

CALIFORNIA LEGISLATURE
SENATE SELECT COMMITTEE
ON
MOBILEHOMES

Transcript of Hearing on
**FUNDING THE MOBILEHOME PARK
ASSISTANCE PROGRAM
AND
CERTIFICATION OF MOBILEHOME
EARTHQUAKE BRACING SYSTEMS**

STATE CAPITOL
SACRAMENTO, CALIFORNIA

DECEMBER 2, 1986

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California Legislature

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AND

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December 2, 1986

STATE CAPITOL

Sacramento, California

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SECTION III

ISSUE I

THE MOBILEHOME PARK ASSISTANCE PROGRAM

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INFORMATION PAPER FOR DECEMBER 2, 1986 HEARING THE MOBILEHOME PARK ASSISTANCE PROGRAM

Background:

The vast majority of some 4500 mobilehome and trailer parks in California are rental parks, where the landowner rents spaces or pads in the park to mobilehome owners on which to locate their mobilehomes on a month-to-month or lease basis.

In the last several years, however, there has been a growing interest, on the part of rental park residents, in buying out the park owner when the mobilehome park is put up for sale. This is because residents realize that when the park is otherwise sold to another landlord park owner, rents will increase, sometimes substantially, to cover mortgage and other costs of the new owner, or the new owner may decide to close the park and convert it to some other land use, thus eventually displacing the residents. Hence, by purchasing the park themselves and operating it as a condo, co-op, or subdivision type park, the residents can avoid some of these problems.

Advocates of "own-your-own" mobilehome parks contend that it is also the long-range answer to mobilehome residents "stuck" in rental parks where rents continue to increase but where residents have no alternative to move. By establishing an ownership interest in the park, although down payments and monthly payments may be more costly in the short run, mobilehome owners establish equity in the park as well as some degree of control which they otherwise would not have in a rental park. On the other hand, many mobilehome owners in rental parks do not want the responsibilities of ownership and still prefer to rent their space. Many more simply cannot afford the down payment and monthly payments that would otherwise be required to buy into the park.

Mobilehome Park Assistance Program - Legislation

Senator Seymour introduced SB 2240 in 1984 to create the Mobilehome Park Assistance Program within the Department of Housing and Community Development, authorizing the Department to make loans to residents of mobilehome parks for the purchase of a space or interest in their park.

The Mobilehome Park Assistance Program began making loans in early 1986, primarily to help lower income mobilehome residents in parks where sales are being negotiated by the residents to buy

the park. MPAP funds usually represent only a portion of funding for any one park, often combined with loans from private sources and local governments in order to make the total package viable.

Sunset Provisions

Under SB 2240, the Mobilehome Park Assistance Program is scheduled to sunset on January 1, 1989. Yet, the program remains popular with mobilehome residents, and applications for funding continue to be received by the MPAP program.

Funding

The program began with an initial \$3 million appropriated from a surplus in the Mobilehome-Manufactured Home Revolving Fund, which was augmented in the 1985-86 budget by another \$2-1/2 million from that fund. In addition, SB 484, Chapter 555 of the 1985 session, which became effective on January 1, 1986, increased the Vehicle License Fee on mobilehomes by \$5 a year per unit for three registration years, to allocate additional funding for the MPAP program. Due to numerous complaints from mobilehome owners on private parcels, who claimed they could not benefit from the Park Purchase Program, SB 1777 (Royce), Chapter 1023, was enacted this year to exempt mobilehome owners on private parcels from the last two years of this fee - 1987 and 1988. Thus, of the more than \$6 million in additional revenue

allocated to the fund from the license fee increase, approximately \$1-1/2 million will be lost due to SB 1777. Hence, a little more than \$10 million will have been made available under the Mobilehome Park Purchase Program for loans during the three years of its existence. Considering the fact that loans to individual parks often constitute \$1 to \$1-1/2 million or more for each park, this does not permit the program to provide funding for very many conversions. Although other legislation, attempting to authorize revenue bonds or the use of General Fund money for this program, has been introduced, no such bills have been successful. The enabling legislation, SB 2240, also created the Mobilehome Park Acquisition Fund, to be administered by the California Housing Finance Agency (CHFA), authorizing the sale of state revenue bonds for resident-owned mobilehome park conversions. However, CHFA has never utilized their authority to provide financing for mobilehome parks under this Act.

Legislative Options

The Committee may wish to consider:

(1) whether the Mobilehome Park Assistance Program (MPAP) should be extended beyond its current January 1, 1989 sunset date, and, if so, for what period of time;

(2) authorizing new sources of funding for the MPAP program:
(a) to meet the crunch for funding requests for park conversions up to January 1, 1989; (b) to fund the MPAP program in the future if it should be extended beyond January 1, 1989;

(3) providing the authority and funding for a new loan program for resident-owned mobilehome park conversions through the California Housing Finance Agency, or other means.

#

OPENING STATEMENT
SENATOR WILLIAM A. CRAVEN

SENATOR CRAVEN: We now call the meeting to order.

Good afternoon! With the opening of the new legislative session this week, we felt it was timely to hold hearings to acquaint the members with some of the current issues in the mobilehome arena.

There are a number of other hearings ongoing in the Capitol this week, so not all the members will be here. There is a conflict for many members, and some will be coming and going during the hearing - coming from and going to other meetings.

This committee will, as it has in the past, continue to try to address problem areas and find solutions before they become major controversies. In this regard we have been successful in the past in dealing with such issues as mobilehome leases, double taxation of accessories, and license fee surcharges and delinquencies, to name a few.

Today we are going to focus on two areas - not only for the purpose of seeking solutions to problems but for the benefit of the information imparted - both to members of the Legislature - as well as those of you in the audience.

First, we want to consider the subject of the conversion of rental mobilehome parks to resident-owned or - in the mobilehome vernacular - so-called "own-your-own" parks.

As the background paper points out - there is probably no more important issue to mobilehome owners faced with the prospect

of ever higher rents or displacement of their mobilehome due to conversion of the park to another land use than being able - instead - to buy the park.

The Mobilehome Park Assistance Program (MPAP) was established two years ago to provide financial assistance on a limited basis to mobilehome owners trying to buy their own rental parks. The program has met with phenomenal success, and is one of the most popular programs which HCD has going. However, as is often the case, there is not sufficient funding to meet the demand of many worthwhile park conversion projects.

