

RESOLUTION NO. MHP 2026-50

A RESOLUTION OF THE SAN MARCOS RENT REVIEW COMMISSION GRANTING SPRINGDALE ESTATES A MONTHLY RENT INCREASE FOR THE SPACES AFFECTED BY THE SEPTEMBER 2025 RENT INCREASE NOTICE

WHEREAS, Springdale Estates, is an all-ages mobilehome park located at 2907 South Santa Fe Avenue, San Marcos, California (Park); and

WHEREAS, on September 25, 2025, the Park Owner (Kleege Enterprises) sent a notice of monthly space rent increase to the tenants of spaces 2 through 85, noticing an increase of 4%, to commence on January 1, 2026 (Notice); and

WHEREAS, on October 26, 2026, the City of San Marcos (City) received a petition submitted by the tenants to review the proposed monthly space rent increase, which petition was in the appropriate format, contained the required minimum number of signatures of affected tenants, designated a Tenant Representative, and was timely filed pursuant to the provisions of the City of San Marcos Mobilehome Rent Review Ordinance [San Marcos Municipal Code (SMMC), Chapter 16.16] (Petition); and

WHEREAS, on October 31, 2026, the City Clerk certified that the rent review Petition complied with the requirements of the Rent Review Ordinance, and notified the Park Owner and Tenant Representative that the increase was stayed pending review by the San Marcos Mobilehome Rent Review Commission, pursuant to SMMC section 16.16.060; and

WHEREAS, in accordance with SMMC section 16.16.070, the Commission hearing on the Petition was set for March 10, 2026, with the Park Owner's initial submission due on January 27, 2026, pursuant to the Commission Procedures, adopted by the Commission for the conduct of rent review hearings; and

WHEREAS. SMMC Chapter requires park owners to provide certain income and expense information and other specified information in advance of a rent review petition hearing; and

WHEREAS, in accordance with SMMC chapter 16.16 and the Commission's Procedures, the Park Owner's initial submission of information supporting the proposed

increase was due on January 27, 2026; and

WHEREAS, the Park Owner did not file its submission by the deadline and was notified by the City on January 28, 2026, that the City had not received its submission, and the Park Owner and Tenant Representative agreed to reschedule the hearing for April 14, 2026; and

WHEREAS, the Park Owner filed its initial written submission for the continued hearing on March 3, 2026, and the Tenant Representative filed their written response on March 24, 2026, in accordance with the Commission's Procedures; and

WHEREAS, upon review of the Park Owner's submittal, the Commission's fair return expert, Dr. Kenneth Baar, noted that it was lacking certain necessary information and that the lack of such information inhibited his ability to conduct the necessary fair return analysis and, as a result, the Park Owner and Tenant Representative agreed to further continue the hearing date to May 19, 2026; and

WHEREAS, Dr. Baar issued his Analysis of the Springdale Estates Rent Increase Application on April 28, 2026, and the Park Owner and Tenant Representatives filed their final submittals on May 7, 2026, and May 12, 2026, respectively; and

WHEREAS, a hearing was held on May 19, 2026, pursuant to Chapter 16.16 and the Commission Procedures; and

WHEREAS, at the May 19, 2026 hearing, the Commission heard testimony and considered evidence presented by George Gregory on behalf of the Park Owner, Tim Sheahan, the Tenant Representative, affected tenants, and Dr. Kenneth Baar, and considered such other information presented at the hearing and in the parties' submissions and in Dr. Baar's report, as evidenced in the hearing record; and

WHEREAS, San Marcos Municipal Code section 16.16.070(g) provides, in part, that the Park Owner shall bear the burden of proving by a preponderance of the evidence, that a proposed space rent increase is reasonable and necessary to enable it to receive a just and reasonable return on its investment; and

WHEREAS, Section 16.16.070(g) states that: *"In evaluating a proposed space rent increase the Commission shall consider the following non-exclusive factors in addition to such other factors as the Commission deems relevant."* and establishes the following seven (7) non-exclusive factors which the Commission shall consider in evaluating the

proposed space rent increase:

*(1) Changes in the mobilehome parkowner's gross income from the operation of the mobilehome park;*

*(2) Changes in the reasonable operating expenses relating to the operation of the mobilehome park;*

*(3) Whether the proposed rent increase will result in an increase in net income to the parkowner from the operation of the park;*

*(4) Changes in the Consumer Price Index ("CPI") for the time period since the last rent increase;*

*(5) Changes in the services, amenities, maintenance and condition of the mobilehome park and the extent to which the rent increase is necessary to provide the services or amenities or to insure maintenance and good operating condition of the park;*

*(6) The extent to which the rent increase is necessary to pay for capital improvements, and the amount of money allocated by the owner to a capital improvement or maintenance fund, along with the parkowner's budget for maintenance, care and capital improvements for the park; and,*

*(7) The extent to which the landlord [parkowner] receives net income from fees or charges for utilities, or incidental fees or charges for services billed separately from rent;*  
and

WHEREAS, at the May 19, 2026 hearing, the individual Commissioners deliberated and came to a decision based upon the evidence presented.

