



# CITY OF EAST PALO ALTO CITY COUNCIL SPECIAL MEETING AGENDA

September 14, 2021, 6:30 p.m.  
EPA Government Center  
2415 University Ave, First Floor  
East Palo Alto, CA 94303

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## NOTICE

On March 17, 2020, the Governor issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. Pursuant Governor's executive order and the Center for Disease Control and Prevention (CDC)/State/County social distancing guidelines, which discourage large public gatherings, the council chamber will not be open to the public for the September 14, 2021 City Council meeting.

Community members may provide comments by emailing [cityclerk@cityofepa.org](mailto:cityclerk@cityofepa.org) or using the “**RAISE HAND**” feature when the Mayor or City Clerk call for public comment. Emailed comments should include the specific agenda item on which you are commenting. The length of the emailed comment should be within the two minutes customarily allowed for verbal comments, which is approximately 150-200 words. To ensure your comment is received and read to the City Council for the appropriate agenda item, please submit your email no later than 5:00 p.m. on September 14, 2021. The City will make every effort to read emails received after that time but cannot guarantee such emails will read into the record. Any emails received after the 5:00 p.m. deadline that are not read into the record will be provided to the City Council after the meeting.

Please click this URL to join

<https://us06web.zoom.us/j/84031840022>

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+1 301 715 8592

Webinar ID: 840 3184 0022

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International numbers available: <https://zoom.us/u/aMWYF4KT>

1. **CALL TO ORDER AND ROLL CALL**
2. **APPROVAL OF THE AGENDA**  
*(Government Code Section 54957.7(a))*
3. **CLOSED SESSION**

**Conference with Legal Counsel – Potential Litigation**  
(California Government Code § 54956.9)

**One Case**

- A. **PUBLIC COMMENT ON CLOSED SESSION ITEMS**
- B. **ADJOURNMENT INTO CLOSED SESSION**
- C. **RECONVENE INTO OPEN SESSION**
- D. **REPORT OUT OF CLOSED SESSION**

4. **POLICY AND ACTION**

**Update on the Palo Mobile Estates Conversion Process**

**Recommendation:** It is recommended that the City Council take the following actions:

1. Receive the staff report regarding the current status of the Palo Mobile Estates conversion;
2. Discuss and provide direction regarding the concerns raised by Community Legal Services in their letter, dated August 31, 2021, to Palo Mobile Estates Associates; and
3. Direct the City Attorney to enforce, as necessary, the rental increase restrictions and rent increase limitations set forth Paragraph 1 of the Conditions of Approval.

5. **ADJOURNMENT**

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This AGENDA is posted in accordance with Government Code Section 54954.2(a)

**This Notice of Availability of Public Records:** All public records relating to an open session item which are not exempt from disclosure pursuant to the Public Records Act, that are distributed to the majority of the City Council will be available for public inspection at the City Clerk's Office, 2415 University Avenue, East Palo Alto, CA at the same time that the public records are distributed or made available to the City Council. Such documents may also be available on the East Palo Alto website [www.cityofepa.org](http://www.cityofepa.org) subject to staff's ability to post the documents prior to the meeting. Information may be obtained by calling (650) 853-3100.

The City Council meeting packet may be reviewed by the public in the Library or the City Clerk's Office. Any writings or documents pertaining to an open session item provided to a majority of the City Council less than 24 hours prior to the meeting, shall be made available for public inspection at the front counter at the City Clerk's Office, 2<sup>ND</sup> Floor, City Hall, 2415 University Avenue, East Palo Alto, California 94303 during normal business hours. Information distributed to the Council at the Council meeting becomes part of the public record. A copy of written material, pictures, etc. should be provided for this purpose.

East Palo Alto City Council Chambers is ADA compliant. Requests for disability related modifications or accommodations, aids or services may be made by a person with a disability to the City Clerk's office at (650) 853-3127 no less than 72 hours prior to the meeting as required by Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof.

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### DECLARATION OF POSTING

This Notice is posted in accordance with Government Code §54954.2(a) or §54956. Members of the public can view electronic agendas and staff reports by accessing the City website. Under penalty of perjury, this Agenda was posted to the public at least 24 hours prior to the meeting.

POSTED: September 13, 2021

ATTEST:

*James Colin*

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James Colin  
Executive Assistant to the  
City Manager



# EAST PALO ALTO CITY COUNCIL STAFF REPORT

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**DATE:** September 14, 2021

**TO:** Honorable Mayor and Members of the City Council

**VIA:** Jaime M. Fontes, City Manager *Jaime M. Fontes*

**BY:** Patrick Heisinger, Assistant City Manager

**SUBJECT:** Update on the Palo Mobile Estates Conversion Process

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## **Recommendation**

It is recommended that the City Council take the following actions:

1. Receive the staff report regarding the current status of the Palo Mobile Estates conversion;
2. Discuss and provide direction regarding the concerns raised by Community Legal Services in their letter, dated August 31, 2021, to Palo Mobile Estates Associates; and
3. Direct the City Attorney to enforce, as necessary, the rental increase restrictions and rent increase limitations set forth Paragraph 1 of the Conditions of Approval.

## **Alignment with City Council Strategic Plan**

This recommendation is primarily aligned with:  
Priority #6: Create a Healthy and Safe Community

## **Background**

In 2007, Palo Mobile Estates Associates (“PME”), owners of Palo Mobile Estates mobile home park (“Park”), filed a subdivision map application with the City of East Palo Alto (“City”). The application was reviewed and approved in 2009. While undergoing the review and approval process with the City, the Park residents reached a settlement agreement with PME, which was later incorporated into the City’s conditions of approval (“COA”). (Attachment 1)

Relevant to tonight’s discussion, Paragraph 1 of the Conditions of Approval provides the following benefits to residents of PME:

“All non-purchasing residents lawfully occupying a mobilehome in the Project as of January 1, 2009 who do not purchase their lot within the 90-day right of first

refusal period provided under California Government Code Section 66459 (collectively, "Eligible Non-Purchasing Residents") whose incomes are below the limit for median income (as defined under the California Health and Safety Code) shall receive the benefits of the rental increase restrictions of California Government Code Section 66427.5(f)(2). For Eligible Non-Purchasing Residents whose income exceeds that of persons or families of median income (as defined under the California Health and Safety Code), their rents shall increase to market rents over a six (6) year period. The term Eligible Non-Purchasing Residents shall include those who open escrow and deposit their earnest money deposit into escrow for the purchase of their lot but fail to close escrow."

In other words, Eligible Non-Purchasing Residents who meet the low income definition in the California Health and Safety Code are eligible to have their rent increased from the preconversion rent by an amount equal to the average monthly increase in rent in the four years immediately preceding the conversion, or by the Consumer Price Index for the most recently reported period, which ever is less. All other Eligible Non-Purchasing Residents will have their rent increased to market over a six-year period.

In March 2020, PME filed a request with the State of California to convert the Park into a resident-owned park and to initiate the sale of lots to the current residents. On January 27, 2021, PME sent a letter to the Park residents providing information about the conversion process. In this letter, PME communicated the following:

- Park residents who chose not to exercise their option to purchase their lot, but who wished to stay as tenants upon completion of the conversion process, would only have their income verified once upon the sale of the first lot to a resident; and
- Any future rent increases would be calculated based on the income verification that was completed during the first year post-conversion. (Attachment 2)

On August 4, 2021, PME sent a letter to the Park residents informing them that the first lot sale to a Park resident was nearing finalization, effectively converting the Park into a resident-owned park. PME also informed the Park residents about the resident income verification process to be implemented upon conversion. (Attachment 3) The PME income verification process is summarized as follows:

<b>PME-PROPOSED VERIFICATION PROCESS</b>	
<b>Issue</b>	<b>Requirement</b>
Method of Income Verification	IRS Tax Returns for 2018, 2019, and 2020.
Acceptable Verification Forms	IRS Tax Returns only, for all members of a household.
CPA Verification Process	Performed by a CPA at PME's Property Management Company. No third-party verification process.
Process for Appeal	None.
Frequency of Verification	Income verified annually.

On August 10, 2021, PME informed the City that the first lot sale to a Park resident was completed on August 5, 2021. As a result, the Park conversion was finalized and the Park was effectively removed from jurisdiction of the City’s Rent Stabilization Program. Rent increases are now subject to State law and may not exceed a CPI formula for any existing low-income households who remain in the Park as tenants.

On August 31, 2021, Community Legal Services in East Palo Alto (“CLS”) on behalf of Park residents, sent a letter to PME and the City challenging the income verification process and requesting City intervention to protect the residents’ right to a stabilized rent and prevent illegal displacement. (Attachment 4) A detailed outline of the concerns described by CLS in their letter dated August 31, 2021, along with a proposed alternative for each, is provided below:

<b>CLS’ CONCERNS REGARDING PME VERIFICATION PROCESS</b>	
<b>Issue</b>	<b>CLS Proposal</b>
Method of Income Verification	A. 2020 tax returns; or B. Two most recent pay stubs, plus public benefits award letter, plus bank account statements, plus attestation; or C. Proof of income-based benefits received by a member of the household; or D. Employer letter regarding income, plus public benefits award letter, plus bank account statements, plus attestation.
Acceptable Verification Forms	Verification of income in the first year only, based upon the proposed four categories of information above.
CPA Verification Process	Independent third-party evaluation (City to verify income or select and fund the third-party evaluator).
Process for Appeal	Create a process for appealing a determination of income verification.
Frequency of Verification	Income verification in first year and no further verifications as stated by PME in their letter dated January 27, 2021.