With the program now well underway - we come to the realization that it only has a life expectancy of another two years - as it sunsets at the end of December, 1988. Additionally, funding sources for the program likewise will dry up.

Jerry Rioux with the Department of Housing is here to present a background and overview of the MPAP program. We will then take testimony from those of you in the audience who care to make your recommendations on extending the sunset or on alternatives for additional funding for this very important program to mobilehome owners.

Upon the conclusion of testimony and questions in this area, we will take up the issue of earthquake-resistant bracing systems for mobilehomes.

We have been told that there is really not very much interest in this subject - that many mobilehome owners - especially those in the Central and Sacramento Valleys - feel that they need not worry about an earthquake damaging their mobilehomes.

But predictions that the "big one" is coming sooner or later - perhaps within the next 10 to 20 years - seem to be more frequent, and recent smaller quakes in Coalinga, Santa Barbara and other locations show that mobilehomes almost always suffer damage, unless they are secured to adequate bracing systems.

Five years ago we enacted legislation by Senator Alquist to require that where earthquake-resistant bracing systems for mobilehomes are sold and installed they must meet generally accepted seismic safety standards.

The Department of Housing finally put the regulations to implement this program into effect in September, 1985. Since that time, it has been unlawful to sell or install uncertified bracing systems for mobilehomes. But due to the fact that such uncertified systems continue to be sold and installed in California, the Department issued a bulletin in August of this year warning interested parties that they may be in violation of the law in this regard.

This, in turn, has stirred up a storm of protest, particularly from the industry, those who manufacture, sell and install earthquake bracing systems for mobilehomes, who contend that the

Department of Housing has not established a certification procedure until very recently - or has not notified many of them about the new regulations.

Some mobilehome owners are also affected by this issue - at least those who have uncertified earthquake bracing systems installed under their mobilehomes since the adoption of the regulations in 1985. Many are concerned about the cost of removing an uncertified system or any liability they may incur for selling their mobilehome in the future with an uncertified system supporting it.

The background paper - available at the front table - outlines the issues in this regard.

We will take those who have notified us first they wish to speak, and then those from the audience who also want to address the committee on the relevant subject on an extemporaneous basis.

This hearing is being recorded for later transcription. If you are going to address the committee, please come forward here to the table in front of me when you are called upon and give us your name and address, and who you are representing - if anyone. Please speak directly into the mike.

Thank you - and now for our presentation on the Mobilehome Park Assistance Program by Jerry Rioux, Division of Community Affairs, Department of Housing. Jerry.

MOBILEHOME PARK ASSISTANCE PROGRAM

TESTIMONY

JERRY RIOUX: I would like to take a few minutes to talk about the mobilehome situation in California and the Mobilehome Park Assistance Program. As you well know, there are a number of reasons why mobilehome owners want to become the owners of their parks. The reasons usually fall into three categories: rent increases, a concern over the rules and regulations and operations of the park, . . .

SENATOR CRAVEN: Excuse me, just a minute, Jerry. Can you hear this in the back of the room? (Audience responding, "no"). I had the feeling you weren't. OK, go ahead, Jerry.

MR. RIOUX: I'll try to speak up. The reasons that mobilehome owners want to become owners of their parks generally fall into three areas: concerns over rent increases, concerns over the rules and regulations and operations of the park and concerns about the closure of mobilehome parks. As a group the Department labels these types concerns, "Security of Tenure" issues. In regard to rent increases it is important to note that while about 1/3 of mobilehome spaces in California are subject to rent control, the average rent increase in the last year is 10%, as reported by the park owners. Most mobilehome park residents are elderly with fixed incomes and many of them are dependent upon their assets for their living. As the interest rates on deposits have decreased, the income and well being of the park residents have declined. When interest rates were high, around the 12%

range, they had almost twice the income as generated today when interest rates are only about in the 6% range.

Another area of concern is the equity in the individual homes. When mobilehome park rents increase, there is an interesting effect on the homes. As rents go up, the value of homes go down so people see their equity eroding as the rents increase.

With regard to rules and regulations, people are concerned with the changes in rules and regulations. They move into the park under one set of rules and regulations, and then they change over time. And they are concerned because they don't have any control over the changes.

Park maintenance is an important issue, because as the HCD study with park owners indicated, maintenance is the area that is reduced when there is a pressure on rent, so some park owners have decreased the amount of maintenance in their parks. Also, because of concerns about liability and the rise in insurance rates, the ability to use facilities in the park has decreased. The park residents would like to own their parks and thereby have more control over the maintenance, use of facilities, and the rules that regulate the use of the park.

With regard to park closures, in 1982 the Department had 5,900 registered mobilehome parks in the state. In 1983 there were only 5,804, a decrease of 96 parks in that one year period. It is uncertain how many parks are actually closing, but there

are parks closing throughout the state. When a mobilehome park closes, the mobilehome owners have very little option. The cost of moving a home is prohibitive, and in most areas of the state there are no vacancies. So all of these areas: rent increases, rules and regulations, and fear of park closures motivate mobilehome owners to become park owners.

Over the last five years or so there have been three forms of ownership that have been the most popular for park conversions. The first is a condominium, the second is a nonprofit corporation, the third is a limited equity co-op.

1.) In a condominium the individuals own an interest in the air space above their space. They receive a deed, and it is financed very much like a home would be financed, but the terms are not quite as attractive as on a conventional home loan.

2.) In the case of a non-profit corporation the mobilehome owners form a corporation to buy the park, they own stock in the park, and they would operate it like a rental park, except that they would rent to themselves. They would have control of the operations through that corporation. 3.) The limited equity cooperative is, under state law, a kind of a mixture between condominium type ownership and a non-profit corporation. The park is owned by the residents through a corporation and they control the operation and rent to themselves. The difference in a limited equity co-op is that under state law it is considered - the stock in the

co-op - is considered to be an interest in real estate, and the residents have a more secure form of tenure because it is a form of real estate.

There are other forms of ownership possible for a park conversion, but they are not as prevalent. They tend to have problems with local approvals or state approvals or financing. A park could become a standard subdivision, a planned unit development, where they sell lots with some common areas, but each resident owns the lot under his home. They could be a corporation or a partnership. There are a number of other options.

