOU, the Homeowner Oversight Board shall maintain copies of the information and documentation listed in Subsection (B), and shall make such information and documentation available to any Resident upon request.

Section 14. DISPUTE RESOLUTION.

A. Mediation.

1) In the event any dispute arises between the Park Owner and City with respect to the enforcement of any provisions of this MOU, or between the Park Owner, on the one hand, and any Homeowner and/or the Homeowner Oversight Board, on the other hand, who is an intended third party beneficiary with respect to the interpretation or enforcement of any provisions of this MOU, the party claiming a violation of the MOU shall give written notice to the other party specifying the nature of the dispute, and also provide concurrent written notice to both the City of the dispute.

2) If the issue raised in the written notice is not corrected within thirty (30) days of such notice, then the Park Owner and City agree that the parties will first try to resolve the dispute through mediation using a third party mediation service. Any party to mediation may propose an alternate mediation service, provided the party proposing the alternate mediation service pays the full cost of such mediation service. The parties to any such mediation shall make a good faith effort to resolve such dispute through mediation prior to filing any action or lawsuit or seeking judicial relief, unless doing so would cause any action or lawsuit to be barred by any applicable statute of limitations, in which case a protective action may be filed, without prejudice to the continuation of the mediation.

B. Resolution of Disputes Not a Waiver of Rights or Benefits. None of the rights, liabilities, or obligations of the Park Owner, City, Homeowner, or prospective Homeowner to one another shall be waived, suspended, or delayed pending the recommendations of a mediator, or other person designated to administer and make recommendations under any dispute resolution proceeding of this MOU. For example, during any dispute resolution proceeding, the Park Owner remains obligated to provide the amenities and services to the Homeowners, and the Homeowners remain obligated to pay any rents due.

Section 15. REMEDIES.

A. If the Park Owner fails to comply with the terms of this MOU, the City may maintain an action on behalf of the affected Residents to enforce the terms of this MOU.

B. Any Homeowner or Homeowner Oversight Board aggrieved by a breach of or noncompliance with this MOU by the Park Owner shall, as a third party beneficiary of this MOU, have the right on such Homeowner's or Homeowner Oversight Board's behalf to prosecute a civil action against the Park Owner, in any court of competent jurisdiction, to enforce the provisions of this MOU or recover damages for the breach hereof.

C. Nothing in this MOU shall preclude the Park Owner from enforcing the Park's rules and regulations that are not in conflict with this MOU.

Section 16. AMENDMENTS. This MOU may not be amended, altered, or modified except by a writing signed by the City and the Park Owner and recorded with the Office of the Los Angeles County Recorder.

Section 17. RECORDING. This MOU shall be recorded in the office of the County Recorder for the County of Los Angeles.

Section 18. SUCCESSORS AND ASSIGNS. Except as provided in Section 22, below, this MOU shall be binding upon and inure to the benefit of the parties and their prospective successors and assigns.

Section 19. SEVERABILITY. If any portion of this MOU shall be held by a court of competent jurisdiction to be invalid, void, or otherwise unenforceable, the remaining portions of this MOU shall remain in effect and enforceable to the fullest extent permitted by law, if such enforcement would not frustrate the overall intent of the parties as such intent is manifested by all provisions of this MOU. If the MOU or any portion of this MOU is held by a court of competent jurisdiction to be invalid, void, contrary to public policy, ultra-vires, or otherwise unenforceable (collectively, "Impairment") the City shall not be liable to the any Owner, any Homeowner, or any other party in law, equity, or in an action for damages for such Impairment.

Section 20. WAIVER. The failure by any party or intended third party beneficiary to require strict performance of the obligations of another party to this MOU, or the failure to exercise or delay in the exercise of any power, remedy, or right provided in this MOU or otherwise available to any party or intended third party beneficiary, upon any failure of another party to perform the other party's obligations under this MOU, shall not be deemed a waiver and shall not impair or affect the right of such party or intended third party beneficiary to require strict performance and to exercise the power, remedy, or right on any other or subsequent occasion for the same or any other failure of the other party to perform its obligations under this MOU.

Section 21. APPLICABLE LAW. This MOU shall be construed in accordance with, and governed by, the law of the State of California. Nothing herein shall preclude any party from challenging any law, on its face, or as applied, on the ground that it violates the state or federal constitution.

Section 22. Intentionally Omitted.

Section 23. EXHIBITS. Exhibits A, B and C are attached hereto and are incorporated herein by this reference.

Section 24. EXECUTION; COUNTERPARTS. This MOU may be executed in multiple counterparts and becomes binding with respect to each Owner when originally signed by an authorized representative of the Owner and delivered to the City Manager of the City.

Section 25. ENFORCEMENT OF RULES AND REGULATIONS. Nothing in this MOU shall preclude Owner from enforcing the Park's rules and regulations that are not in conflict with this MOU.