Furthermore, CLS requests that “the City of East Palo Alto renew its commitment to the residents by acting as the neutral

On September 7, 2021, several Park residents provided testimony at the City Council meeting, expressing their concerns with the items outlined above.

The purpose of this staff report is to provide the City Council with more information about the concerns articulated by CLS, to facilitated City Council discussion of the matter, and obtain direction for future action, if applicable.

## **Analysis**

### **Staff Discussions with PME**

The City Attorney's Office reached out to legal counsel for PME to discuss the concerns received by the City via letter and at public comment during the September 7th City Council meeting. To address the request for third party income verification, PME has invited the City to provide a list of three (3) recommended certified public accountants to oversee the verification process. PME's legal counsel will allow an independent third party to determine the income-eligibility status of residents without disclosing confidential information to PME. PME's legal counsel declined to respond to the remaining concerns identified in CLS's letter. PME's legal counsel was notified of today's special meeting.

### **City Enforcement**

Condition of Approval No. 2 provides: "The City Attorney shall have the non-exclusive right to represent Eligible Non-Purchasing Residents' with respect to their rights to the rental increase restrictions and rent increase limitations as described in paragraph 1 above. The paragraph establishes that the parties to the settlement agreement – PME ownership and residents – agreed that the City Attorney could represent Eligible Non-Purchasing Residents with respect to enforcement of their rights to the rental increase restrictions and rent increase limitations set forth in Paragraph 1 of the Conditions of Approval, and the then-City Council approved of this condition.

Tonight, the City Council may direct the City Attorney to review whether PME's income verification proposal violates Paragraph No. 1 of the Conditions of Approval and to take appropriate actions if it is determined that a violation(s) exist. To represent an Eligible Non-Purchasing Residents, the City would have to identify such residents interested in City representation with respect to enforcement of Paragraph No. 1 of the Conditions of Approval.

### **Fiscal Impact**

There is no fiscal impact associated with the City Council discussion of the topics outlined in this staff report.

### **Public Notice**

The public was provided notice of this agenda item by posting the City Council agenda on the City's official bulletin board outside City Hall and making the agenda and report available at the City's website and at the San Mateo County Library located at 2415 University Avenue, East Palo Alto.

### **Environmental**

The action being considered does not constitute a "Project" within the meaning of the California Environmental Quality Act (CEQA), pursuant to CEQA Guideline section 15378 (b)(5), in that it is a government administrative activity that will not result in direct or indirect changes in the environment.

**Attachment(s)**

1. 2009 City's Conditions of Approval re Park Subdivision
2. 2021-01-27 PME's Conversion Update to Park Residents
3. 2021-08-04 PME's Letter to Park Residents
4. 2021-08-31 CLS's Letter to PME and City re Income Verification Process



1885 E. Bayshore Rd.: S 07-10; CE 07-22

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**CONDITIONS OF APPROVAL:****SUBDIVISION:**

1. The project shall be constructed in substantial compliance with the Vesting Tentative Map submitted as part of East Palo Alto planning application (S 07-10, CE 07-22), last revision dated May 22, 2008.
2. These conditions of approval shall be reproduced on page one (1) of any plans submitted for building permit approval for this project.
3. Minor modifications to the approved plans under this approval shall be subject to the approval of the City Planning Manager. Major modifications shall be subject to review and approval by the Planning Commission.
4. Prior to the issuance of any building permits, the property owner / applicant shall acknowledge in writing all of the conditions of approval and must accept these conditions with full awareness of the responsibilities associated with each requirement.
5. Noise generating construction activity shall be limited from 7:30 a.m. to 6:00 p.m. Monday through Friday.
6. No material or construction equipment shall be stored to interfere with the flow of traffic on the street. All construction vehicles shall be parked on the site to the extent feasible.
7. The applicant shall hold harmless the city, its officers, agents, and employees from any liability or claims for damages due to the injury of any person, loss of life, or damage to property caused by, or arising out of activities authorized by these approvals. The applicant shall employ legal counsel approved by the city and/or indemnify the City for the cost of legal counsel and legal services.
8. The project shall comply with all 2007 California Building Code (CBC) requirements.
9. The project shall comply with Section 14.18.030 of the East Palo Alto Municipal Code.
10. The project shall comply with Section 66427.5 of the Government Code.
11. The project shall comply with the attached "Agreement of Applicant".

### Agreement of Applicant

If the tentative tract map filed by Palo Mobile Estates Associates ("Applicant") regarding conversion of the Palo Mobile Estates Mobile Home Park ("Project") is approved by the City Council for the City of East Palo Alto ("City"), Applicant hereby covenants and agrees to provide the residents of the Project with the following benefits:

1. All non-purchasing residents lawfully occupying a mobilehome in the Project as of January 1, 2009 who do not purchase their lot within the 90-day right of first refusal period provided under California Government Code Section 66459 (collectively, "Eligible Non-Purchasing Residents") whose incomes are below the limit for median income (as defined under the California Health and Safety Code) shall receive the benefits of the rental increase restrictions of California Government Code Section 66427.5(f)(2). For Eligible Non-Purchasing Residents whose income exceeds that of persons or families of median income (as defined under the California Health and Safety Code), their rents shall increase to market rents over a six (6) year period. The term Eligible Non-Purchasing Residents shall include those who open escrow and deposit their earnest money deposit into escrow for the purchase of their lot but fail to close escrow.
2. The City Attorney shall have the non-exclusive right to represent Eligible Non-Purchasing Residents' with respect to their rights to the rental increase restrictions and rent increase limitations as described in paragraph 1 above.
3. Subject to the governing documents for the homeowners' association for the Project (including but not limited to the bylaws, articles and CC&Rs) and the requirements of the Davis-Stirling Common Interest Development Act, after the conversion of the Project the Applicant shall afford all Eligible Non-Purchasing Residents with non-voting participation and attendance rights at ownership meetings held by the homeowners' association for the park; provided, however, such rights shall not extend to meetings of the board of directors of the homeowners' association. Eligible Non-Purchasing Residents may confer with the members of the board of directors of the homeowners' association in order to communicate their views and goals to the ownership of the park.
4. Applicant shall provide the City with the names of three (3) appraisers qualified to conduct appraisals of the lots within the Project, and the City shall select one (1) of the three (3) appraisers provided by the Applicant.
5. Applicant shall afford residents lawfully occupying a mobilehome in the Project as of January 1, 2009 ("Eligible Residents") and who rent their mobilehome from the Applicant with the right to purchase the leased mobilehome and the lot upon which such mobilehome is situated at its fair market value. This right to purchase shall be for the 90-day period set forth under California Government Code Section 66459. The benefits described herein apply equally to such Eligible Residents.
6. In addition to any rights to sublease as provided under the Mobilehome Residency Law, in the event of emergency circumstances (as defined below) only, Eligible Non-Purchasing Residents shall have the right to sublet their space and lease their mobilehome as one unit for a term of not more nor less than six (6) months; provided, however, that such sublease may terminate earlier than the six (6) month term in the event the leased mobilehome is sold. For purposes of this paragraph, "emergency circumstances" shall mean if an Eligible Non-Purchasing Resident is required to move out of their mobilehome due to death, disability or serious illness of the Eligible Non-Purchasing Resident or of an immediate family member, or in the event of the loss or significant reduction in the household income of such Eligible Non-Purchasing Resident. If an Eligible Non-Purchasing Resident sublets their space, then the rent for such space shall be automatically increased to market rates. Eligible Non-Purchasing Residents who sublet their space and lease their mobilehome and then re-occupy their mobilehome and lot after it has been leased and sublet shall forfeit their rights, if any, to the lower income household rental increase restrictions as provided under California Government Code Section 66427.5(f)(2).

7. Eligible Residents who have entered into escrow and deposited the required earnest money deposit into escrow to purchase their lot (collectively, "Eligible Purchasing Residents") within 90 days of delivery of the final public report for the conversion shall receive a 20% discount off of the appraised value of their lot.
8. Within a two (2) year period following the sale of the first lot in the Project, Applicant shall provide each buyer that purchases an Eligible Non-Purchasing Resident's mobilehome with a 10% discount off of the appraised value of the lot upon which the mobilehome is situated.
9. Applicant shall finance up to 25% of the purchase price for Eligible Purchasing Residents. Such financing shall be at a below-market interest rate with all outstanding sums being due and payable within 90 months or earlier in the event of a default.
10. In connection with obtaining California Department of Real Estate ("DRE") approvals regarding conversion the Project, Applicant shall provide residents of the Project and the City with at least 14 days prior written notice of any DRE scheduled inspections of the Project, and Applicant shall provide residents and the City with a copy of all relevant documents and notices received by the Applicant from the DRE concerning any DRE performed inspections of the Project. The City may deliver to the DRE any and all inspection reports prepared by the City, which are consistent with DRE requirements. Residents and designated representatives of the City shall have the right to directly contact and meet with DRE representatives regarding conversion of the Project, so long as such residents and representatives of the City do not unduly interfere with or delay the conversion.
11. After conversion of the Project and so long as Applicant controls a majority of the voting power of the homeowners' association, Applicant will neither vote nor take action to require removal of mobilehomes in the Project exceeding a designated age as a condition to the sale of such mobilehomes and lots to a purchaser.
12. Applicant shall provide at least quarterly updates to residents of the Project as to the progress of the conversion by letter or posting in a prominent location in the park. Such updates shall list key dates, if any, and provide reasonable advance notice of relevant deadlines. Applicant shall provide notice of the appraiser selected pursuant to paragraph 4 hereof.
13. Paragraphs 1 through 12 hereof shall terminate and be of no force and effect in the event the City Council fails to approve the tentative tract map by January 27, 2009 or if any lawsuit or legal action is taken by any resident, directly or indirectly, or by any nonprofit organization challenging the City Council's approval thereof.

