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Primary: September 13<sup>th</sup>, 2022

Residents of the 4<sup>th</sup> District:

Attached below, pleased find a summary of SB 317 signed into law by Governor Carney 6.30.22. Also attached is the link to the summary and a link to the text of SB 317. I hope you find this a useful explanation.

<https://legis.delaware.gov/BillDetail?LegislationId=119646>

AN ACT TO AMEND TITLE 9, TITLE 16, TITLE 25, AND TITLE 29 OF THE DELAWARE CODE RELATING TO MANUFACTURED HOME COMMUNITIES.

- Establishes the formulas by which a community owner can raise lot rent.
- This law will be in effect for 5 yrs.
- Rent can be increased more than the Consumer Price Index for Urban Consumers (CPI-U) for the previous 36 mos., assuming NO health or safety violations that lasted more than 15 days.
- A community owner may raise rent based upon increase in CPI-U (for the proceeding 24 mos.), based on market rent, or because of other specific expenses by agreement with the homeowner for a period of more than 1yr..... if no health or safety issues persisted for more than 15 days.
- If a health or safety concern exists, the community owner must provide a surety bond or letter of credit. Additionally, written documentation must be provided to detail correction of the health or safety problem. The surety bond will be used to refund 100% of the rent increase.
- Limited availability of Lot Rent Assistance if income falls to 40% - 55% of county median income.
- The ACT does 3 things: Section 1): Moves terms of market rent to another section to make it less confusing. Also, CPI-U is the Philadelphia/Camden/Wilmington region. Section 2): Must notify residents 90-120 days before rent increase, sent to the homeowner, HOA, and Delmarva MFG Home Owners Assoc in writing. Section 3): Repeals the definition of market rent. Section 4.) Rent increases will be for 5 years and has the prerequisite that if a health or safety violation occurs for > 15 days, then community owner must document and fix within 1 year AND provide a surety bond or letter of credit to fund 100% of the rent increase. If not resolved by the specified date, then the rent increase will be REFUNDED in full. Therefore, the rent increase will not take effect.
- Ways a community owner can raise the base rent: 1.) Based on the CPI-U for the past 24 months and must be equal to or below 7%. The 7% can be exceeded: time periods used in the calculations, and explanation of how the final dollar amount of the increase is calculated. This must be documented on paper and on a website available to the public.

- Revisions in the lot rental assistance program: limited eligibility for incomes 40% - 55% of the median income. Rent is then calculated on a sliding scale based on income. This will expand the eligibility to let rent increases that take effect after the effective date of this bill. To be eligible, the homeowner must be living in the home for 5 consecutive years.

Full text of SB 317:

<https://legis.delaware.gov/json/BillDetail/GenerateHtmlDocumentSessionLaw?sessionLawId=119646&docTypeId=13&sessionLawName=chp341>

| Residents have been lucky with very little inflation over the last 10 years. That has changed dramatically.  |  |
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| Most Economists feel that inflation will continue to rise over the next several years  |  |
| SB317 (NEW LAW)  | Law Prior to SB317 (OLD LAW)   |
| Market Rent - can only raise over 7 or 10 years after approval of arbitrator<br>(a rent increase less than \$50,000 7 years, over \$50,000 10 years) | Market Rent - Immediately after approval by arbitrator   |
| Capital Improvements totally eliminated regardless of which type of rent increase is used by landowner   | Capital Improvements and be added to base rent over any time period until cost is paid   |
| CPI-U based on 24 months, quicker response to changes in the CPI-U, when inflation lessens quicker recovery, lower increases                         | CPI-U based on 36 months   |
| Rent increase 3.5% + 1/2 of CPI-U up to 7% then CPI-U only<br>Replaces & Eliminates Capital Improvements.  | CPI-U plus Any and All Capital Improvements made by landowner until such time as the increased amount has paid for the improvement |
| Example of rent increases:   |  |
| If CPI-U is 1% increase would be 3.5% + .5% for an increase of 4%  |  |
| If CPI-U is 5% increase would be 2.5% + 2.5% for an increase of 5%   |  |
| If CPI-U is 6% increase would be 3.5% + 3% for an increase of 6.5%   |  |
| If CPI-U is 7% or greater the increase would be CPI-U  |  |
| Combined aggregate expenses only if total expenses over prior year exceed 3.5% + 1/2 of 24 month CPI-U   | Any individual line expense can be passed on even if other expenses offset   |
| No rent increase if landowner has been cited for health and/or safety violations within the community until taken care of.                           | Not currently being applied  |
| Establishes a landowner bond requirement (150% of the rent increase) for health and/or safety violations   | Does not exist, there is no monetary penalty to land owner   |

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| <b>Provides a tiered asset/income structure for lot rent assistance for anyone that has lived in the park for 5 years.</b>   | No new people can qualify unless they have lived in the community since 2006. |
| <b>Sunset Bill, after 5 years bill needs to be revolted &amp; passed or goes away</b>  |   |
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| <b>LONG-TERM LEASES (example 7 or 10 year leases)</b>  |   |
| There are no rules for long term leases  |   |
| Homeowner and Landowner can agree on terms including annual rent increases. If they agree, Rent Justification bill does not apply  |   |
| If Homeowner and Landowner cannot agree on rent, the lease would most likely revert to an annual lease subject to rent justification   |   |
| If Homeowner and Landowner do nothing, the Agreement would automatically renew for the same term with the same provisions provided. Most 10-year leases have an automatic renewal clause requiring a 60 day written advance notification to nullify the automatic renewal. |   |