

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 01/29/11

SPONSOR Gutierrez LAST UPDATED \_\_\_\_\_ HB 159

SHORT TITLE Mobile Home Rent Increase Protection SB \_\_\_\_\_

ANALYST Graeser

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		NFI	NFI			

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Administrative Office of the Courts (AOC)

### SUMMARY

#### Synopsis of Bill

House Bill 159 adds two new sections to the Mobile Home Park Act. The purpose of the new sections is to protect residents of mobile home parks against “excessive” rent increases (the phrase “excessive rent increases” is in the title and in Section 2 of the bill)). The first new section would require landlords to give residents 60-day written notification of a rent increase exceeding the limit specified in the bill. If a majority of the residents wish to dispute the increase, the second new section allows a majority of the residents to initiate a mediation with the landlord. If the residents are unable to resolve their differences with the landlord in mediation they may file suit in district court.

### FISCAL IMPLICATIONS

No fiscal impact. AOC notes that appeal of the mediation decision to a district court as permitted in the bill might increase case loads and costs for the courts. While this is true, it is unlikely that mediation will not be able to solve the grievance.

### SIGNIFICANT ISSUES

The statutory definition of “excessive” follows: “when a landlord proposes to increase rent more than one time in a six-month period, more than two times in a two-year period or more than 5% above the immediately previous rent ...”

The notice of rent increase in excess of the stated limits must include the amount of the rent increase, including any portion of the increase attributable to capital improvements of the mobile home park and a number of other items of information, including a copy of the resident's rights pursuant to the Mobile Home Park Act.

If a majority of the residents (by number, not by amount of rent paid) affected by the rent increase dispute the increase, the bill calls for mandatory mediation.

If the landlord and residents are unable to resolve the rent dispute, the majority of the residents may file an action in district court within statutory time limits.

Section 2 of the bill defines "a clearly excessive rent increase is an increase that is unreasonable based upon the landlord's total reasonable or documented expenses, including consideration of debt service, and a reasonable return to the landlord on investment with consideration being given to comparable investments.

### **ALTERNATIVES**

It is unclear why this protection and right to mediation for an excessive rent increase should be accorded to mobile home park residents and not all renters. It would seem in fairness that all renters should be accorded the protection or none should.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Renters and mobile home park residents can both continue without protection against excessive rent increases.

LG/bym