# *Palo Mobile Estates*

## CONVERSION TO RESIDENT OWNERSHIP UPDATE and ADDITIONAL INFORMATION

Dear Residents of Palo Mobile Estates,

We have received several questions from residents about the status and various aspects of the conversion of the Park and we want to provide everyone with this information.

### STATUS

While the Park is getting closer to receiving a Public Report from the Dept. of Real Estate (DRE), it will likely be late February or March before the Park Owner will be able to offer lots for sale.

### QUESTIONS / ANSWERS

*Q – Where can I find a lender who will want to provide mortgage financing for my lot?*

A – The Park Owner's team has identified an interested lender, with experience in lending in subdivided mobilehome parks. Their **current** rate for a 30-year loan is 4.25%. At this rate and term the payments would be about \$5 for each \$1,000 of loan amount (for example, payments on a \$200,000 loan would be approx. \$1,000/mo.). The lender will take the value of the house into account as a source of equity so that financing of all costs and fees may be possible. Once the Public Report has been issued we will be scheduling individual meetings to provide you with lender information as well as purchase and finance options.

*Q – If I purchase my lot, will I be allowed to rent out my home?*

A – Yes. However, pursuant to the CC&Rs a rental must be for a minimum of six months. Short term rentals (Airbnb, etc.) will not be allowed. As the home/lot owner you would be responsible for the actions of your tenant who must abide by all Park rules. Once the Public Report has been issued you will be able to read more details about this in the DRE approved CC&Rs.

*Q – Will there be architectural restrictions if I want to put a new home on my lot?*

A – Pursuant to the CC&Rs, the Homeowners Association (HOA) Board may set forth architectural rules and guidelines. New homes must also comply with standards and regulations set forth by the Dept. of Housing & Community Development and state laws pertaining to manufactured housing communities.

*Q – Will the HOA dues include utility (water, gas, electric) payments?*

A – The HOA dues (which will only be paid by those who choose to purchase) will include the payments for utilities used in the common areas of the Park. Individual household utilities will

continue to be billed/paid the way they are now.

*Q – If I purchase my lot, will there be any immediate HOA assessments to pay for infrastructure upgrades or capital improvements already made to the Park?*

A – No. Any upgrades made to the Park prior to the issuance of the Public Report have already been considered by the DRE and the HOA dues will reflect the remaining useful life of the Park as it is today with the newly made improvements. This means that the dues will be significantly less than they would have been if the work had not already been completed.

For those residents who are considering continuing to rent their space, we've had a few questions about income levels. As you know, upon the conversion, income levels will be used to determine the level of rent protections that will be provided to resident households. This is to ensure that those households who need the most protection will have it for as long as they live in the Park.

*Q – How will income levels be verified?*

A – As with other types of subsidized or affordable housing, income levels will be verified by tax returns. Residents who wish to continue to rent will be required to provide copies of most recent tax returns for all adult members of their household.

The tax returns will be reviewed by an independent third party who will determine the **combined adjusted gross income** for each household to determine the level of rent protection each household qualifies for. Please refer to the Rental Rate Information provided to you in August.

*Q – How often will my income need to be verified?*

A – Income will only be verified in the first year.

*Q – What if my income increases or decreases in subsequent years? Will my rental rate be adjusted?*

A – No. Annual rent increases will continue based on the rate increase formula you qualify for in the first year.

*Q – Who will be responsible for compliance with the new rent increase regulations?*

A – One of the terms of the Park Owner's Agreement with the City reads as follows: "The City Attorney shall have the non-exclusive right to represent Eligible Non-Purchasing Residents' (an Eligible Non-Purchasing Resident is defined as "lawfully occupying a mobilehome in the project as of Jan. 1, 2009") with respect to their rights to the rental increase restrictions and rent increase limitations..."

After the issuance and review of the Public Report, if you have additional questions that have not yet been answered, please plan to schedule an individual appointment with a member of the Park Owner's team.

**PALO MOBILE ESTATES**  
**RENTAL RATE INFORMATION**

August 4, 2021

Dear Resident of Palo Mobile Estates,

As you know, we have now begun to sell lots in the park. Once escrow closes on the first lot purchase, which we anticipate will be this week, the park will legally be converted into a subdivided resident-owned community.

Pursuant to state law and the 2009 Conditions of Approval, upon the date of conversion the rental rates in the park will no longer be controlled by the City of East Palo Alto. We want to remind you of what the new system will be for rental rate increases, beginning with the next annual increase which is scheduled for December 1, 2021.

Rent increases will be determined by two factors: (1) the date you moved into the park; and (2) your combined household income.

The following information is pursuant to the 2009 Conditions of Approval as approved by the City of East Palo Alto. Please carefully review each of the four categories below and determine which rent increase rule will apply to your household:

1. If you choose not to purchase your lot within the 90-day right of first refusal period and you lawfully occupied your mobilehome in Palo Mobile Estate as of January 1, 2009 and your combined household income is below the limit for median income\* your rent will not increase annually by more than the change in the Consumer Price Index (CPI) or by the average increase in the four years immediately preceding the conversion, *whichever is less*. This shall also apply if you open escrow and deposit earnest money into escrow for the purchase of your lot but fail to close escrow. We anticipate the increase for this category to be approximately 3.1% for the December 2021 rent increase.
2. If you choose not to purchase your lot within the 90-day right of first refusal period and you lawfully occupied your mobilehome in Palo Mobile Estate as of January 1, 2009 and your combined household income *exceeds* the limit for median income\* your rent will increase to market rate rents (in equal annual increments) over a six-year period. This shall also apply if you open escrow and deposit earnest money into escrow for the purchase of your lot but fail to close escrow. Market rent for mobilehome sites in Palo Mobile Estates, as of July 2020 as determined by the appraiser selected by the City of East Palo Alto, is \$1,600 per month.
3. Effective upon the sale of the first lot, if you choose not to purchase your lot and you began your residency in Palo Mobile Estates after January 1, 2009 and your combined household income is at or below the limit for low income\* your rent will not increase annually by more than the change in the Consumer Price Index (CPI) or by the average increase in the four years immediately preceding the conversion, *whichever is less*. We anticipate the increase for this category to be approximately 3.1% for the December 2021 rent increase.

4. Effective upon the sale of the first lot, if you choose not to purchase your lot and you began your residency in Palo Mobile Estates after January 1, 2009 and your combined household income is above the limit for low income\* your rent will increase to market rate rents (in equal annual increments) over a four-year period. Market rent for mobilehome sites in Palo Mobile Estates, as of July 2020 as determined by the appraiser selected by the City of East Palo Alto, is \$1,600 per month.

If you are unsure which of these categories applies to your situation, please see the park manager for assistance.

In order to verify your household income to qualify for the rent increase protections, you will be required to provide IRS tax returns for all adult members of your household for the prior three years (2018, 2019, 2020). The tax returns will be reviewed and verified by an accountant. The income qualification will include the combined household adjusted gross income of all occupants over the age of 18. It will be incumbent on residents who believe their income will qualify for the most restrictive rent protection to provide their documentation. Please see the Income Verification Instructions found on page 3 of this letter. If a resident household does not provide access to their income documentation it will be assumed that they do not qualify as at or below median income and their rent will be adjusted accordingly.

Rent increases will be on an annual basis. Households who qualify at or below median income in 2021 should expect to have to submit income verification every year in order to stay qualified.

If, based on the income figures listed below, you believe your combined household income will qualify this year for rent protection, please read and follow the instructions included with this letter.

Also, if you have not yet met with me, or Clarke Fairbrother from Newport Pacific, to discuss the purchase of your lot, we recommend doing so. We are scheduling appointments for August 6<sup>th</sup> & 7<sup>th</sup>. Please see the park manager to schedule a meeting. Depending on your situation it may be more economical to purchase your lot than to rent.

Lastly, please be aware that the 90-day purchase discount period will be ending on August 7, 2021. You may still purchase your lot after this date, however, the 10% or 20% discounts will no longer be available. In order to take advantage of the discount you would need to sign a contract or open escrow by August 7, 2021.