Over the past four or five years there have been quite a few bills passed to support the conversion of parks to resident ownership. In 1983, the Legislature passed Assembly Bill 1008, which created the Mobilehome Technical Assistance Program, under which the Department provides technical assistance and information to park residents, local governments and other parties about park conversion purchases to make it easier for people to understand how to convert and how to find sources of funding and such. In the following year the Mobilehome Park Assistance Program was created by the passage of Senate Bill 2240, which also provided a property tax freeze for residents who had bought their parks. Under SB 2240, the residents, as owners of the park, paid the same property taxes as the prior owner did prior to the sale. In the same year, state law was changed through AB 3373 to allow

mobilehome park condominiums. At that time - prior to 1984 - the definition of a condominium precluded a mobilehome park from becoming condominiums. In the same year Assembly Bill 2728 fixed the limit on fees that local governments could charge to convert mobilehome parks to resident ownership. In 1985, there were two other bills that supported the conversion of parks to resident ownership. One was Senate Bill 29, which provided an income tax benefit to park owners who sold to the residents and Senate Bill 435, which prohibits local governments from requiring permanent foundations when a park is converted. It also provided broad authority for local public financing and ownership of mobilehome parks, which is one of the mechanisms that residents can use to gain control through the use of local ownership by the housing authority or financing through local government. In 1986, there were three bills to support the conversion to resident ownership. AB 256 exempted non-profit resident organizations from filing with the Department of Real Estate on the purchase of a mobile-home park if they complied with certain conditions. Senate Bill 1768 expanded the freeze on local property taxes that applies when residents buy their park. And Senate Bill 1769 allows park residents to require notice from the owner of a park if the owner intends to sell the park. These bills show fairly clear examples, over the past few years, of the Legislature's willingness to support mobilehome park conversions.

I'd like to take a couple of moments now to talk about the Mobilehome Park Assistance Program and its activities to date. As I mentioned, the program was created by Senate Bill 2240 of 1984. It became effective January 1, 1985. The Department then promulgated regulations which made the program effective. We issued our first request for applications in December of 1985. The funding for the program has been based on two sources. We received a \$3 million appropriation when the program was created in 1984. That appropriation was in the form of a transfer from the Mobilehome Revolving Fund. In the Governor's Budget of 1986-87, a \$2-1/2 million appropriation was made by an additional transfer, also from the Revolving Fund. In 1985, Senate Bill 484 provided another funding source by creating a \$5 surcharge on mobilehome registration fees. That particular source of funds provided approximately \$2-1/2 million in its first year of operation.

SENATOR CRAVEN: Whose bill was that?

MR. RIOUX: It was your bill.

SENATOR CRAVEN: I say that because we started out thinking we had the world by the tail, until some people told us that we had our hands in the tiger's mouth, and we had to do a little revamp on that. Go ahead, Jerry.

MR. RIOUX: So to date, the program had approximately \$4 million in its first fiscal year of operation, and we awarded

just under \$4 million. For the current fiscal year we budgeted \$5 million and anticipates awarding \$5 million by next June. . .

SENATOR CRAVEN: Jerry, let me interrupt you if I may on the funding. In your judgment, what would be a realistic amount of money that we should be budgeting? Be charitable.

MR. RIOUX: I'm really not at liberty to state a figure - I haven't. . .

SENATOR CRAVEN: Well, would you tend to agree that the money we have now - regardless of the amount - is probably insufficient to take care of the need?

MR. RIOUX: It is clearly less than what would be needed overall. I might add that local governments often match the amounts we have provided.

SENATOR CRAVEN: On the same loan basis?

MR. RIOUX: Pretty much on the same basis. For the next year it is uncertain what we will find available as the result of the exemption created by SB 1777 on the mobilehome registration surcharge. We're estimating that we will receive about \$1-1/2 million or \$2 million in the next year, but there is no way to be certain. And that's the only future source of funding at present.

In the current year we broke the applications for funding into three categories. We received applications in December, and we will receive more applications in January, and then the final

applications will be in April. We found that to date we typically have had more applications than we can fund. In the first period we had 6 applications and funded 5; the second we had 4 and funded 3; and in September we awarded 4 loans for 5 applications. That's the trend.

SENATOR CRAVEN: In a general sense, what percentage of the requests do you grant from the standpoint of loans? Obviously, you don't give 100% of what they ask for.

MR. RIOUX: Well, what we do is we use a formula to determine how much each park can receive, and we've found that in some cases we have actually given a small amount more than requested, based on the need of the park.

SENATOR CRAVEN: So, you make your determination on an economic basis.

MR. RIOUX: Overall, we've awarded about 75% of the money that was requested. Some we have reduced, and sometimes we augmented what was requested.

SENATOR CRAVEN: Very good.

MR. RIOUX: I might note that for the last fiscal year, 1985-86, we calculated, across the board, on the loans we have committed to the residents who were assisted - that the residents had an income equal to 47% of the median income of those counties - or about \$11,544. Many of them had incomes in the \$400-\$500 a month level, and that's why the local match is also very important.

JOHN TENNYSON: What is the maximum allowable income for people involved in this program?

MR. RIOUX: It varies from county to county. The highest is based on the median income for that county. The highest income levels are in Santa Clara and Marin Counties in the Bay Area. I don't have the figures with me, but I would guess that for a single person in those areas, it would be about a maximum \$20,000 a year. In the San Diego area it's about \$15,000 a year. That would be equivalent to 80% of the county median income. I hope that answers the question.

The program provides three types of loans to help residents buy their park. We can make a loan to a group that forms to buy a park so that as a whole they buy the park either to retain it as corporate ownership or to subdivide it into condominiums or lots, so we would provide short-term loans up to 3 years. The interest rate on all of the loans is 7%. In most cases we make deferrals on the loans so they only have to pay the loan when they have completed the conversion.

We also can make a long-term 30-year loan - to a group that owns the park. They would use our loan to reduce the interest rate in order to reduce the rents they would charge to the people in the park in the lowest incomes. It gives them quite a bit of flexibility.

SENATOR CRAVEN: Jerry, when you have a corporation, say 100 people, bound together in a corporate sense, who are borrowers, are they primarily responsible to the corporation or to the state?