NOW, THEREFORE, the Mobilehome Rent Review Commission of the City of San Marcos resolves:

1. The foregoing recitations are true and correct and are incorporated into the Commission's findings set forth below.

2. The Commission finds as follows:

a. The Park contains 84 rent-controlled spaces, with current monthly rents ranging from approximately \$496 to more than \$1,200, and an average monthly rent of approximately \$879. The substantial disparity in rents, and the fact that some space rents are significantly above the average, is largely attributable to

the fact that, for significant periods, many Park spaces were subject to long-term leases exceeding twelve (12) months in duration, which, under California law then in effect, were exempt from local mobilehome park rent regulation. Under those exempt leases, annual rent increases were not subject to the City's rent control ordinance and were not tied to the Consumer Price Index (CPI"). In some instances, exempt leases in Springdale authorized annual rent increases of 10% to 12% during periods in which inflation was only a few percent or less. In 2020, California enacted AB 2782, which repealed the exemption from local rent regulation for such long-term leases effective January 1, 2025. In addition to space rent, Park Tenants also pay utility charges, including submetered gas and electricity, water, trash, and sewer charges, which average approximately \$227 per month.

b. The Park Owner requested a 4% monthly space rent increase, effective January 1, 2026, based upon the 4% increase in the CPI from July 2024 through July 2025. The Park Owner's justification for the requested increase was based solely upon the CPI factor and was not predicated upon any claimed increase in actual operating expenses.

c. Excluding utility expenses that are passed through directly to Tenants, the remaining operating expenses in the Park are approximately 25% of rental income. Although the Park Owner described several planned capital improvements, the Park Owner did not rely upon those costs, or other increased operating expenses, to justify the proposed rent increase.

d. The Tenants opposed the proposed 4% CPI increase, arguing that the Park Owner had not met its burden of proof by a preponderance of the evidence and proposing various alternative rent adjustment approaches.

e. The Tenant Representative testified that Park rents are well-above those in comparable parks and that the Park Owner had obtained substantial increases pursuant to leases previously exempt from the City's Rent Review Ordinance.

f. The Tenant Representative submitted testimony and historical documentation indicating that the Park's current average rent of approximately \$879 per month was substantially higher than average rents at comparable mobilehome parks in San Marcos and argued that, if the comparable-rent analysis utilized by the Commission in some prior proceedings were applied currently, no rent increase should be granted.

g. Alternatively, relying upon a comparable rent approach, the Tenant Representative proposed that the Commission authorize a fixed-dollar increase of approximately \$20 per month, which they asserted was consistent with the most recent rent increase implemented at Vista Meadows Mobilehome Park, which they identified as the most comparable park.

h. As a further alternative, the Tenant Representative proposed that the Commission utilize a rent adjustment standard based upon 75% of the CPI increase, noting that several California jurisdictions with mobilehome rent control ordinances utilize 75% of CPI as the benchmark for annual rent adjustments. The Tenant Representative also noted that the cities of Chula Vista and Santee, where the Park Owner owns other mobilehome parks, utilize a 75% CPI standard.

i. In addition, because of the substantial disparity among existing space rents within the Park, the Tenant Representative suggested that any approved rent increase should be implemented as a fixed dollar increase rather than as a uniform percentage increase.

j. The Tenant Representative also contended that, under the Park's recent ownership, there had been reductions in services and amenities and that no increase should be granted until amenities were restored and various water service issues resolved. The Commission considered testimony from the Park Owner regarding planned and ongoing improvements, which was corroborated in part by statements from certain tenants, and found that efforts were being

undertaken to remedy issues that had not been adequately addressed by prior ownership, including water pressure issues, fence repairs, and clearing of debris.

k. Staff Consultant Dr. Baar began his report by confirming that there was a wide discrepancy in current park rents and that from 2019 through 2025, annual rent increases for rent-controlled spaces in the Park had ranged from approximately 61% to 100% of the annual CPI increase.