APPROVED AND EXECUTED to be effective as of the Effective Date.

CITY:

CITY OF PARAMOUNT, a municipal corporation

By: ______________________________
John Moreno, City Manager

Attest:

By: ______________________________
Heidi Luce, City Clerk

Approved as to form:

Richards, Watson & Gershon

By: ______________________________
Nicholas Ghirelli, City Attorney

PARK OWNER:

[insert complete legal name of park owner]

By: ______________________________

Name: ______________________________

Title: ______________________________

[ATTACH NOTARY ACKNOWLEDGMENT]

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of ______________________)

On _________________________, before me, _________________________________,
(insert name and title of the officer)

Notary Public, personally appeared ____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature__________________________________ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of ______________________)

On _________________________, before me, _________________________________,
(insert name and title of the officer)

Notary Public, personally appeared ____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature__________________________________ (Seal)

EXHIBIT A

MOBILEHOME PARK NAME AND LEGAL DESCRIPTION OF PARK

EXHIBIT B

CAPITAL IMPROVEMENT BALLOT ELECTION FORM

CAPITAL IMPROVEMENT BALLOT ELECTION FORM

Date: ____________________

Name of Mobilehome Park: ____

Address of Mobilehome Park: ____

Total Number of Park Spaces: ____

The following is a detailed description of the Capital Improvement being proposed, which may be submitted for approval by the Homeowners of the above Mobilehome Park pursuant to the Memorandum of Understanding dated XXXXX. Attach additional sheets as necessary.

The Capital Improvement (CHECK ONE) **WILL☐** **WILL NOT☐** be submitted as a Capital Improvement necessary for the health and safety of the Park Residents, the Park community and/or the surrounding comment. Documentation relating to the proposed Capital Improvement may also be reviewed at the Park Office. If more than one Capital Improvement is proposed, it will be voted on separately.

____
____
____
____
____
____
____

The following is the cost of the proposed Capital Improvement

Total planning, design and construction cost:	$	____________
Total cost including financing:	$	____________
Monthly Cost per space	$	____________
Financing Rate	%	____________

HOMEOWNER CONSENT: Please complete one of the following:

I hereby **GIVE** my consent to the above-described Capital Improvement in my Park.	
________________________________	________________
Homeowner Signature	Date
________________________________	________________
Please Print First and Last Name	Space No.

OR

I hereby **DO NOT GIVE** my consent to the above-described Capital Improvement in my Park.	
________________________________	________________
Homeowner Signature	Date
________________________________	________________
Please Print First and Last Name	Space No.

(FORM CONTINUES ON FOLLOWING PAGE)

BALLOT SUBMISSION AUTHORIZATION STATEMENT

Under penalty of perjury under the laws of the State of California, I hereby declare that I am the registered owner of the Mobilehome and a party to a rental agreement with the Park Owner for the Mobilehome Space located at:

Address (include Space Number):

____

I further declare under penalty of the laws of the State of California that I am unable to personally submit my election ballot in person and that I authorize the following individual to deliver and submit my completed ballot to the City Clerk on my behalf:

Authorized Person's Full Legal Name: ______________________________________

Authorized Person's Address: ____

Authorized Person's Phone Number: _______________________________________

I understand that this authorization is granted solely for the purpose of delivering my ballot to the City Clerk, and that the individual named above is not authorized to alter or mark the ballot in any way. I affirm that this ballot has been completed by me without undue influence and in accordance with all applicable election laws under the Memorandum of Understanding between the City of Paramount and the Park Owner.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this _____ day of ________**, 20__, in ____________________, California**.

Signature of Voter:__________________________________

Printed Name of Voter: ______________________________

Phone Number of Voter: _____________________________

Americans with Disabilities Act: In compliance with the Americans with Disabilities Act, if you need the ballot in an alternative format, or require special assistance to participate in the meeting, please contact the Paramount City Clerk's office at (562) 220-2225 at least 72 hours prior to the commencement of the Ballot Election to enable the City to make reasonable arrangements to ensure accessibility.

EXHIBIT C

SUMMARY OF MEMORANDUM OF UNDERSTANDING

This summary provides an overview of the key rights, responsibilities, and procedures contained in the MOU. This summary is intended to help residents understand the main points of the MOU. The full MOU contains additional details, definitions, and procedures that govern mobilehome park operations in the City of Paramount.

<u>Disclaimer</u>: This Summary is for informational and educational purposes only and does not constitute legal advice, nor does it create an attorney-client relationship. It is not a substitute for professional legal advice, and you should consult a licensed attorney in your jurisdiction for advice regarding specific legal issues or questions.

This Memorandum of Understanding (MOU) is an agreement between the City of Paramount and the Owner of the Mobilehome Park ("park owners"). Its purpose is to protect mobilehome owners ("residents") from unreasonable rent increases, maintain fair treatment in the park, and ensure that park owners can receive a reasonable return to operate and maintain the park.