MR. RIOUX: As a member of a non-profit corporation, the corporation shields the individual members from financial responsibility. In addition, the Department has written the loans so they are not personal loans so the property of the park is the only security for the loans.

SENATOR CRAVEN: I see. That's in effect the collateral.

MR. RIOUX: Yes, collateral. The park is the collateral. Now so far we are running about 2 to 1 or a little less than that. There are more condominiums that we have awarded than corporate ownership. We are looking at 8 condominiums and 4 cooperatives.

SENATOR CRAVEN: Does that indicate it is easier to go the condominium route?

MR. RIOUX: Actually, it's harder for the condominium route because it is more work - and the processing involved.

SENATOR CRAVEN: Is the corporate one the easiest?

MR. RIOUX: Yes. The reason there are more condominiums is because many people prefer to have the deed to the property.

SENATOR CRAVEN: Well, when you go with the condominium, you have a multitude of separate transactions, don't you? In the corporate route you have one transaction. Right?

MR. RIOUX: Yes, sir. Basically. People buy stock or shares - rather than buying separate spaces - 100,200 or whatever. It's one real estate transaction, and as a result there is less cost. Another advantage in the case of a corporate ownership is you can have more people participating more easily. It is easier to assist them in that form of ownership because they remain on as tenants and have a tenant-landlord relationship with the corporation which they own. In a condominium it takes more complicated measures to assist the people who are unable or not interested to buy the lots or spaces, and to protect those who do not wish to buy.

The third type of loan we make is a loan to an individual that would be secured by their lot or by stock in the corporation. If the corporation didn't use blanket financing and issue stock or use share financing, (inaudible). In the case of an individual, in most cases, we will take both the lot and home as security because we will be providing a very high ratio of financing. In the case of the corporation it has the ability to pay us through rents on the property.

SENATOR CRAVEN: Is there any problem in what I'll call the transactional chronology. In other words, you loan me \$12,000 so I may buy the lot, then you take it as collateral. OK, I don't own the lot because I'm going to wait until I get the money to buy the lot; so, in other words, I understand how it works, but

it's not a prima facie simple thing. It has to be done step by step.

MR. RIOUX: It takes a lot of tenacity for consultants working with park residents. Our conversion loan on a short term basis is designed to help with that kind of time problem. The residents have to buy the park as a whole or have some way to control the park while they go through the subdivision process so individuals can buy their lots.

SENATOR CRAVEN: Now, technical assistance along this line is generally offered by the municipality or county where the people reside?

MR. RIOUX: There's some assistance in some of the counties, but generally it is offered by private consultants for a fee.

SENATOR CRAVEN: Right. I think that's money well spent for expert advice.

MR. RIOUX: Yes, we recommend everyone use a consultant because it is a very complex process, and there are many pitfalls along the way.

SENATOR CRAVEN: When you use the word "pitfall," have we put out any adviso's on the pitfalls we have encountered so the industry or the people at large are aware of those things?

MR. RIOUX: Well, I hesitate to say yes or no, but I believe we have provided information which highlights some concerns but not listing the pitfalls and how to avoid them.

SENATOR CRAVEN: That is something, I think, that the committee may help you disseminate, if you run into things that you think warrant public information. If there is anything we can do to make people more aware or consultants in the field, I think it would be helpful. Well, it looks like you have come to the end of your presentation.

MR. TENNYSON: Jerry, of the total number of projects or applications that have been received by your program - I think it was in the neighborhood of 12 or 15 - is that correct?

MR. RIOUX: We funded 12 out of 15 applications.

MR. TENNYSON: So there have been 3 rejected. Were those qualified and there wasn't sufficient funding for them, or was it a matter that they didn't meet certain criteria?

MR. RIOUX: We probably could have funded all of them. In two cases we would have preferred more time to work out certain problems.

MR. TENNYSON: So you would perceive that most of those would reapply at some future time?

MR. RIOUX: If they can work out any pending problems, they will reapply. If not, they may not be able to pursue it.

SENATOR CRAVEN: Thank you very much, Jerry. Jerry Rioux has been with us on numerous occasions. I most recently saw him down in Carlsbad, which is 500 miles from here where he came down to participate in a seminar there which we enjoyed and on which

Jerry helped us a great deal. John tells me we now have copies of Jerry's background paper available on the table in the front.

I was waiting until we had some members here to do this, but in their absence , I think I'll go ahead. I'd just like to introduce to you - perhaps needlessly so , because if you've been a devotee of this committee, you know that the gentleman on my right is our Consultant, John Tennyson, who is too young to be the "Father of Mobilehome Activities", but he certainly has been one of its most stalwart sons, let us put it that way. He is totally responsible for the committee output, of all the legislative effort we've had which I've been privileged to carry, and he's done a magnificent job. He and I know each other's moves quite well, like defensive backs, we know what the ends look like. Well, we have worked together for years, and I think we are fairly well acquainted.

Now the lady to my left has been with the committee for some years. Her name is Mickey Bailey, and, unfortunately, we are going to lose her. She is going to take a very responsible job with Senator Marian Bergeson down in Orange County in the coming month, and we will sorely miss Mickey for the work she has done for us so wonderfully well. They are the two people who have kept this committee moving along, and we are most appreciative for both John and Mickey, and we hope you recognize what they have done on your behalf because it is for you that we engage in this activity to begin with.

Now, let's ask Edna Bruce of the Los Angeles County Community Development Commission to come forward. There she is. I'm happy that you wore the hat, Edna. It's looks very, very nice. My wife has been wearing a hat for two days here, and has received more comments that you would believe.

EDNA BRUCE: Thank you, Senator. Mr. Chairman, my name is Edna Bruce. I'm with the Community Development Commission. I have the pleasure of being Intergovernmental Relations Manager. For those of you who are not familiar with Los Angeles County, the Community Development Commission has the responsibility for housing, revenue bonds and public housing programs, the Community Development Block Grant administration, redevelopment and economic development for the County.

We commend you personally and the State Legislature - and I must comment also about the excellence of your staff. I haven't appeared before your committee prior to this, but I have had the pleasure of dealing with your committee by phone many times during the past couple of years, and you are to be congratulated. They reflect great credit on your committee.

SENATOR CRAVEN: Thank you. I feel the same way.