Sincerely,

Doug Kirchner  
Palo Mobile Estates Associates

***\*The 2021 income limits established by the California Dept. of Housing & Community Development for San Mateo County are as follows:***

***MEDIAN INCOME: 1 person household - \$104,700; 2 persons - \$119,700; 3 persons - \$134,650; 4 persons - \$149,600; 5 persons - \$161,550; 6 persons - \$173,550.***

***LOW INCOME: 1 person household - \$102,450; 2 persons - \$117,100; 3 persons - \$131,750; 4 persons - \$146,350; 5 persons - \$158,100; 6 persons - \$169,800.***

## INSTRUCTIONS FOR INCOME VERIFICATION

In order to verify your household income to qualify for the most restrictive rent increase protections, you will be required to provide access to IRS tax returns for all adult members of your household for the prior three years (2018, 2019, 2020).

The income qualification will include the combined household adjusted gross income of all occupants over the age of 18. All tax returns will be reviewed and verified by an accountant.

To provide safe access to your tax returns, please complete/sign the enclosed IRS Form 4506-C which authorizes the IRS to securely send transcripts of your tax information for verification. The IRS program, called IVES is described on the IRS website as follows:

*The Income Verification Express Service (IVES) program is used by mortgage lenders and others within the financial community to confirm the income of a borrower during the processing of a loan application. The IRS provides return transcript, W-2 transcript and 1099 transcript information generally within approximately 2-3 business days to a third party with the consent of the taxpayer. The transcript information is delivered to a secure mailbox based on information received from a Form 4506-C.*

Please submit your completed/signed IRS Request for Transcript of Tax Return (Form 4506-C) by mail or email to:

Steve Binder  
Newport Pacific Capital Co.  
17300 Redhill Avenue, Suite 280  
Irvine, CA 92614  
[steveb@newportpacific.com](mailto:steveb@newportpacific.com)

Steve Binder is the accountant who will be verifying your income. All Tax Return Request Forms received will be submitted to the IRS who will then provide the tax returns directly to Mr. Binder. The IRS will only provide the information needed, and will not include other personal information that may be contained in your tax returns.

If, for any reason, you do not want to have your tax return information provided directly by the IRS, you may submit copies of your 2018, 2019, and 2020 tax returns (first two pages only) directly to Mr. Binder. However, if you provide them directly, please know that Mr. Binder will verify the information contained in the documentation you provide with the IRS.





# PALO MOBILE ESTATES

## INFORMACIÓN SOBRE LA TASA DE ALQUILER

4 de agosto de 2021

Estimado residente de Palo Mobile Estates:

Como ya sabe, hemos comenzado a vender lotes en el parque. Una vez que cierre la entrega en depósito en la primera compra de lote, que prevemos que será esta semana, el parque se convertirá legalmente en una comunidad subdividida propiedad de residentes.

Conforme a la ley estatal y las Condiciones de aprobación de 2009, en la fecha de conversión, las tasas de alquiler del parque ya no estarán controladas por la ciudad de Palo Alto Oriental. Queremos recordarle cómo será el nuevo sistema en cuanto a los aumentos de la tasa de alquiler, que comenzará con el próximo aumento anual programado para el 1 de diciembre de 2021.

Los aumentos en la tasa estarán determinados por dos factores: (1) La fecha en que se mudó al parque y (2) sus ingresos familiares combinados.

La siguiente información cumple con las Condiciones de aprobación de 2009, según lo aprobado por la ciudad de Palo Alto Oriental. Revise atentamente cada una de las cuatro categorías a continuación y determine qué norma de aumento de tasa se aplicará a su vivienda:

1. Si decide no comprar su lote dentro del período de derecho de prelación de 90 días y ocupó legítimamente su casa rodante en Palo Mobile Estate desde el 1 de enero de 2009 y sus ingresos familiares combinados se encuentran por debajo del límite de ingresos medios\*, su tasa no aumentará anualmente más del cambio en el Índice de precios al consumidor (Consumer Price Index, CPI) o por el aumento promedio en los cuatro años inmediatamente anteriores a la conversión, *lo que dure menos*. Esto también se aplicará si abre la entrega en depósito y deposita un anticipo de dinero como garantía de compra del lote, pero no cierra la entrega. Anticipamos que el aumento para esta categoría será de aproximadamente el 3,1 % para el aumento de tasa en diciembre 2021.
2. Si decide no comprar el lote dentro del período de derecho a prelación de 90 días y ocupó legítimamente su casa rodante en Palo Mobile Estate desde el 1 de enero de 2009 y sus ingresos familiares combinados *superan* el límite de los ingresos medios\*, su tasa aumentará hasta alcanzar las tasas de mercado (en incrementos anuales iguales) durante un período de seis años. Esto también se aplicará si abre la entrega en depósito y deposita un anticipo de dinero como garantía de compra del lote, pero no cierra la entrega. La tasa de mercado para los sitios de casas rodantes en Palo Mobile Estates, hasta julio 2020 según lo determinado por el tasador seleccionado por la ciudad de Palo Alto Oriental, es de 1600 USD por mes.
3. Con vigencia a partir de la venta del primer lote, si decide no comprar su lote y comenzó su residencia en Palo Mobile Estate después del 1 de enero de 2009 y sus ingresos familiares combinados se encuentran por debajo del límite de ingresos bajos\* o en este límite, su tasa no aumentará anualmente más del cambio en el Índice de precios al consumidor (CPI) o por el aumento promedio en los cuatro años inmediatamente anteriores a la conversión, *lo que dure menos*. Anticipamos que el aumento para esta categoría será de aproximadamente el 3,1 % para el aumento de tasa en diciembre 2021.
4. Con vigencia a partir de la venta del primer lote, si decide no comprar el lote y comenzó su residencia en Palo Mobile Estate después del 1 de enero de 2009 y sus ingresos familiares combinados se encuentran por encima del límite de los ingresos bajos\*, su tasa aumentará hasta alcanzar las tasas de

mercado (en incrementos anuales iguales) durante un período de cuatro años. La tasa de mercado para los sitios de casas rodantes en Palo Mobile Estates, hasta julio 2020 según lo determinado por el tasador seleccionado por la ciudad de Palo Alto Oriental, es de 1600 USD por mes.

Si no está seguro de cuál de estas categorías se aplica a su situación, consulte al gerente del parque para obtener ayuda.

Para verificar que sus ingresos familiares cumplan con los requisitos para las protecciones contra el aumento de la tasa, se le pedirá que presente las declaraciones de impuestos del Servicio de Rentas Internas (Internal Revenue Service, IRS) de todos los miembros adultos de la vivienda que abarquen un período de tres años (2018, 2019, 2020). Un contador revisará y verificará las declaraciones de impuestos. La calificación de ingresos incluirá los ingresos brutos ajustados familiares combinados de todos los inquilinos mayores de 18 años. Será obligatorio que los residentes que crean que sus ingresos cumplirán con los requisitos para la protección a la tasa más restrictiva presenten la documentación. Consulte las Instrucciones de verificación de ingresos que se encuentran en la página 3 de esta carta. Si la vivienda de un residente no proporciona acceso a su documentación de ingresos, se asumirá que no cumplen con los requisitos de encontrarse en los ingresos medios o por debajo de estos y su tasa se ajustará consecuentemente.

Los aumentos en la tasa serán anuales. Las viviendas que cumplen con los requisitos de encontrarse en los ingresos medios o por debajo de estos en 2021 tendrán que presentar la verificación de ingresos todos los años para seguir siendo elegibles.

Si, en función de las cifras de ingresos que se indican a continuación, cree que sus ingresos familiares combinados cumplirán con los requisitos este año para la protección de la tasa, lea y siga las instrucciones que se incluyen en esta carta.

Además, si aún no se ha reunido conmigo o con Clarke Fairbrother de Newport Pacific para analizar la compra del lote, le recomendamos que lo haga. Estamos programando citas para el 6 y 7 de agosto. Consulte al gerente del parque para programar una reunión. Según su situación, podría ser más económico comprar el lote que alquilarlo.

Por último, tenga en cuenta que el período de descuento de compra de 90 días finalizará el 7 de agosto de 2021. Podrá comprar el lote después de esta fecha; sin embargo, los descuentos del 10 % o del 20 % ya no se encontrarán disponibles. Para aprovechar el descuento, tendrá que firmar un contrato o abrir una entrega en depósito antes del 7 de agosto de 2021.

Atentamente,

Doug Kirchner  
Palo Mobile Estates Associates

*\*Los límites de ingresos 2021 establecidos por el Departamento de Vivienda y Desarrollo Comunitario de California para el condado de San Mateo son los siguientes:*

**INGRESOS MEDIOS: Vivienda de 1 persona: 104.700 USD; 2 personas: 119.700 USD; 3 personas: 134.650 USD;  
4 personas: 149.600 USD; 5 personas: 161.550 USD; 6 personas: 173.550 USD.**

**INGRESOS BAJOS: Vivienda de 1 persona: 102.450 USD; 2 personas: 117.100 USD; 3 personas: 131.750 USD;  
4 personas: 146.350 USD; 5 personas: 158.100 USD; 6 personas: 169.800 USD.**

## INSTRUCCIONES PARA LA VERIFICACIÓN DE INGRESOS

Para verificar que sus ingresos familiares cumplan con los requisitos para las protecciones contra el aumento de la tasa más restrictivas, se le pedirá que presente acceso a las declaraciones de impuestos del IRS de todos los miembros adultos de la vivienda que abarquen un período de tres años (2018, 2019, 2020).