1. Purpose of the MOU

The MOU exists to:

- Limit annual rent increases.
- Provide clear rules about when and how rent can be increased.
- Establish processes for park improvements and cost pass-throughs.
- Ensure transparency in billing and park operations.
- Create opportunities for residents and park owners to communicate and resolve concerns.

2. Rent Increases

- Annual Rent Cap
- Rent may increase once per year.
- The maximum annual increase is 3%.
- Vacancy Adjustments

When a space becomes due to removal or destruction of the mobilehome, or a home is sold to a new owner:

- The park owner may raise rent to market rate for the new resident.
- After that, the 3% annual cap applies again.

Vacancy increases are not allowed when:

- A current resident moves their mobilehome to another space within the same park.
- A home is transferred to a spouse, heir, family member, joint tenant, or personal representative after death.
- A co-owner is added or removed and the resident still lives in the home.
- A home is temporarily removed from the space so the park owner can perform rehabilitation, or capital improvements on the space, or for the resident to upgrade the home with a newer model on the same spacce.

3. Capital Improvements and Capital Replacement Costs

In addition to the 3% annual rent adjustment, the park owner may recover up to 75% of the cost of capital improvement or capital replacement projects by spreading (amortizing) those costs evenly across all spaces. These charges are not included in space rent and must be separately identified on the monthly park rent statement.

Examples include:

- Major replacements like full street or sewer line replacements.
- New infrastructure or amenity construction (clubhouse, laundry, pool renovations).

Restrictions and protections include:

- Annual pass-through adjustment costs (plus any old pre-MOU fees and pass-throughs) cannot exceed 4% of the average base rent in the park each year.
- The owner must follow strict notice, documentation, and bidding requirements.
- Residents may file a protest of a proposed capital improvement or capital replacement pass-through adjustment if it does not meet MOU rules, and either the park owner or residents may pursue binding arbitration if dissatisfied with the outcome of the protest.
- Capital improvement and capital replacement projects require a resident vote, and must receive approval from a majority of occupied spaces. Major water and sewer projects, which are defined to mean replacement of more than 75% of the park's water or sewer system, are exempt from the resident vote requirement.
- Capital improvement and capital replacement pass-through adjustments are separate from rent, and are not included in determining the 3% annual space rent increase.

4. Property Tax Increase Costs as a Result of a Park Sale

If the park is sold and property taxes increase:

- The new park owner owner may pass through the increased property taxes that exceeds 2% over the prior fiscal year's property tax under the prior park owner, spread evenly over five years.
- The property tax pass-through adjustment does not count toward the 4% pass-through cap.
- The property tax pass-through adjustment is separate from rent, and is not included in determining the 3%annual space rent increase.

5. Transparency in Billing

Every monthly rent statement must clearly list by separate line items:

- Current base rent.
- The amount and date of any annual rent increase.
- Each pass-through adjustment, its purpose, total project cost, start/end date, and amortization schedule.
- Any pre-MOU pass-through adjustments initially imposed by the park owner prior to the effective date of the MOU.
- Any other separately billed utilities or state-authorized fees.

When the amortization period of a pass-through ends, the charge must be removed from the rent bill.

6. Safety Net Program for Low-Income Residents

Each park must offer a rent assistance program for qualifying low-income homeowners.

Key features:

- Available to households with income ≤2× monthly rent and assets under $50,000 (not counting the home, furniture, or vehicles).
- Assistance helps ensure rent does not exceed 33% of household income, up to $150/month.
- Residents must apply each year and must have lived in the park at least one year.

7. Registration and Recordkeeping Requirements

Park owners must:

- File initial and annual rent schedules and detailed annual rent rolls with the City.
- Maintain copies of the MOU, park rules, utility information, and other required documents in the park office for resident review.

Prospective residents must receive:

- A summary of the MOU (this document).
- A full copy of the MOU upon request.

8. Communication Between Residents and Park Management

- Each park will have a Homeowner Oversight Board to communicate with management.
- The park owner must meet with this group upon reasonable notice (no more than once each 30 days).
- Residents may still meet individually with management to address personal concerns.

Additionally, a Citywide Working Group of park owners, residents, and City representatives will meet during the first year to address issues related to the MOU.

9. Dispute Resolution

If disputes arise:

- If residents dispute a property tax pass-through adjustment, they may request mediation with thet park owner to resolve the dispute.
-
- For disputes about capital improvement and capital replacement pass-through adjustments:
  - Residents must file a protest with the City.
  - A City decision on a protest about a capital improvement or capital replacement pass-through adjustment can be appealed to binding arbitration.

10. Enforcement

- The City may take action to enforce the MOU on behalf of residents.
- Residents and the Homeowner Oversight Board may sue the park owner for violations of the MOU.