MS. BRUCE: We are extremely happy in the county for your awareness of the need for developing a program to facilitate the conversion of mobilehome parks to resident ownership. The Mobilehome Park Assistance Program was well conceived and the

regulations carefully drawn to target assistance where it is most critically needed.

In particular, Senator Craven, we are aware of your own personal crusade on behalf of mobilehome owners in this state. You are aware of the serious problems affecting mobilehome owners throughout the state. In Los Angeles County, where land costs are so enormous, rents have not risen just 10%, in many cases they have quadrupled. And, as you know, the senior citizens on fixed incomes are the ones most affected. The Los Angeles County Board of Supervisors, in recognition of this need, formed the Manufactured Housing Task Force in 1983. This Task Force, composed of the Chief Administrative Officer, Regional Planning, the County Counsel, and ourselves, met often and over a period of years worked with the Golden State Mobilehome Owners League, Western Mobilehome Association, Western Manufactured Housing Institute, and the California Mobilehome Dealers Association, to maximize efforts to address the needs of tenants in mobilehome parks. Jerry Rioux was kind enough to come down and give us counsel on various occasions.

The County took positive actions to modify applicable codes and ordinances to expedite the park conversion process. We held workshops in two locations and provided technical assistance to tenant owners. For that reason, we were able to move forward aggressively and assist the Seminole Springs Park in their con-

version to tenant ownership. This would not have been possible without the Mobilehome Park Assistance Program. Even with the funds available from the state, we provided a one-year conversion loan in the amount of \$500,000 and a \$116,000 grant to the park cooperative.

To take advantage of the state funds, we solicited proposals through a "Request for Proposal" process, from mobilehome park residents' associations in Los Angeles County. Three mobilehome park organizations submitted proposals, but because of the process and lack of money on our part, we could select only one. We selected Seminole Springs. This park, located in unincorporated Agoura, is beautifully situated - I've been there personally - and the response from the tenants is so enthusiastic that it makes us grateful we could have a part in making the conversion possible.

Under this pilot program, which is the first one we've done in the county, the Seminole Springs Mobilehome Park, Inc. purchased and will own the park as a limited equity cooperative. The total cost of the park conversion to resident ownership is \$4,305,000. To supplement a \$3,200,000 first mortgage loan from a conventional lender, \$1,105,000 in interim financing was needed during the six to nine months required to obtain the Department of Real Estate approval.

We at the Commission , as I mentioned before, provided a \$500,000 low interest, one-year interim loan to the cooperative. The State Housing and Community Development Department awarded \$301,000 in the Mobilehome Park Assistance Program funds as a low-interest loan to provide down-payment assistance for the purchase of the park by its residents. In addition, as I mentioned, we augmented this amount by \$116,000, which we had not anticipated doing previously, because we found that further assistance was needed to enable the low and moderate income tenants to make the initial down-payment on their shares. The state and local funds make it possible to establish monthly mortgage payments that will not exceed 40% of the tenants' monthly income. Approximately 35% of about 214 park residents are low and moderate income households.

So, in summary, Mobilehome Park Assistance Program funds of \$301,000 made this conversion possible. It would not have taken place without this state program. We realize that no conversion can take place without the leverage provided by a state program, such as the Mobilehome Park Assistance Program. Because of the federal deficit, our Community Development Block Grant funds have been cut so we cannot count on that assistance in the future. The money we gave was the Federal Community Development Block Grant funding and no money came from our General Fund because we are broke in the County of Los Angeles.

SENATOR CRAVEN: That's a frightening prospect.

MS. BRUCE: Yes. We recommend strongly continuation of the Mobilehome Park Assistance Program. This program is the only one that addresses the unique needs of mobilehome park tenants and ensures future availability of this source of affordable housing for many Californians.

We at the Community Development Commission are available to provide any support that would be helpful in your legislative or regulatory process. I thank you very much for providing us with this opportunity to present testimony.

SENATOR CRAVEN: Thank you very much. How long have you been with the Commission?

MS. BRUCE: Three and a half years.

SENATOR CRAVEN: How long has the Commission been in existence?

MS. BRUCE: Three and a half years.

SENATOR CRAVEN: That's what I thought. You started with....

MS. BRUCE: I was with the City of Los Angeles for 13 years before that.

SENATOR CRAVEN: In what capacity? The same general area?

MS. BRUCE: The same general area.

SENATOR CRAVEN: Have you lived in Los Angeles a long time?

MS. BRUCE: Not long enough. Thank you.

SENATOR CRAVEN: Thank you. Next, Sol Becker, who is a GSMOL representative from Novato. OK, Sol, how are you?

SOL BECKER: I'm Sol Becker. I live in a mobilehome park in the City of Novato. Actually, I brought this down to just a minute and a half or so. I could be here all day talking on this subject.

SENATOR CRAVEN: Well, if you are, you won't have me here. I have another hearing at 3:30 PM, but you go ahead, Sol. Take your time.

MR. BECKER: I've been with GSMOL for over sixteen years, and of recent years I have been working basically on park purchase committees in how to buy their parks. Now I'll go on with my story.

Our California citizens, who live in and own their own mobilehomes, are all living on the edge of a precipice. One more rent raise and off they go. It already has affected thousands of homeowners, uprooted their lives, forced them into far and distant points from their families and friends.

One apparent solution, recommended by GSMOL, is for mobile-home owners to band together and purchase the parks they live in. The majority of them look at this procedure as hopeless. Where will the funds for such an undertaking come from? Local banks are not the solution. The market interest and the prices demanded by the park owners make it an impossible choice. But,

given a source of low-cost financing, the homeowners might have a chance.

Rents have escalated to such proportions thereby creating excessive values on each space in the park. We can anticipate \$35,000 to \$40,000 costs in most modern parks (and I'm speaking about parks built in the last twenty years). In reality, we are talking about individual space rentals running from \$285 to \$400 per month. There are many parks that are much older than 20 years and these homeowners are in the same boat. They must own their own parks in order to survive. The rental areas run a bit less in most cases, so their sites range from \$18,000 to \$28,000. However, as their rents climb, so does the resale value of their parks go up.

What is the solution? We need cheaper money (less than 7%) to be effective, and we need lots of it. I am talking about multi-millions. Such figures are what is needed to begin to tackle the problem. The fascinating thing about it is that it is self-sustaining. They can amortize these loans with their current rents.

