



SUPERIOR COURT
OF THE
STATE OF DELAWARE

E. SCOTT BRADLEY
JUDGE

1 The Circle, Suite 2
GEORGETOWN, DE 19947

April 14, 2016

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***RE: State of Delaware v. Hometown America Communities, Inc.
C. A. No. S15C-11-015 ESB***

Dear Counsel:

This is my decision on Defendant Hometown America Communities, Inc.'s Motion to Dismiss the complaint filed against it by Plaintiff State of Delaware in this case involving alleged lot rent increase violations by Hometown of the Manufactured Homeowners and Communities Act¹ and the Affordable Manufactured Housing Act (the "Rent Justification Act").² The State filed a complaint against Hometown alleging (1) that Hometown is the owner and operator of three manufactured home

¹ 25 *Del.C.* §§ 7001-7027.

² 25 *Del.C.* §§ 7040-7046.

communities in Delaware (Angola Beach and Estates, Barclay Farms, and Rehoboth Bay), (2) that Hometown rents lots in the three communities to owners of manufactured homes who place their houses on the lots, and (3) that Hometown on September 14, 2015 issued a rent increase notice in violation of the Rent Justification Act to each tenant at Angola Beach and Estates, Barclay Farms, and Rehoboth Bay. In Response, Hometown filed a Motion to Dismiss, arguing that (1) it is not the owner and operator of the three communities, (2) it does not rent lots in the three communities, and (3) it did not send the rent increase notices. Hometown further argues that (1) Angola Beach and Estates is owned by Hometown Angola Beach, LLC, (2) Barclay Farms is owned by Hometown Barclay Farms, LLC, (3) Rehoboth Bay is owned by Hometown Rehoboth, LLC, and (4) that these three entities sent the rent increase notices. Hometown attached to its Motion to Dismiss a printout of the Delaware land records supporting its ownership argument.

STANDARD OF REVIEW

The standards for a Rule 12(b)(6) motion to dismiss are clearly defined. The Court must accept all well-pled allegations as true.³ The Court must then determine whether a plaintiff may recover under any reasonable set of circumstances that are

³ *Spence v. Funk*, 396 A.2d 967, 968 (Del. 1978).

susceptible of proof.⁴ As a general rule, when deciding a Rule 12(b)(6) motion, the Court is limited to considering only the facts alleged in the complaint and normally may not consider documents extrinsic to it. There are two exceptions, however, to this general rule.⁵ “The first exception is when the document is integral to the plaintiff’s claim and incorporated into the complaint. The second exception is when the document is not being relied upon to prove the truth of its contents.”⁶ “Where allegations are merely conclusory, however, (*i.e.*, without specific allegations of fact to support them) they may be deemed insufficient to withstand a motion to dismiss.”⁷ Dismissal will not be granted if the complaint “gives general notice as to the nature of the claim asserted against the defendant.”⁸ A claim will not be dismissed unless it is clearly without merit, which may be either a matter of law or fact.⁹ Vagueness or lack of detail in the pleaded claim are insufficient grounds upon which to dismiss

⁴ *Id.*

⁵ See *Vanderbilt Income & Growth Assocs., L.L.C., v. Arvida/JMB Managers, Inc.*, 691 A.2d 609, 612 (Del. 1996).

⁶ *Vanderbilt*, 691 A.2d at 613.

⁷ *Lord v. Souder*, 748 A.2d 393, 398 (Del. 2000).

⁸ *Diamond State Telephone v. University of Delaware*, 269 A.2d 52, 58 (Del. 1970).

⁹ *Id.*

a complaint under Rule 12(b)(6).¹⁰ If there is a basis upon which the plaintiff may recover, the motion is denied.¹¹

DISCUSSION

The State did not plead any facts in its complaint supporting its allegation (1) that Hometown is the owner and operator of the three communities, (2) that Hometown rents lots in the three communities to owners of manufactured homes who place their houses on the lots, and (3) that Hometown on September 14, 2015 issued a rent increase notice to each tenant in the three communities. The State did not attach the deeds showing who actually owns the three communities. The State did not attach a single lease showing that Hometown had a landlord-tenant relationship with a single one of the tenants in the three communities. The State did not attach a single one of the rent increase notices showing that Hometown sent them to the tenants in the three communities. The State certainly had to review this information in order to prepare its complaint and these types of documents are often attached to complaints of this nature.

