

CITY OF VENTURA

MOBILE HOME RENT REVIEW BOARD

San Buenaventura Mobile Home Park Capitalization Policy

This document establishes the Mobile Home Park Rent Review Board’s policy regarding capital improvement expenses and the amortization of such expenses.

I. Purpose

The purpose of this policy is to establish consistent treatment of similar types of capital improvement expenses. This policy is intended to assist the Board in implementing the Ordinance and provide general guidelines for doing so. However, the provisions of the Ordinance are controlling.

II. Definitions

The Mobile Home Rent Stabilization Ordinance defines a “Capital Improvement” as:

“...the addition, substantial repair or replacement of any improvement to a unit or property within the geographic boundaries of a mobile home park which materially adds to the value of the property and appreciably prolongs its useful life or adapts it to new uses, and which is of the same type of improvement as those allowed to be amortized over the useful life of the improvement in accordance with the Internal Revenue Code and its regulations, as such regulations may be modified by applicable rent review board regulations.” (Ordinance section 6.600.020.)

The IRS defines “Capital Improvements” as costs incurred that meet the following criteria:

The cost incurred must:

1. Be for a **substantial betterment** to the unit of property beyond what was anticipated at the asset’s original acquisition; or
2. **Restore** the unit of property; or
3. **Adapt** the unit of property to a new or different use.

An amount is paid for a **substantial betterment** only if it:

- a) Ameliorates a material condition or defect that either existed prior to acquisition or arose during the production of the unit of property; or
- b) Is for a material addition, including a physical enlargement, expansion, extension or addition of a major component to the unit of property or a material increase in the capacity of the unit of property; or
- c) Is reasonably expected to materially increase the productivity, efficiency, strength, quality, or output of the unit of property.
- d) Note: Amounts paid to refresh a unit of property do not result in any material additions to, or material increases in the capacity of, the unit of property as compared with the condition of the unit of property before the refresh, so these costs are repair/maintenance and should not be capitalized.

An amount is paid for **restoration** only if it:

- a) Pays for the replacement of a major component or a substantial structural part of a unit of property; or
- b) Rebuilds the unit of property to a like-new condition after the end of the class life; or
- c) Restores the unit of property from a state of disrepair and was no longer useful.

An amount is paid for **adaptation** of a unit to a new or different use if:

- a) The adaptation is not consistent with your ordinary use of the unit of property at the time it was originally placed into service.

III. Additional Requirements

Minimum life requirement: The acquisition must have a useful life in excess of 3 years.

Minimum cost requirement: The acquisition must have a cost of over \$2,000 per item. The cost includes any additional costs (i.e. delivery fees, installation costs, or similar costs) incurred to bring the asset to the condition and location necessary for its intended use.

Resident approval: Resident approval is only required under the following circumstances:

“Prior to submitting a request for a special rent increase based on a capital improvement that did not previously exist in the park requesting the increase, the owner must have obtained the written consent from at least one adult resident from each of the majority of the rental spaces in the park to include the cost of the improvements as a housing service expense before making the expenditures, except that resident approval is not necessary if the new capital improvement is required by law or if the new capital improvement cost is less than \$10,000.00.” (Ordinance section 6.600.070.G.2.)

IV. Rates of Interest

Projects that are paid for by the owner without financing shall bear interest at the five-year U.S. Treasury Note rate plus one percent. If the capital improvements are financed, the interest rate shall be the prime rate. (Ordinance section 6.600.050.A.6.)

V. Further Guidelines and Examples

- A. Normal routine maintenance and repair of a park is not a capital improvement. For example, patching of potholes, slurring of asphalt streets and roadways, and tree trimming constitute ordinary repairs and are not capital improvements within the meaning of the Ordinance.
- B. Replacement or major reconstruction of an existing facility or improvement constitutes a capital improvement. For example, the replacement and/or reconstruction of streets or roadways constitute capital improvements. Repairs to common areas, where such work

is part of a major rehabilitation, refurbishment, reconstruction, or remediation project, are also examples of capital improvements.

- C. Addition of new facilities in a park, such as a new office or utility room, a sauna, Jacuzzi, pool or an addition to a recreation room, are also examples of capital improvements.
- D. The costs of major rehabilitation or refurbishment necessitated by acts of nature (earthquake, fire, flood, ore storm) or major remediation work such as environmental clean-up are also examples of capital improvements.
- E. Capital improvements which would otherwise form the basis for a capital improvement rent increase cannot be the bases of such an increase if the park owner charges a fee for the use of the improvement. For example, additional washers and dryers installed for the use of residents cannot be the basis for a capital improvement rent increase if the tenants must pay to use them.
- F. Portable items, such as pool furniture and landscaping or gardening equipment, do not constitute capital improvements, unless they are part of a major rehabilitation or refurbishment.
- G. Costs of any capital improvement that have been recovered by the owner through any insurance claim, litigation, or other right of indemnity shall be excluded for purposes of determining the amount of any capital improvement.

VI. Amortization Periods

In amortizing capital improvements, the following schedule shall be used to determine the amortization period of the capital improvement. For those items not listed, the amortization period for an improvement which has similar characteristics shall be used. The amortization period below may be increased or decreased depending upon the quality of the improvement, the conditions placed upon it or any other relevant factors affecting amortization.