La calificación de ingresos incluirá los ingresos brutos ajustados familiares combinados de todos los inquilinos mayores de 18 años. Un contador revisará y verificará todas las declaraciones de impuestos.

Para brindar acceso seguro a las declaraciones de impuestos, complete y firme el Formulario 4506-C del IRS adjunto que autoriza al IRS a enviar copias de su información impositiva de forma segura para verificación. El programa del IRS, llamado IVES, se describe en el sitio web del IRS de la siguiente manera:

*El programa del Servicio expreso de verificación de ingresos (Income Verification Express Service, IVES) es utilizado por prestadores hipotecarios y otros pertenecientes a la comunidad financiera para confirmar los ingresos de un prestatario durante el procesamiento de la solicitud de un préstamo. El IRS proporciona copias de declaraciones, copias del W-2 e información de las copias del 1099 generalmente en aproximadamente 2 a 3 días hábiles a un tercero con el consentimiento del contribuyente. La información de las copias se entrega a una casilla postal segura en función de la información recibida en el Formulario 4506-C.*

Envíe su Solicitud de copia de declaración de impuestos del IRS (Formulario 4506-C) completa y firmada por correo postal o correo electrónico a:

Steve Binder  
Newport Pacific Capital Co.  
17300 Redhill Avenue, Suite 280  
Irvine, CA 92614  
[steveb@newportpacific.com](mailto:steveb@newportpacific.com)

Steve Binder es el contador que verificará sus ingresos. Todos los Formularios de solicitud de declaración de impuestos se presentarán al IRS, que luego le enviará las declaraciones de impuestos directamente al Sr. Binder. El IRS solo proporcionará la información necesaria, y no incluirá otra información personal que podría indicarse en las declaraciones de impuestos.

Si, por alguna razón, no desea que la información de su declaración de impuestos se presente directamente al IRS, puede enviar copias de sus declaraciones de impuestos de 2018, 2019 y 2020 (solo las primeras dos páginas) directamente al Sr. Binder. Sin embargo, si las envía directamente, tenga en cuenta que el Sr. Binder verificará la información que contiene la documentación que le presenta al IRS.



# IVES Request for Transcript of Tax Return

- ▶ Do not sign this form unless all applicable lines have been completed.
- ▶ Request may be rejected if the form is incomplete or illegible.
- ▶ For more information about Form 4506-C, visit [www.irs.gov](http://www.irs.gov) and search IVES.

1a. Name shown on tax return (if a joint return, enter the name shown first)	1b. First social security number on tax return, individual taxpayer identification number, or employer identification number (see instructions)
2a. If a joint return, enter spouse's name shown on tax return	2b. Second social security number or individual taxpayer identification number if joint tax return

3. Current name, address (including apt., room, or suite no.), city, state, and ZIP code (see instructions)

4. Previous address shown on the last return filed if different from line 3 (see instructions)

5a. IVES participant name, address, and SOR mailbox ID

5b. Customer file number (if applicable) (see instructions)

**Caution:** This tax transcript is being sent to the third party entered on Line 5a. Ensure that lines 5 through 8 are completed before signing. (see instructions)

6. **Transcript requested.** Enter the tax form number here (1040, 1065, 1120, etc.) and check the appropriate box below. Enter only one tax form number per request \_\_\_\_\_

a. <b>Return Transcript</b> , which includes most of the line items of a tax return as filed with the IRS. A tax return transcript does not reflect changes made to the account after the return is processed. Transcripts are only available for the following returns: Form 1040 series, Form 1065, Form 1120, Form 1120-A, Form 1120-H, Form 1120-L, and Form 1120S. Return transcripts are available for the current year and returns processed during the prior 3 processing years	<input type="checkbox"/>
b. <b>Account Transcript</b> , which contains information on the financial status of the account, such as payments made on the account, penalty assessments, and adjustments made by you or the IRS after the return was filed. Return information is limited to items such as tax liability and estimated tax payments. Account transcripts are available for most returns	<input type="checkbox"/>
c. <b>Record of Account</b> , which provides the most detailed information as it is a combination of the Return Transcript and the Account Transcript. Available for current year and 3 prior tax years	<input type="checkbox"/>

7. **Form W-2, Form 1099 series, Form 1098 series, or Form 5498 series transcript.** The IRS can provide a transcript that includes data from these information returns. State or local information is not included with the Form W-2 information. The IRS may be able to provide this transcript information for up to 10 years. Information for the current year is generally not available until the year after it is filed with the IRS. For example, W-2 information for 2016, filed in 2017, will likely not be available from the IRS until 2018. If you need W-2 information for retirement purposes, you should contact the Social Security Administration at 1-800-772-1213

**Caution:** If you need a copy of Form W-2 or Form 1099, you should first contact the payer. To get a copy of the Form W-2 or Form 1099 filed with your return, you must use Form 4506 and request a copy of your return, which includes all attachments.

8. **Year or period requested.** Enter the ending date of the tax year or period using the mm/dd/yyyy format (see instructions)

/ / / / / / / / / /

**Caution:** Do not sign this form unless all applicable lines have been completed.

**Signature of taxpayer(s).** I declare that I am either the taxpayer whose name is shown on line 1a or 2a, or a person authorized to obtain the tax information requested. If the request applies to a joint return, at least one spouse must sign. If signed by a corporate officer, 1 percent or more shareholder, partner, managing member, guardian, tax matters partner, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute Form 4506-C on behalf of the taxpayer. **Note:** This form must be received by IRS within 120 days of the signature date.

**Signatory attests that he/she has read the attestation clause and upon so reading declares that he/she has the authority to sign the Form 4506-C. See instructions.**

<b>Sign Here</b>	Signature (see instructions)	Date	Phone number of taxpayer on line 1a or 2a
	Print/Type name		
	Title (if line 1a above is a corporation, partnership, estate, or trust)		
	Spouse's signature	Date	
	Print/Type name		

# Instructions for Form 4506-C, IVES Request for Transcript of Tax Return

Section references are to the Internal Revenue Code unless otherwise noted.

## Future Developments

For the latest information about Form 4506-C and its instructions, go to [www.irs.gov](http://www.irs.gov) and search IVES. Information about any recent developments affecting Form 4506-C (such as legislation enacted after we released it) will be posted on that page.

**What's New.** Form 4506-C was created to be utilized by authorized IVES participants to order tax transcripts with the consent of the taxpayer.

## General Instructions

**Caution:** Do not sign this form unless all applicable lines have been completed.

**Designated Recipient Notification.** Internal Revenue Code, Section 6103(c), limits disclosure and use of return information received pursuant to the taxpayer's consent and holds the recipient subject to penalties for any unauthorized access, other use, or redisclosure without the taxpayer's express permission or request.

**Taxpayer Notification.** Internal Revenue Code, Section 6103(c), limits disclosure and use of return information provided pursuant to your consent and holds the recipient subject to penalties, brought by private right of action, for any unauthorized access, other use, or redisclosure without your express permission or request.

**Purpose of form.** Use Form 4506-C to request tax return information through an authorized IVES participant. You will designate an IVES participant to receive the information on line 5a.

**Note:** If you are unsure of which type of transcript you need, check with the party requesting your tax information.

**Where to file.** The IVES participant will fax Form 4506-C with the approved IVES cover sheet to their assigned Service Center.

## Chart for ordering transcripts

If your assigned Service Center is:	Fax the requests with the approved coversheet to:
Austin Submission Processing Center	Austin IVES Team 844-249-6238
Fresno Submission Processing Center	Fresno IVES Team 844-249-6239
Kansas City Submission Processing Center	Kansas City IVES Team 844-249-8128
Ogden Submission Processing Center	Ogden IVES Team 844-249-8129

## Specific Instructions

**Line 1b.** Enter the social security number (SSN) or individual taxpayer identification number (ITIN) for the individual listed on line 1a, or enter the employer identification number (EIN) for the business listed on line 1a.

**Line 3.** Enter your current address. If you use a P.O. box, include it on this line.

**Line 4.** Enter the address shown on the last return filed if different from the address entered on line 3.

**Note:** If the addresses on lines 3 and 4 are different and you have not changed your address with the IRS, file Form 8822, Change of Address, or Form 8822-B, Change of Address or Responsible Party — Business, with Form 4506-C.

**Line 5b.** Enter up to 10 numeric characters to create a unique customer file number that will appear on the transcript. The customer file number cannot contain an SSN, ITIN or EIN. Completion of this line is not required.

**Note.** If you use an SSN, name or combination of both, we will not input the information and the customer file number will reflect a generic entry of "9999999999" on the transcript.

**Line 8.** Enter the end date of the tax year or period requested in mm/dd/yyyy format. This may be a calendar year, fiscal year or quarter. Enter each quarter requested for quarterly returns. Example: Enter 12/31/2018 for a calendar year 2018 Form 1040 transcript.