For the record, sources of capital could be state funds, banks, with some tax benefits permitted for lending to tenant-owned parks, and there may be foundations that could be induced to finance the purchase of parks.

Back in the early 40's, we were able to provide a most essential need to the returning veteran, so the Cal-Vet Program was established. And, let me assure you, ladies and gentlemen, it was a tremendous help in allowing thousands of vets to re-establish their lives. I speak from experience. All my life I will be grateful for timely aid. I bought a chicken ranch with that loan. I'm glad I'm out of it. (laughter).

SENATOR CRAVEN: I know what you mean, Sol, but the land was worth something.

MR. BECKER: Are our mobilehome owners, and the majority of them are seniors, less worthy for similar aid? In addition to cheap capital, we need practical appraisers; we require engineering services, so parks can be examined for defects above and below ground, and the fact is that hundreds and hundreds of parks were originally jerry-built. Parks must be brought up to reasonable standards upon purchase.

One thing I can assure you is that monies invested in safeguarding the mobilehome lifestyle is a secure investment and would bring peace of mind to many thousands of citizens.

I sincerely hope that with your combined knowledge and spirit, you can come up with a quick solution. Ladies and gentlemen, time is of the essence. Thank you.

SENATOR CRAVEN: Thank you very much, Sol, and while you're still here let me ask John Tennyson a question. John, when we

set about to negotiate these sales of a park to the residents in the park, do we operate on the caveat emptor theory or is there a provision - like that to which Sol has referred - as to looking at it both above and below ground and all the nuances involved in the operation of a residential area? Is that required by cities, if the park be in a city, is there anything in law today that requires inspections as to the adequacy or efficacy to what is being done?

MR. TENNYSON: Not really. When you sell a mobilehome park to someone else, the person buying that park may wish to have it inspected just as if you were to buy a house, for example, you might want to have - well, you have to have a termite inspection in California - but you might want to have someone professional take a look at it. You might want to have an appraiser perhaps, or someone who is an architect, an engineer, or someone who is familiar with the city codes examine it for structural defects, adherence to codes, and what have you. The same thing in a mobilehome park, so if defects were found, that, of course, would be part of the negotiations in buying at a certain price.

SENATOR CRAVEN: So what we have, Sol, I think, if I have interpreted what John said correctly, is you have an option as opposed to a mandate.

MR. BECKER: Right. I know several parks that have changed hands in recent years where if the park was brought up to par,

let us say, a quarter of a million dollars would have had to be spent. Underground piping is already pulled up, and you can't expect these people to assume the obligation if they buy their park with their rents, so to speak.

MR. TENNYSON: I might also add that under certain circumstances your city or county will get into it, particularly if you have a park that is divided into a condo or subdivision-type or arrangement or where they own their individual parcels. The city will get involved and may want certain things brought up to standards, perhaps the installation of sidewalks or additional lighting, or what have you.

MR. BECKER: Unfortunately, many of the cities have stepped aside and allowed these parks to develop without proper supervision, and that is the problem today.

SENATOR CRAVEN: Yes. Well, we appreciate your bringing this to our attention and your very cogent points. - How far is it from here to Novato?

MR. BECKER: About 70 miles.

SENATOR CRAVEN: Well, we appreciate your coming down to see us. Thank you very much. Next is Amos Sommers of Continental Associates.

AMOS SOMMERS: My name is Amos Sommers. I'm a partner in Continental Associates, and we are consultants in the conversion of mobilehome parks.

SENATOR CRAVEN: You were with us in Carlsbad, weren't you?

MR. SOMMERS: Yes, I was there.

SENATOR CRAVEN: Thank you; we appreciated it very much.

MR. SOMMERS: You're welcome. Of the 12 parks that Jerry was referring to, I believe, 7 were parks where we had taken care of all the work, and we are now in the process of closing 5 others.

I don't know how much information you would like. I will first address the problem of how much money I think is needed for the program, and then I'd like to address other areas that I feel some corrections of existing regulations or procedures would assist in being more efficient. Now we generally work in the conversion to condominiums because we believe that the residents of the mobilehome parks, when they try to dispose of their park, will be in a much better position to do so if the project is a subdivided condominium. It takes a little bit more work on our part to do that, it's a little trickier in dovetailing all financing that is available through the state or the local entity, but the end result in our opinion is a much better conversion, so we have concentrated in that direction. That doesn't mean we will not help in other directions, whether it is a co-op or an AB 256. We would consider doing an AB 256 generally where the underlying land is leased by the current underlying owner, and the landowner refuses to subordinate his interest to the conversion map and the loan. Under those cases it is better to

do an AB 256 than to do nothing. But generally I will be talking mostly about conversions to condominiums.

We have found that approximately 30% or 40% of the park residents, surprisingly, are in a low or moderate income category. The funds that are generally available under the state program are generally limited to \$500,000 per park. Under the special condition where the need is very large, those amounts will increase up to \$1 million, which is the maximum amount that is required. We have one park in Escondido, Rancho Escondido, I believe you are familiar with it, where the purchase price of the park was \$11,800,000, and of that amount approximately \$4,900,000 represented the value of the units for residents who are in a low or moderate income category. So the \$1 million that is available from the state is really a drop in the bucket as compared to what is really needed. The City of Escondido realizes that and now they have put an additional \$500,000 for the purchase under a similar plan. I think they are going to meet tonight on a recommendation to add an additional \$700,000 to the funds. But what that will do is tap out the total amount of redevelopment funds they have available, so that the next park is going to have to wait two or three years until they have the next increment.

But the problem that we have with the program itself is that the \$1 million limitation - actually, I think we could say half a million dollars - really creates a vacuum in that those people

who are in the very, very low income area, whose income may be \$6,000 to \$8,000, and some people who are even in the \$50,000 bracket but owe payments on the coach, are not able to qualify for the other half of the loan that conventional lenders are expected to loan. So what I would like to see is that 20% of the funds that are appropriated from the state be allowed to assist those people who really are in the worse shape, who really need additional money. In other words, if we go to the bank and say, "Tell us how much you will loan," and they look at a resident who has 75% of his income - because of a coach payment - going to housing costs, that lender is not going to make a conventional loan. The maximum loan under the state program is 50%. We don't have the lender, let alone the other 50%. But I would like to see a certain portion of this money, that is gotten from the state, appropriated to go to the additional 50% in the worst cases. Is that clear? That's No. 1.