I did review a rent increase notice for each of the communities, which I thought was appropriate to do since the notice formed the basis of the State's allegations

¹⁰ *Id.*

¹¹ *Id.*

against Hometown.¹² The following are the relevant portions of the notice for each community:

Angola Beach and Estates

Hometown Angola Beach, LLC will limit your Monthly 2016 Rental Increase to \$____ per month and \$____ per year if you elect to accept the foregoing increase as an alternative to filing for arbitration for rent justification for 2016 rent. If applicable, this adjustment to the Rental amounts will be made in December 2015, effective January 1, 2016.

Sincerely,
[no name]
Hometown Angola Beach, LLC

Barclay Farms

Hometown Barclay Farms, LLC will limit your Monthly 2016 Rental Increase to \$____ per month and \$____ per year if you elect to accept the foregoing increase as an alternative to filing for arbitration for rent justification for 2016 rent. If applicable, this adjustment to the Rental amounts will be made in December 2015, effective January 1, 2016, February 1, 2016, or March 1, 2016, depending on your lease term.

Sincerely,
Stephanie Valentine
Hometown Barclay Farms, LLC

Rehoboth Bay

Hometown Rehoboth Bay, LLC will limit your Monthly 2016 Rental Increase to \$____ per month and \$____ per year if you elect to accept the foregoing increase as an alternative to filing for arbitration for rent justification for 2016 rent. If applicable, this adjustment to the Rental amounts will be made in December 2015, effective January 1, 2016.

Sincerely,
[no name]
Hometown Rehoboth Bay, LLC

¹² *Vanderbilt*, 691 A.2d at 613.

Each notice suggests, as Hometown argues in its Motion to Dismiss, that Hometown is not the owner of the three communities and that each community is owned by a separate limited liability company. Each notice further suggests that Hometown did not, as alleged by the State, send the notices. Each notice, in the upper right-hand corner, has what appears to be a “Hometown America Communities” registered trademark. The State relied on this to support its argument that Hometown was the “community owner” or “landlord” of the three manufactured home communities. I viewed this as nothing more than marketing.

“Community owner” or “landlord” means the owner of 2 or more manufactured home lots offered for rent. It includes a lessor, sublessor, park owner or receiver of 2 or more manufactured home lots offered for rent, as well as any person, other than a lender not in possession, who directly or indirectly receives rents for 2 or more manufactured home lots offered for rent and who has no obligation to deliver such rents to another person.”¹³

When I asked the State where Hometown fits into the definition of “community owner” or “landlord,” the State answered that the definition was very broad and that it believed that Hometown was the “ultimate parent in the relationship” and that it directly or indirectly profited from the three communities in question. Of course, the

¹³ 25 *Del.C.* § 7003(4).

State did not allege and factually support this in its complaint and it certainly has not explained how such a relationship would make Hometown the “community owner” or “landlord” of the three communities under the two statutes in question.

Quite simply, the State has failed to adequately plead any facts supporting its allegation that Hometown is the owner and operator of Angola Beach and Estates, Barclay Farms, and Rehoboth Bay. Indeed, the only facts that the State produced, and which I considered appropriate to consider under Superior Court Civil Rule 12(b)(6), were the rent increase notices for each community.¹⁴ As I noted before, these rent increase notices do not support the State’s allegation (1) that Hometown is the owner and operator of the three communities, (2) that Hometown rents lots in the three communities to owners of manufactured homes, and (3) that Hometown on September 14, 2015 issued a rent increase notice in violation of the Rent Justification Act to each tenant at Angola Beach and Estates, Barclay Farms, and Rehoboth Bay. Indeed, the rent increase notices support the conclusion (1) that each of the communities is owned by a separate limited liability company, (2) that each of the limited liability companies leases lots in its community to owners of manufactured homes, and (3) that each separate limited liability company sent out rent increase notices only to the

¹⁴ Both parties submitted other information, which I did not consider because I concluded that it would not be appropriate to do so under Superior Court Civil Rule 12(b)(6) and Delaware Uniform Rule of Evidence Rule 408.

tenants in their own communities. The State has, quite simply, failed to plead any reasonable set of circumstances under which it could hope to hold Hometown responsible for alleged violations of the Manufactured Homeowners and Communities Act¹⁵ and the Rent Justification Act,¹⁶ which alleged violations appear to have been committed by other parties if they were committed at all.

CONCLUSION

Therefore, I have granted Defendant Hometown America Communities, Inc.'s Motion to Dismiss.

IT IS SO ORDERED.

Very truly yours,



E. Scott Bradley

¹⁵ 25 Del.C. §§ 7001-7027.

¹⁶ 25 Del.C. §§ 7040-7046.

FILED & NOTARIZED
SUSSEX COUNTY
2016 APR 14 PM 12:10