**Signature and date.** Form 4506-C must be signed and dated by the taxpayer listed on line 1a or 2a. The IRS must receive Form 4506-C within 120 days of the date signed by the taxpayer or it will be rejected. Ensure that all applicable lines, including lines 5a through 8, are completed before signing.



*You must check the box in the signature area to acknowledge you have the authority to sign and request the information. The form will not be processed if unchecked.*

**Individuals.** Transcripts listed on on line 6 may be furnished to either spouse if jointly filed. Only one signature is required. Sign Form 4506-C exactly as your name appeared on the original return. If you changed your name, also sign your current name.

**Corporations.** Generally, Form 4506-C can be signed by:  
(1) an officer having legal authority to bind the corporation, (2) any person designated by the board of directors or other governing body, or (3) any officer or employee on written request by any principal officer and attested to by the secretary or other officer. A bona fide shareholder of record owning 1 percent or more of the outstanding stock of the corporation may submit a Form 4506-C but must provide documentation to support the requester's right to receive the information.

**Partnerships.** Generally, Form 4506-C can be signed by any person who was a member of the partnership during any part of the tax period requested on line 8.

**All others.** See section 6103(e) if the taxpayer has died, is insolvent, is a dissolved corporation, or if a trustee, guardian, executor, receiver, or administrator is acting for the taxpayer.

**Note:** If you are Heir at law, Next of kin, or Beneficiary you must be able to establish a material interest in the estate or trust.

**Documentation.** For entities other than individuals, you must attach the authorization document. For example, this could be the letter from the principal officer authorizing an employee of the corporation or the letters testamentary authorizing an individual to act for an estate.

**Signature by a representative.** A representative can sign Form 4506-C for a taxpayer only if the taxpayer has specifically delegated this authority to the representative on Form 2848, line 5. The representative must attach Form 2848 showing the delegation to sign Form 4506-C.

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on this form to establish your right to gain access to the requested tax information under the Internal Revenue Code. We need this information to properly identify the tax information and respond to your request. You are not required to request any transcript; if you do request a transcript, sections 6103 and 6109 and their regulations require you to provide this information, including your SSN or EIN. If you do not provide this information, we may not be able to process your request. Providing false or fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Form 4506-C will vary depending on individual circumstances. The estimated average time is:

**Learning about the law or the form . . .** 10 min.  
**Preparing the form . . . . .** 12 min.  
**Copying, assembling, and sending the form to the IRS . . . . .** 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 4506-C simpler, we would be happy to hear from you. You can write to:

Internal Revenue Service  
Tax Forms and Publications Division  
1111 Constitution Ave. NW, IR-6526  
Washington, DC 20224

Do not send the form to this address. Instead, see Where to file on this page.



**COMMUNITY  
LEGAL SERVICES**  
IN EAST PALO ALTO

August 31, 2021

Thomas Casparian and Susy Forbath  
*Attorneys for Palo Mobile Estates  
and Newport Pacific Capital Co., Inc.*  
Cozen O'Connor  
1299 Ocean Avenue, Suite 900  
Santa Monica, CA 90401

**Via Mail & Email**  
*tcasparian@cozen.com  
sforbath@cozen.com*

The Honorable Mayor Carlos Romero  
The Honorable Members of the East Palo Alto City Council  
East Palo Alto City Attorney Rafael E. Alvarado, Jr.  
City of East Palo Alto  
2415 University Avenue  
East Palo Alto, CA 94303

*Re: Income Verification Process at Palo Mobile Estates*

Dear Mr. Casparian, Ms. Forbath, Honorable Mayor Romero and Members of the City Council, and Mr. Alvarado:

We represent a group of concerned residents of Palo Mobile Estates in East Palo Alto. Our clients, and many other residents, are entitled, based on their income, to maintain their affordable rents after the conversion of Palo Mobile Estates. However, the owners of the mobile home park (“the Park”) are threatening to more than double the rent by creating income verification policies that lack transparency, have no legal justification, discriminate against residents, and violate the Conditions of Approval required by the City in 2009.

**As described in more detail below, the Park is demanding that residents provide three years of federal tax returns in order to prove their income, with no alternative means for families to demonstrate their income. The Park intends to have its own employee review these tax returns, an egregious conflict of interest, with no process in place to handle disputes or appeals. In addition, the Park has announced plans to force residents to verify their income every year, contrary to prior representations and in violation of the conversion statutes.**

On behalf of the residents, we demand that the Park: (1) provide alternatives to tax returns; (2) drop its requirement that residents submit three years of tax returns; (3) create a transparent process using a neutral, third party decision-maker; (4) create a transparent and fair process for residents to appeal a decision they disagree with; and (5) drop its threat to review residents’ income every year. These changes to the Park’s



policies will more closely reflect state law, the Conditions of Approval, and the Park's prior promises made during the conversion process, promises that residents have relied upon in deciding whether to purchase their lots.

We also ask that the City of East Palo Alto renew its commitment to the residents by acting as the neutral, third party that can fairly evaluate each family's income, while also ensuring that the Park is complying with the Conditions of Approval in good faith.

**1. There is no authority for asking for three years of tax returns, or requiring tax returns to the exclusion of other forms of proof.**

In a letter to residents dated August 4, 2021, the Park stated that residents “will be required to provide access to IRS tax returns for all adult members of your household for the prior three years (2018, 2019, 2020).” See August 4, 2021 Letter, attached as Exhibit A. No alternative methods of demonstrating a family's income were provided. The Park also threatened that “[i]f a resident does not provide access to their income documentation it will be assumed that they do not qualify as at or below median income and their rent will be adjusted accordingly.” This approach demonstrates that the Park has no intention of complying with the Conditions of Approval to ensure that those who qualify will maintain a form of state rent control.

First, nothing in state law or the Conditions of Approval authorize the Park to look back at three years of income to determine whether a resident meets the income requirements. We are not aware of any affordable housing provider or other means-tested program that examines three years of income. Second, a family's income two or three years ago may have no logical relationship to its income now, particularly for families whose job status or earnings changed during the pandemic. There is no transparency about how the Park would handle three years of tax returns.<sup>1</sup> For example, what would the Park do if a family was above median income in 2018 but below median income in 2020? It does not say. The Park has also provided no procedure for families to demonstrate that their income in 2021 may be lower than their income in prior years. Some families may have earned more income in 2020 than they do now because they received unemployment benefits, which in 2020 were higher than minimum wage.

Other means-tested programs provide alternatives to tax returns and do not look at three years of income. For example, Mountain View tenants who must prove to the Rent Stabilization Program that they are below median income can provide pay stubs, verification letters from an employer, business ledgers, copies of public benefits checks, or other verification in lieu of tax returns, and only for the previous 12 months. See Tenant Hardship Petition, <https://www.mountainview.gov/civicax/filebank/blobdload.aspx?BlobID=33748>. As another example, tenants in Redwood City applying for below-market rental housing

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<sup>1</sup> For residents who already provided three years of tax returns, the Park must disclose how it will evaluate income from two and three years ago and must not base a decision on income from 2018 or 2019 if it does not reflect a family's current income.

through Alta Housing can provide a range of documentation so long as it shows their household's annual gross income. See Alta Housing Redwood City BMR Application, <https://altahousing.org/resources/redwood-city-bmr/redwood-city-bmr-rentals/>.

The Park has misled residents about this process. On January 27, 2021, the Park posted a notice on every resident's door answering questions about the conversion process and providing information about how rent levels would be determined after conversion. The Park stated that residents "will be required to provide copies of most recent tax returns for all adult members of their household," not three years of tax returns. See "Conversion to Resident Ownership, Update and Additional Information, attached as Exhibit B. Similarly, on June 8, 2020, Ms. Forbath notified residents in an email that income would be "verified by a tax return," not multiple tax returns. The Park must be held to its promises and cannot say one thing in order to gain approval for the conversion from the DRE, only to create an entirely new policy after approval.

State law and the Conditions of Approval prohibit the Park from raising rents to market rate for low-income and moderate-income residents. By relying on prior years that do not reflect current income, and creating barriers for people to demonstrate their income in ways other than through tax returns, the Park is violating the law and its agreements.

## **2. Requiring tax returns without any alternatives discriminates against protected classes.**

By requiring tax returns without any other alternatives, the Park is violating state and federal fair housing laws. Some residents may not file tax returns at all. "Those who constitute the poorest of the poor" or "receive only disability benefits" may not file tax returns. *In re Wooldridge*, (Bankr. D. Idaho 2008) 393 B.R. 721, 731; see also <https://www.usa.gov/who-needs-to-file-taxes>. The Park cannot discriminate on the basis of source of income or disability by granting only those who file tax returns the benefits found in the Conditions of Approval.

In addition, some immigrant families may not file tax returns because of fear of deportation and lack of information. Refusing to make exceptions for families who do not file tax returns because of their immigration status makes the Park liable for violating Civil Code Sec. 1940.3, which states that a landlord shall not "[m]ake any inquiry regarding or based on the immigration or citizenship status of a tenant . . . [or] require that any tenant . . . disclose or make any statement, representation, or certification concerning his or her immigration or citizenship status." It also amounts to discrimination on the basis of race and national origin. A federal appeals court recently held that a mobile home park policy requiring residents to provide proof of legal status had a disparate impact on Latinx residents in violation of the Fair Housing Act. *Reyes v. Waples Mobile Home Park L.P.* (4th Cir. 2018) 903 F.3d 415.