The other thing is I have made a lump estimate of what the needs are going to be, based upon the 50 parks that we are currently working with in this area, and I estimated that out of about 5600 parks, of those parks, probably about 20% are designed in such a way that a lender will agree to assist the residents in providing the financing. In other words, a trailer park - we used to call it trailer park - would be almost impossible to finance. But the nice, good parks, probably about 20% of the

total will make it. That will mean 1120 parks. The average number of spaces in a park that we have gone into is approximately 200. That means that we have 224,000 spaces available to be converted. Of those spaces, I would say only 40% of the owners will agree to sell to the residents, perhaps because under the current tax law there might be an increase in that. Up to this time we've found that about 60% of the owners refuse to sell to the residents under any circumstances at a reasonable price. So that indicates that we have a possible conversion of approximately 90,000 units. If those 90,000 will average a price of \$28,000, that means that we need \$2-1/2 billion in funds to assist these residents. Well, if the parks have 30% in low or moderate income people, we need \$756 million in assistance funds for those parks in the state. That's even if we have a 10-year program. That's a tremendous amount of money, but that I think is what we need. If our funds are limited to only \$5 million, it is only a drop in the bucket, and some way has to be found to assist those people because without this assistance we cannot do any conversions. Not only do we need the assistance from the state, but because of the way the funding comes from the local area, without assistance from local governments, I would say 80% of these parks would not be able to be converted because the local area comes in to pay for the 50% of the money the conventional lender will not loan, and without that we really cannot

help these people. We have some cities that are just flat out of money, and it is almost impossible to put a package together in those cities. So we really need to increase the money available from the state program, not only increase it in dollars, but also increase it in the ratio of the loan to the co-purchase project. Instead of having a 50% limitation, I would like to see it increased to perhaps a 75% limitation. That would take care of the areas in which local government cannot assist those parks because they do not have the money. That would really take care of how much funds we need.

Now, there are other areas that create problems for us in a conversion - I don't know if you want me to go into that or not.

SENATOR CRAVEN: Can you make it brief?

MR. SOMMERS: Yes. One of the other areas you were concerned about or indicated concern was the inspection problem. Generally when we negotiate with the owner, as his condition, the state program provides for some rehabilitation funds that are available, we recommend to the residents' committee to get an inspection engineer to inspect the project and give them a report as to what they can look forward to in maintenance and deferred maintenance. Fortunately, most of the parks that we are involved with are in pretty good shape so we don't have much of a problem, but for the parks that are not in good shape, they've got problems that if we had to include them, it would be an almost impossible

situation because those parks are going to be required to upgrade their development to current standards, and they would have to post a bond with the county or the city. It's impossible to get bonds from 200 people, signing on bonds, and bonding companies will not accept the association as signators. So, we would have to go into a 1911 Improvement District, and in some cases we have done that in two or three parks where the residents have agreed to waive the 1911 Improvement Act in order to include their park in the future. So those things have been worked out and I think in most areas we recognize that that problem has been taken care of.

The worst problem that we have is really in the way that local government jurisdiction creates the conversion process. In the Map Act there is a provision that permits the city or county to accept a Certificate of Compliance instead of a tentative map and final map which is usually done in a subdivision in the case of a condominium. In the areas where that process has been accepted, it's very simple to get a conversion through. But in some jurisdictions the cities refuse - for one reason or another - to do that, and what happens is, we have delays that preclude the conversion. The amount of time that we can get for the owner to convert a park is limited. The maximum is six months. By the time we organize the residents, do all the surveys, determine the amount of money we need for the low and moderate income people

and get the engineering done, we can't wait and waste two or three months for the city to review plans and come up with criteria that are really not necessary because it generally takes six weeks to get tentative map approval by the planning commission, and then it goes to the city, and there is a final map for the city, and it's really not necessary. So what I would like to suggest is change the Map Act to instead of having the city having the option of which way to go, that the applicant get the option of whether they want to go to a tentative map or to a Certificate of Compliance. That would help a great deal. We would probably be able to assist 20% more of the parks if that occurred.

Conversely, we have one more problem which is very, very difficult. You can understand that financing this is very complex, and the Department of Real Estate regulations preclude the use of the residents' funds for the purchase of the park until the white report is issued. Well, it's a Catch-22. If you can't use their money to put down and you can't get the white report without the residents owning the park and filing a condo map, how are you going to use the money that the people who are in the park, who are able to provide the down payment - you can't accept their down payment, so you have to get a very tough combination of getting both the state funds, the city funds and conventional funds sufficient enough in funds to be able to buy the park. If

we could change some regulations in the Department of Real Estate to permit in resident-initiated parks to accept and use the deposit from the residents for the down payment of the purchase, that would be very helpful.

SENATOR CRAVEN: Well, you may recall I mentioned or used the term "transactional chronology." I think that's what you are talking about. I understand that, and we will certainly investigate that.

MR. TENNYSON: Earlier you stated your firm was involved with 50 parks or thereabouts? Are these 50 in the process of converting or are they just interested?

MR. SOMMERS: I would say 50% will - we expect 25 conversions next year - if the funds are available.

MR. TENNYSON: Conventional funds?

MR. SOMMERS: No, if the funds are available from the state. Without the state funds, the only parks that I can see that we would convert would be in the desert where the income level, for a second home, is high and there are very few people on low or moderate income. Most residents who are not in the low or moderate income level recognize the need to assist the people who are. However, they are not willing to assist by subsidizing their rents in the park.

SENATOR CRAVEN: Thank you very much.

MOBILEHOME PARK ASSISTANCE PROGRAM

SUMMARY AND COMMENTS

SUMMARY AND COMMENTS

December 2, 1986

Mobilehome Park Assistance Program

Summary of Testimony

Testimony to the Committee indicates that virtually all of the witnesses feel the Mobilehome Park Assistance Program has been worthwhile in assisting mobilehome park residents to buy their own parks, and most feel the program should be extended and additional amounts of money appropriated to finance it.

