

GV WIRE

Mobile Home Park Bankruptcy Throws Wrench in Fresno's Plan to Protect Tenants

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By: Edward Smith



The city of Fresno wants to partner with a Visalia-based affordable housing developer to keep a mobile home park and its remaining residents in place.

But the park owner's bankruptcy may throw a wrench in the city's plans.

On Thursday, the city council will vote on whether to grant Self-Help Enterprises \$3.5 million to purchase La Hacienda Mobile Estates.

On May 9, La Hacienda Mobile Estates, LLC filed for Chapter 11 bankruptcy. La Hacienda owns the mobile home park of the same name at 104 E. Sierra Ave., east of Blackstone Avenue, where more than half of the residents have either left or been evicted, according to tenant attorney Mariah Thompson with California Rural Legal Assistance.

"When a bankruptcy's filed it's basically an automatic injunction, for lack of a better term, against the world for all actions being taken against that company in bankruptcy," said retired attorney Michael Wilhelm, a former partner with Walter & Wilhelm.

Previous court orders keeping park ownership from evicting tenants or closing down the park are still in place, but it puts a pause on all actions while the bankruptcy proceedings move forward.

City of Fresno Attorney Andrew Janz says the bankruptcy changes the city's legal strategy but not its goals.

"The bankruptcy proceedings may slightly change our legal approach, but overall, the city will continue to fight to save and create affordable housing units at La Hacienda," Janz said.

Bankruptcy Puts into Question Eviction, Sale Injunctions

Bankruptcy documents show that the biggest creditors to the company are various entities all sharing the business address of La Hacienda's parent company, Harmony Communities.

Matt Davies, the 100% stakeholder of La Hacienda, is CEO of Harmony.

La Hacienda owes nearly \$877,000 to businesses with the parent company's address.

Bankruptcy casts uncertainty into issues like these, said Wilhelm, while giving a company breathing room as it navigates its future.

Both the city and La Hacienda have active lawsuits against one another.

When park ownership tried to raise rents by more than 100% in some cases, company officials said it was the only way to make the park solvent. The city's rent review committee in November 2023 allowed the company only a base increase of 6%. In response, ownership threatened to close the park.

The Fresno County Superior Court issued an injunction to stop the park from closing and from evicting more tenants.

Bankruptcy courts typically respect decisions from other courts such as injunctions, Wilhelm said, but there is no longer a guarantee. Bankruptcy proceedings change the jurisdiction for decisions such as eviction and sale injunctions.

The city could also request a trustee to manage the park if it can demonstrate the company mismanaged operations.

"The orders that are in place are still in place, but the bankruptcy court now has jurisdiction," Wilhelm said.

La Hacienda Operating at a Loss: Davies

La Hacienda's majority stakeholder, Matt Davies, said in the company's rent review request last year that the park would close by August at the rate the company was losing money.

At the meeting, the company requested raising rents to \$585 a month, an increase of \$285 on average.

"If I refill this park at \$300 rents, I'm still losing over \$50,000 a year," Davies said. "If I am to stay in business, I need to earn a fair return."

Almost as soon as La Hacienda took over the park, evictions began, Thompson, the tenants' attorney, said in a previous interview.

Davies declined to comment to GV Wire about the bankruptcy filing. Thompson, who represents many of the park's tenants, had no comment other than to say that the injunction remains in place.

"Every business in California has the right to close and it is currently our intent to close if we cannot obtain a fair return," Davies said before the Fresno rent review committee last year.