Each and every item listed in the following table is not necessarily a capital improvement under the Ordinance. In order for expenses to qualify as a capital improvement under the Ordinance, the expense must meet the definition of a capital improvement under Ordinance section 6.600.020.

The Board may rely upon Department studies or reports it deems appropriate in establishing a greater or lesser amortization period or an amortization period for any item not listed below:

ESTIMATED USEFUL LIFE TABLE

Expenditure	Years
Site Improvements	
Asphalt pavement	25
Concrete pavement	50
Curbing, asphalt	25
Curbing, concrete	50
Security gate (ingress/egress) – rolling gate/lift arm	10
Sidewalk, asphalt	25

ESTIMATED USEFUL LIFE TABLE *continued*

Expenditure	Years
Site Improvements <i>continued</i>	
Sidewalk, brick paver	30
Sidewalk, concrete	50
Site Lighting	
Building mounted exterior lighting	10
Lighting, pole mounted	25
Site Fencing and Retaining Walls	
Fencing, chain link	40
Fencing, concrete masonry	30
Fencing, dumpster enclosure (wood)	12
Fencing, PVC	25
Fencing, wood	20
Fencing, wrought iron	50
Retaining walls, block type	50
Retaining walls, concrete masonry with brick	40
Building Structures	
Carports	40
Canopy, concrete	50
Canopy, wood/metal	40
Garages	50
Storage sheds	30
Free standing chimney	50+
Foundations	50+
Building Envelope/Exterior Wall Finishes	
Aluminum siding	40
Brick or stone veneer	50+
Painting, exterior	5
Stucco systems	50+
Vinyl siding	25
Wood shingle/plywood, stucco, composite wood	20
Roof Systems	
Asphalt shingle	20
Slate, clay, concrete tile	40
Composition shingles	12
Roof drainage exterior (gutter/downspout)	10
Roof structure	50+
Roof skylight	30
Soffits (wood/stucco)	20
Exterior Doors and Windows	
Common door, aluminum and glass	30
Common door, solid core wood or metal clad	25

ESTIMATED USEFUL LIFE TABLE *continued*

Expenditure	Years
<i>Exterior Doors and Windows continued</i>	
Unit door, solid wood/metal clad	30
Residential sliding glass doors	30
Residential French glass doors	30
Service door (roof)	30
Storm/screen doors	10
Storm/screen windows	15
Windows (frames and glazing), vinyl or aluminum	30
<i>Appurtenances</i>	
Chimney	40
Exterior stairs, wood	20
Exterior stairs, metal pan-concrete filled	30
Exterior stairs, concrete	50
Fire Escapes	40
Porches, concrete	50
Wood decks	20
<i>Heating, Ventilating and Air Conditioning</i>	
Solar-heating system	5
Exhaust and ventilating fans	6
Air ducts, galvanized steel	17
Aluminum	15
Fiberglass	14
Duct insulation	12
Furnace	20
Packaged HVAC (roof top units)	20
Heater, walled mounted electric or gas	20
Master TV System	10
<i>Plumbing</i>	
Plumbing fixtures	17
Enameled steel	5
Fiberglass	10
Faucets and valves	8
Water heaters, residential	3
Commercial	8
Pipe, galvanized	12
Copper	20
Plastic	15
<i>Electrical Systems</i>	
Compactors	15
Electric main	40

ESTIMATED USEFUL LIFE TABLE *continued*

Expenditure	Years
<i>Electrical Systems continued</i>	
Emergency generator	25
Gas lines/main	40
<i>Fire Safety and Fire Protection Systems</i>	
Emergency lights	10
Fire extinguisher	15
Fire suppression	50+
Smoke and fire detection system	15
<i>Interior Areas</i>	
Doors, interior (solid wood/metal clad)	20
Floors, ceramic/quarry tile, terrazzo	50+
Wood (strip or parquet)	30
Resilient tile or sheet	15
Carpet	5
Concrete	50+
Railing	20
Ceiling, concrete	50+
Acoustic tile (drop ceiling), drywall/plaster	15
Countertop and sink	20
Countertop, laminate	10
Refrigerator	20
Dishwasher	15
Kitchen range	25
Kitchen range hood	20
Disposal	7
Washer, dryer, non-coin operated	10
Kitchen cabinets, wood	20
Area walls	25
Interior railings	25
Interior lighting	20
Bathroom fixtures	20
Vanity	15
Faucets	20
Toilet	50
Cabinets, wood	25
Particle board	20
Interior paint	5
Vertical blinds	5
Wall paper	7
Drapery	6
<i>Amenities</i>	
Basketball court	25
Mail kiosk	15
Mail facility, interior	25

ESTIMATED USEFUL LIFE TABLE *continued*

Expenditure	Years
<i>Amenities continued</i>	
Pool deck	15
Pool/spa plaster liner	8
Spas	5
Tennis court surface (acrylic emulsion)	12
Tot-lot (playground equipment)	15
<i>Landscaping and Other Outdoor Improvements</i>	
Landscaping, decorative shrubs, trees, etc.	7
Outdoor furniture	5
Sprinklers, galvanized pipe	10
Plastic pipe	15
Solar pool equipment	7