Moreover, tax returns are widely understood to include sensitive, private information, such as Social Security numbers. California courts routinely hold that tax returns can only be required as a last resort if no other proof of income is available. A California

Court of Appeal has explained that “public policy prevents unnecessary public exposure” of tax returns, ruling that a city cannot force a mobile home park to submit tax returns when seeking a rent increase:

There is absolutely no indication that other verification methods are unavailable to ascertain a park owner's financial status. . . . [A]ppellant may request the financial information it needs in a form that an applicant must fill out under penalty of perjury, giving applicants the option . . . to submit their tax returns in lieu of filling out the form.

*King v. Mobile Home Rent Rev. Bd.* (1989) 216 Cal. App. 3d 1532, 1538. For all of these reasons, tax returns must be an option for residents to submit, but they cannot be the only option. Other alternatives must be provided for residents who do not file tax returns or who wish to keep their tax returns confidential. And residents must be able to redact Social Security numbers, ITINs, and other sensitive information from a tax return if they wish.

### **3. The Park is breaking its promise that a neutral, third-party would decide whether residents are low- or moderate-income.**

In January 2021, before the conversion was final and when residents were weighing whether to buy their lots or rent, the Park made clear that “tax returns will be reviewed by an independent third party.” See Exhibit B. On August 4, 2021, however, after the conversion was finalized and with only three days left to receive the highest discount on purchasing a lot, the Park completely changed course and broke its promise to residents. That letter stated that the Park’s own employee, Steve Binder, “is the accountant who will be verifying your income.” See Exhibit A. Mr. Binder works for Newport Pacific Capital Co., the managing agent for the Park. He may be an accountant, but he is clearly not “an independent third party.”

The Park has a financial interest in finding that residents are not low- or moderate-income because it can charge higher rents if they are not. The Park cannot be trusted to carry out this important task. This is particularly true because the Park is acting in bad faith, as shown by its attempt to change the rules and walk away from promises that residents reasonably relied on. Unlike an inclusionary development where a set number of units have to be affordable, the Park here can try to have as few affordable units as possible; it has an inherent bias and will earn more money if it decides that more residents are over-income.

For these reasons, the residents demand that an independent third party evaluate whether the income requirements are met. We believe that the City of East Palo Alto should play this role and conduct the income evaluation for each resident. Alternatively, the City can choose an independent accountant who is then paid using grant money or City funds. The City has an obligation to ensure that its Conditions of Approval are realized and to protect its residents from enormous rent increases and potential displacement. Indeed, in a June 8, 2020 email from Ms. Forbath, the Park previously informed residents that cities sometimes designate someone to verify incomes.

#### **4. The Park must be transparent about this process.**

The Park has sowed confusion and distrust throughout the conversion process by providing conflicting information and refusing to be transparent about how income will be verified. As discussed herein, the Park's August 4, 2021 letter (Exhibit A) conflicts in numerous ways with the Park's January 27, 2021 Update (Exhibit B). Moreover, the Park's August 4<sup>th</sup> letter says nothing about a deadline for when residents must provide their income information. It says nothing about how the Park would use three years of tax returns to determine current income. It says nothing about how residents who lost jobs or income during the pandemic can demonstrate their current income. And it says nothing about how residents can challenge the income determination if they are found to be over the income limits. The Park has not set out any sort of appeals process or dispute procedure. It is in the Park's interest not to have an appeals process because the more residents who are over-income, the higher rents the Park can charge.

#### **5. The Park is breaking its promise and violating state law and the Conditions of Approval by threatening to evaluate income every year.**

As with many other promises, the Park is changing the rules on residents now that the most advantageous period for them to purchase their lots has expired. In the January 2021 Update, the Park promised residents in no uncertain terms that "Income will only be verified in the first year" and that if someone's income decreases or increases in later years, their rental rate will remain the same: "Annual increases will continue based on the rate increase formula you qualify for in the first year." *See* Exhibit B. However, on August 4, 2021, the Park completely reversed this policy, stating that "Households who qualify at or below median income in 2021 should expect to have to submit income verification every year in order to stay qualified." *See* Exhibit A. The Park is not even giving residents the option to qualify in future years if they do not qualify now: it is only attempting to reduce the number of affordable units over time by requiring annual income verification, directly contradicting its January 27, 2021 Update.

There is no authority for the Park to review residents' income every year. The entire statutory scheme and Conditions of Approval contemplate that rents would be determined at the time of conversion, to enable residents to make an informed decision about whether to buy their lots or continue renting, with knowledge of what their rents will be. The statute creates a four-year process to bring rents up "from the preconversion rent to market levels" for families who do not qualify, based on a market appraisal conducted at the time of conversion. Gov't Code Sec. 66427.5(f)(1). For families who do qualify, "the preconversion rent" may be increased based on the average monthly increase "in the four years immediately preceding the conversion." *Id.* Sec. 66427.5(f)(2). Describing this four-year process, one court made clear that "[t]hese steps must necessarily be taken as part of the conversion process." *El Dorado Palm Springs, Ltd. v. City of Palm Springs* (2002) 96 Cal. App. 4th 1153, 1166. The market rent and the allowable increases are all based on the status quo at the time of

conversion. It would be illogical to say that for some families, this four-year process could begin a decade after the conversion.

California courts recognize that this is a one-time occurrence that happens immediately after conversion: once the first lot is sold, “[f]or lower-income residents, state rent control law instead takes effect. For all other residents, rent control disappears entirely.” *218 Properties, LLC v. City of Carson* (2014) 226 Cal. App. 4th 182, 186, *as modified on denial of reh'g* (June 13, 2014) (internal citations omitted). The court’s label of the protections as “state rent control” is illuminating: rent control is not based on a renter’s income and does not include annual income certifications the way that some affordable housing does. The point is to create long-term stability for residents and the community at large, which will not be achieved if residents are subject to the whims and profit-motivations of the Park every year.

### **Alternative Proposal for Income Verification**

In an effort to resolve this dispute in a way that avoids litigation and is fair to residents and the Park, we propose that the Park adopt alternative ways for residents to demonstrate their income. These alternatives are based on ways that government programs and courts verify income, for example in fee waiver requests. *See also King v. Mobile Home Rent Rev. Bd.* (1989) 216 Cal. App. 3d 1532, 1538 (requiring city to allow mobile home park to submit other documentation of income under penalty of perjury).

As promised by the Park, a neutral, independent entity must verify income, such as the City, an accountant hired by the City, or a nonprofit organization. This process will instill confidence and create trust for all involved.

Residents should be permitted to provide any of the following to that entity:

- A 2020 tax return (or 2019 tax return if not filed in 2020) and attestation under penalty of perjury that income this year is the same or less as in that tax return, with residents having the option to redact Social Security numbers, ITINs, and other sensitive information; or
- Pay stubs for the two most recent months in 2021, plus documentation of any public benefits or other income (most recent award letter), plus bank account statements that show income, and attestation under penalty of perjury that these documents demonstrate all the income for the home; or
- Proof of income-based public benefits received by a member of the household, such as Medi-Cal, SSI or SSP, CAPI, CalFresh (food stamps), County Relief/General Assistance, IHSS, CalWorks or Tribal TANF; or
- For residents who do not receive pay stubs, a letter from employer(s) about their income, plus documentation of any public benefits or other income (most recent award letter), plus bank account statements that show income (or explanation/attestation that the resident does not have a bank account), and

attestation under penalty of perjury that these documents demonstrate all the income for the home.

We look forward to hearing from the Park about what alternative methods it will adopt to comply with California and fair housing laws. We also ask for confirmation that the Park will keep its promises to residents and use a neutral, independent entity to verify income, not require three years of tax returns, and complete this verification process only once.

Sincerely,



Jason Tarricone  
Directing Attorney, Housing



Keith Ogden  
Managing Attorney, Housing

**PALO MOBILE ESTATES**  
**RENTAL RATE INFORMATION**

August 4, 2021

Dear Resident of Palo Mobile Estates,

As you know, we have now begun to sell lots in the park. Once escrow closes on the first lot purchase, which we anticipate will be this week, the park will legally be converted into a subdivided resident-owned community.

Pursuant to state law and the 2009 Conditions of Approval, upon the date of conversion the rental rates in the park will no longer be controlled by the City of East Palo Alto. We want to remind you of what the new system will be for rental rate increases, beginning with the next annual increase which is scheduled for December 1, 2021.

Rent increases will be determined by two factors: (1) the date you moved into the park; and (2) your combined household income.