l. After reviewing the claims presented by the Park Owner, the Tenant Representative, and affected tenants, and considering the rent adjustment factors set forth in the City's Rent Ordinance, Dr. Baar explained that, assuming Park operating expenses equal approximately 50% of rental income and increase at the same rate as the CPI, a rent increase equal to approximately 88% of the CPI increase would allow the Net Operating Income ("NOI") portion of rental income to increase by approximately 75% of the CPI increase. Dr. Baar further noted that, in at least some recent proceedings, the Commission had approved rent increases resulting in NOI increases of approximately 75% of CPI. Based upon those assumptions, Dr. Baar concluded that a rent increase equal to 88% of the 4% increase in the CPI would permit the Park's space rents to increase by approximately 3.5%.

m. Dr. Baar noted that rent control ordinances typically authorize increases on a fixed percentage basis. However, he indicated that a fixed-dollar increase may be appropriate in a mobile home park with substantial disparities in rents among spaces because operating cost increases generally affect spaces uniformly in dollar terms, rather than varying among spaces depending on differences in their rent levels. Applying a 3.5% increase to the Park's overall average rent of \$879, Dr. Baar calculated a fixed-dollar increase of approximately \$30.79 per month, which he recommended.

n. Dr. Baar further discussed an alternative methodology referenced in his report based upon a rent increase equal to 75% of the CPI increase, which would permit growth in net operating income adequate to meet the standards

established in California appellate court decisions. Assuming operating expenses equal approximately 50% of rental income, Dr. Baar explained that a rent increase equal to 75% of CPI would permit NOI portion of rental income to increase by approximately 50% of the CPI increase. Dr. Baar noted that California appellate courts have upheld fair-return formulas allowing NOI increases in the range of 40% to 50%. Dr. Baar calculated that a rent increase equal to 75% of the CPI increase would result in a 3% increase in space rents and that applying a 3% increase to the Park's overall average rent of \$879 would result in a fixed-dollar increase of approximately \$26.37 per month.

o. During the hearing, the Tenant Representative expressed concern that any approved increase might be made retroactive to January 1, 2026, the date originally proposed by the Park Owner. Pursuant to San Marcos Municipal Code section 16.16.070(a), the fact that the hearing was continued and not conducted within sixty (60) days after receipt of the Tenant Petition does not render the increase retroactive to January 1, 2026, unless the Park Owner objects to such a continuance. Here the Park Owner did not object. Furthermore, the hearing was continued from March 10, 2026 to April 14, 2026, by mutual agreement of the parties, due to the Park Owner's failure to submit its initial submission by the required deadline, and was continued again to May 19, 2026, by mutual agreement of the parties, after review of the Park Owner's initial submission identified certain required information was not included and additional time was needed after the information was ultimately provided.

p. Pursuant to Section 2(g) of the San Marcos Mobilehome Rent Review Commission Procedures, the approved increase shall become effective upon full execution of this Resolution, because the Commission approved a rent increase in an amount less than that set forth in the Park Owner's original notice of rent increase, and more than ninety (90) days have elapsed since service of that notice.

3. The Commission considered all evidence presented at the hearing, including: (1) the Tenants Representative's position that no rent increase should be approved or, alternatively, that any increase should be limited to approximately \$20 per month; (2) Dr. Baar's report and recommendation that the Commission approve a 3.5% CPI adjustment, resulting in a fixed monthly rent increase of \$30.79; (3) the Park Owner's agreement that a fixed monthly increase of \$30.79 would be reasonable; (4) evidence that the Park's average rents are substantially higher than rents at comparable parks; (5) evidence that the Park's operating expenses, excluding utility costs passed through to tenants, are approximately 25% of rental income; (6) the fact that the Park Owner did not base its requested increase on increased operating expenses or prior capital improvement expenditures; (7) evidence that several other California jurisdictions apply a 75% CPI standard in mobilehome space rent regulation; and (8) Dr. Baar's alternative opinion that a 3% CPI adjustment, resulting in a fixed monthly increase of \$26.37 as discussed in his report, would also provide the Park Owner with a constitutionally adequate fair return.

4. Based upon the foregoing findings, the evidence presented to the Commission, and the testimony and information considered at the hearing, the Commission authorizes Springdale Estates to increase space rents by an amount equal to 75% of the annual CPI increase, which in this instance equals a 3% increase. Applied to the Park's overall average space rent of \$879, this results in an approved fixed-dollar rent increase of \$26.37 per month, effective upon full execution of this Resolution.

PASSED AND APPROVED at a special meeting of the San Marcos Rent Review Commission held on the 26th day of May 2026, by the following roll call vote.

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSENT: COMMISSIONERS:

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Rebecca D. Jones, Chair  
Mobilehome Rent Review Commission  
City of San Marcos

ATTEST:

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Phillip Scollick, Commission Clerk  
Mobilehome Rent Review Commission  
City of San Marcos