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An inquiry into effects of mobile home park rent control

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Abstract

Mobile homes today provide an important housing mode in the United States, mainly because they are affordable. For example, they represent about 4.5% of California's housing stock [11]. However, in many areas of the country, rapid increases in pad rents have substantially increased the costs of mobile home living. In response to this development, coach owners in a number of municipalities have attempted to enact mobile home park rent control ordinances, often with great success. In California, for example, rent control laws have been passed in 75 jurisdictions, particularly since 1978. More jurisdictions control mobile home pad rents in California than control conventional apartment rents.

A unique aspect of the mobile home market is that ownership of the living space is commonly divided between two parties. The mobile home or coach owner usually owns only the housing unit, while he rents a pad (site) in a mobile home park on which he places his home. This separation of ownership affects the market for mobile home

coaches, since the cost of living in a mobile home depends not only on the cost of the coach, but also on the rent charged by park owners.

The market for mobile homes and pads offers, therefore, an interesting economic environment in which to study the economic effect of rent control on tenants. When apartment rents are controlled, the windfall gains to tenants, should such exist, can neither be ascertained nor measured (losses to landlords in the form of reductions in the value of rental property can be readily measured and some estimates have been made) [6]. However, since in the mobile home context usually the coach is individually owned while the pad is rented, enactment of rent control can be capitalized into the value (sales price) of the coach. Economists so far have neglected this issue, while in the last few years courts have become interested in it. Thus, the purpose of this paper is to construct a capitalization model and implement it with regard to mobile home rent control, i.e., to estimate the effect of the enactment of rent control ordinances on the resale value of mobile home coaches.

We first present a review of key characteristics of mobile home parks and coaches as well as their owners, to be followed by a theoretical model of the market for mobile homes and for park pads. We will use this model in an empirical analysis which examines the extent that lower pad rents resulting from the enactment of rent control are capitalized into the sales prices of mobile home coaches in California. Finally, this paper's findings are related to a recent Circuit Court ruling dealing with mobile home park rent control in the city of Santa Barbara.



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