The following information is pursuant to the 2009 Conditions of Approval as approved by the City of East Palo Alto. Please carefully review each of the four categories below and determine which rent increase rule will apply to your household:

1. If you choose not to purchase your lot within the 90-day right of first refusal period and you lawfully occupied your mobilehome in Palo Mobile Estate as of January 1, 2009 and your combined household income is below the limit for median income\* your rent will not increase annually by more than the change in the Consumer Price Index (CPI) or by the average increase in the four years immediately preceding the conversion, *whichever is less*. This shall also apply if you open escrow and deposit earnest money into escrow for the purchase of your lot but fail to close escrow. We anticipate the increase for this category to be approximately 3.1% for the December 2021 rent increase.
2. If you choose not to purchase your lot within the 90-day right of first refusal period and you lawfully occupied your mobilehome in Palo Mobile Estate as of January 1, 2009 and your combined household income *exceeds* the limit for median income\* your rent will increase to market rate rents (in equal annual increments) over a six-year period. This shall also apply if you open escrow and deposit earnest money into escrow for the purchase of your lot but fail to close escrow. Market rent for mobilehome sites in Palo Mobile Estates, as of July 2020 as determined by the appraiser selected by the City of East Palo Alto, is \$1,600 per month.
3. Effective upon the sale of the first lot, if you choose not to purchase your lot and you began your residency in Palo Mobile Estates after January 1, 2009 and your combined household income is at or below the limit for low income\* your rent will not increase annually by more than the change in the Consumer Price Index (CPI) or by the average increase in the four years immediately preceding the conversion, *whichever is less*. We anticipate the increase for this category to be approximately 3.1% for the December 2021 rent increase.

## INSTRUCTIONS FOR INCOME VERIFICATION

In order to verify your household income to qualify for the most restrictive rent increase protections, you will be required to provide access to IRS tax returns for all adult members of your household for the prior three years (2018, 2019, 2020).

The income qualification will include the combined household adjusted gross income of all occupants over the age of 18. All tax returns will be reviewed and verified by an accountant.

To provide safe access to your tax returns, please complete/sign the enclosed IRS Form 4506-C which authorizes the IRS to securely send transcripts of your tax information for verification. The IRS program, called IVES is described on the IRS website as follows:

*The Income Verification Express Service (IVES) program is used by mortgage lenders and others within the financial community to confirm the income of a borrower during the processing of a loan application. The IRS provides return transcript, W-2 transcript and 1099 transcript information generally within approximately 2-3 business days to a third party with the consent of the taxpayer. The transcript information is delivered to a secure mailbox based on information received from a Form 4506-C.*

Please submit your completed/signed IRS Request for Transcript of Tax Return (Form 4506-C) by mail or email to:

Steve Binder  
Newport Pacific Capital Co.  
17300 Redhill Avenue, Suite 280  
Irvine, CA 92614  
[steveb@newportpacific.com](mailto:steveb@newportpacific.com)

Steve Binder is the accountant who will be verifying your income. All Tax Return Request Forms received will be submitted to the IRS who will then provide the tax returns directly to Mr. Binder. The IRS will only provide the information needed, and will not include other personal information that may be contained in your tax returns.

If, for any reason, you do not want to have your tax return information provided directly by the IRS, you may submit copies of your 2018, 2019, and 2020 tax returns (first two pages only) directly to Mr. Binder. However, if you provide them directly, please know that Mr. Binder will verify the information contained in the documentation you provide with the IRS.



4. Effective upon the sale of the first lot, if you choose not to purchase your lot and you began your residency in Palo Mobile Estates after January 1, 2009 and your combined household income is above the limit for low income\* your rent will increase to market rate rents (in equal annual increments) over a four-year period. Market rent for mobilehome sites in Palo Mobile Estates, as of July 2020 as determined by the appraiser selected by the City of East Palo Alto, is \$1,600 per month.

If you are unsure which of these categories applies to your situation, please see the park manager for assistance.

In order to verify your household income to qualify for the rent increase protections, you will be required to provide IRS tax returns for all adult members of your household for the prior three years (2018, 2019, 2020). The tax returns will be reviewed and verified by an accountant. The income qualification will include the combined household adjusted gross income of all occupants over the age of 18. It will be incumbent on residents who believe their income will qualify for the most restrictive rent protection to provide their documentation. Please see the Income Verification Instructions found on page 3 of this letter. If a resident household does not provide access to their income documentation it will be assumed that they do not qualify as at or below median income and their rent will be adjusted accordingly.

Rent increases will be on an annual basis. Households who qualify at or below median income in 2021 should expect to have to submit income verification every year in order to stay qualified.

If, based on the income figures listed below, you believe your combined household income will qualify this year for rent protection, please read and follow the instructions included with this letter.

Also, if you have not yet met with me, or Clarke Fairbrother from Newport Pacific, to discuss the purchase of your lot, we recommend doing so. We are scheduling appointments for August 6<sup>th</sup> & 7<sup>th</sup>. Please see the park manager to schedule a meeting. Depending on your situation it may be more economical to purchase your lot than to rent.

Lastly, please be aware that the 90-day purchase discount period will be ending on August 7, 2021. You may still purchase your lot after this date, however, the 10% or 20% discounts will no longer be available. In order to take advantage of the discount you would need to sign a contract or open escrow by August 7, 2021.

Sincerely,

Doug Kirchner  
Palo Mobile Estates Associates

***\*The 2021 income limits established by the California Dept. of Housing & Community Development for San Mateo County are as follows:***

***MEDIAN INCOME: 1 person household - \$104,700; 2 persons - \$119,700; 3 persons - \$134,650; 4 persons - \$149,600; 5 persons - \$161,550; 6 persons - \$173,550.***

***LOW INCOME: 1 person household - \$102,450; 2 persons - \$117,100; 3 persons - \$131,750; 4 persons - \$146,350; 5 persons - \$158,100; 6 persons - \$169,800.***

# *Palo Mobile Estates*

## **CONVERSION TO RESIDENT OWNERSHIP**

### **UPDATE and ADDITIONAL INFORMATION**

Dear Residents of Palo Mobile Estates,

We have received several questions from residents about the status and various aspects of the conversion of the Park and we want to provide everyone with this information.

#### STATUS

While the Park is getting closer to receiving a Public Report from the Dept. of Real Estate (DRE), it will likely be late February or March before the Park Owner will be able to offer lots for sale.

#### QUESTIONS / ANSWERS

*Q – Where can I find a lender who will want to provide mortgage financing for my lot?*

A – The Park Owner's team has identified an interested lender, with experience in lending in subdivided mobilehome parks. Their **current** rate for a 30-year loan is 4.25%. At this rate and term the payments would be about \$5 for each \$1,000 of loan amount (for example, payments on a \$200,000 loan would be approx. \$1,000/mo.). The lender will take the value of the house into account as a source of equity so that financing of all costs and fees may be possible. Once the Public Report has been issued we will be scheduling individual meetings to provide you with lender information as well as purchase and finance options.

*Q – If I purchase my lot, will I be allowed to rent out my home?*

A – Yes. However, pursuant to the CC&Rs a rental must be for a minimum of six months. Short term rentals (Airbnb, etc.) will not be allowed. As the home/lot owner you would be responsible for the actions of your tenant who must abide by all Park rules. Once the Public Report has been issued you will be able to read more details about this in the DRE approved CC&Rs.

*Q – Will there be architectural restrictions if I want to put a new home on my lot?*

A – Pursuant to the CC&Rs, the Homeowners Association (HOA) Board may set forth architectural rules and guidelines. New homes must also comply with standards and regulations set forth by the Dept. of Housing & Community Development and state laws pertaining to manufactured housing communities.

*Q – Will the HOA dues include utility (water, gas, electric) payments?*

A – The HOA dues (which will only be paid by those who choose to purchase) will include the payments for utilities used in the common areas of the Park. Individual household utilities will

continue to be billed/paid the way they are now.

*Q – If I purchase my lot, will there be any immediate HOA assessments to pay for infrastructure upgrades or capital improvements already made to the Park?*

A – No. Any upgrades made to the Park prior to the issuance of the Public Report have already been considered by the DRE and the HOA dues will reflect the remaining useful life of the Park as it is today with the newly made improvements. This means that the dues will be significantly less than they would have been if the work had not already been completed.

For those residents who are considering continuing to rent their space, we've had a few questions about income levels. As you know, upon the conversion, income levels will be used to determine the level of rent protections that will be provided to resident households. This is to ensure that those households who need the most protection will have it for as long as they live in the Park.

*Q – How will income levels be verified?*

A – As with other types of subsidized or affordable housing, income levels will be verified by tax returns. Residents who wish to continue to rent will be required to provide copies of most recent tax returns for all adult members of their household.

The tax returns will be reviewed by an independent third party who will determine the **combined adjusted gross income** for each household to determine the level of rent protection each household qualifies for. Please refer to the Rental Rate Information provided to you in August.

*Q – How often will my income need to be verified?*

A – Income will only be verified in the first year.

*Q – What if my income increases or decreases in subsequent years? Will my rental rate be adjusted?*

A – No. Annual rent increases will continue based on the rate increase formula you qualify for in the first year.

*Q – Who will be responsible for compliance with the new rent increase regulations?*

A – One of the terms of the Park Owner's Agreement with the City reads as follows: "The City Attorney shall have the non-exclusive right to represent Eligible Non-Purchasing Residents' (an Eligible Non-Purchasing Resident is defined as "lawfully occupying a mobilehome in the project as of Jan. 1, 2009") with respect to their rights to the rental increase restrictions and rent increase limitations..."

After the issuance and review of the Public Report, if you have additional questions that have not yet been answered, please plan to schedule an individual appointment with a member of the Park Owner's team.