One witness indicated that only a handful of parks have been helped by the program and to truly address the potential of converting hundreds of mobilehome parks in California, somewhere in the neighborhood of three-quarters of a billion dollars in state assistance would be required. Other witnesses indicated that more state assistance was needed because funding available at the local level through Community Block Grant Funds and the like, which have been used by locals to provide assistance in some cases to mobilehome park residents buying their park, are drying up and local governments will not be able to participate in many cases to the same extent as in the past. Other witnesses indicated that low interest loans, like Cal-Vet loans should be made available to individual residents. Lastly, other problems were addressed, including the need to make technical changes in the Subdivision Map Act, and in the regulations of the Department of Real Estate, among others, to make it easier for parks to be converted to residential ownership.

Comments

Provisions of SB 2240 (Chapter 1692 of the Statutes of 1984), which created the Mobilehome Park Assistance Program, state that the program will sunset on January 1, 1989. Under that law, the program will thereafter be evaluated by the Department of Housing under very specific criteria (see copy of SB 2240 in the Appendix), and recommendations will be made to the Legislature whether or not to develop a more comprehensive program.

This evaluation and report under SB 2240 is to be made to the Legislature by July 1, 1989, six months after the program has already expired. Since mid-year is normally too late in a legislative session to introduce new bills, the Legislature would not have the opportunity to consider the report and whether to extend the MPAP program until after January, 1990. Even if such a measure was approved, the MPAP program could not then be restarted until, at the earliest, mid-1990, and more likely, 1991. Thus, at best, there would be a two-year gap in continuing to provide state assistance and funding to mobilehome park residents for park conversions, assuming approval by the Legislature and Governor.

To resolve this chronological problem, the Committee may wish to consider legislation to require the evaluation and report by the Department to the Legislature of the MPAP program prior to the sunset and/or extend the MPAP program for a short period of

time, such as a year, to give the Legislature an opportunity to consider the report and decide whether or not to extend the Mobilehome Park Assistance Program before it expires.

With regard to funding for MPAP, this is an area in which everyone feels more money is needed, but no one has suggested sources for such funding. At the time of this writing, the State of California is in the midst of the most severe budget crunch since the 1983-84 fiscal year. State expenditures are running close to the 1979 Gann Initiative's expenditure limits, and a number of programs have been recommended for reduction or extinction in the Governor's budget. Thus, the likelihood of obtaining additional funding, particularly in the amount suggested by witnesses at the hearing, is questionable.

The Committee may wish to consider, however, the establishment of an advisory committee on this problem, consisting of experts in the area, including a representative of the Department of Housing and Community Development, a representative of the California Housing Finance Agency, a representative of local government, a representative-consultant from the mobilehome park conversion field, and a representative from a private lending or financial institution--among others--to hold meetings in different parts of the state to consider the issue and make recommendations to the Committee over the next year.

Lastly, with regard to some of the technical issues referenced in the hearing, such as the issuance of a certificate of compliance for a mobilehome park conversion, rather than requiring such a conversion to go through a tentative and final map proceeding under the Subdivision Map Act, and permitting park residents to use their own funds for down payment to hold the sale while the Department of Real Estate approves the project, which is now not permitted under Department regulations, members of the Committee may wish to consider authoring such legislative changes in 1987.

SECTION IV

ISSUE II

MOBILEHOME EARTHQUAKE BRACING SYSTEMS

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Senate Select Committee on Mobilehomes

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CHAIRMAN

EARTHQUAKE BRACING SYSTEMS FOR MOBILEHOMES
DECEMBER 2, 1986 HEARING
INFORMATION PAPER

Background:

In 1981 Senate Bill 360 (Alquist), Chapter 533, was enacted and signed into law to require the Department of Housing and Community Development (HCD) to adopt regulations, providing for the certification and listing of state-approved earthquake-resistant bracing systems for mobilehomes. Although the law does not require earthquake bracing systems to be installed under mobile or manufactured homes, because of numerous incidents of damage to mobilehomes in earthquakes in recent years, the bill was designed to assure that where mobilehome owners do choose to purchase and have earthquake bracing systems installed, that such systems must meet generally accepted seismic safety standards.

Regulations:

Regulations were finally approved and adopted by the Department as Article 7.5, Chapter 2, Title 25 of the California Administrative Code, effective September 21, 1985.

In short, the regulations require the Department to assure that earthquake bracing systems installed under mobilehomes in California comply with design standards for resisting seismic forces as provided in Section 2312, Chapter 23 of the Uniform Building Code (1982 edition), and that such bracing systems be designed to limit any downward or vertical movement of a mobilehome to a maximum of two inches.

The regulations call for the Department to designate approved listing and testing agencies, private entities in the business of listing and/or testing mobilehome earthquake bracing systems. Manufacturers of such systems must have them listed and approved by such an agency before applying to the Department for certification of the system.

The manufacturer then submits forms in triplicate along with a \$100 fee to the Department for certification. Upon receipt of a complete application, HCD reviews it to be sure the earthquake bracing system will comply with the construction and design standards abovementioned and that the system has been approved by a Department-approved testing or listing agency. If the above requirements have been met, the Department shall stamp as certified the earthquake resistant bracing system plans and an approved copy shall be returned to the manufacturer. If the plans do not conform to the requirements, the Department shall

return them within ten days, identifying what is necessary to make the application complete and acceptable. The applicant has 90 days within which to resubmit a corrected application or plan.

The Department also has the authority to conduct periodic inspections of the manufacturers and the listing and testing agencies to assure such earthquake bracing systems comply with the approved certification. Corrections shall be made in those systems, but if after being notified of a violation, the manufacturer continues to manufacture such systems, the Department certification shall be revoked.

The regulations also provide that it is unlawful for anyone to sell or install an earthquake bracing system for mobilehomes unless it is certified by the Department.

Enforcement:

During 1986 the Department of Housing and Community Development made known the existence of the new regulations in force since September, 1985, requiring certification of mobilehome earthquake bracing systems. Notice was given to manufacturers, mobilehome park owners and other parties the Department had reason to believe had an interest in knowing about it. However, uncertified earthquake bracing systems continue to be sold and installed in California.

On August 22, 1986 the Department of Housing and Community Development issued a bulletin to all parties previously noticed, informing them that it is unlawful to sell or install bracing systems unless they are certified by the Department, and indicating that no systems had yet been certified due to insufficient testing and the inability of manufacturers to have their systems properly listed prior to submitting them to the Department for certification.

Issues:

The bulletin brings up at least two major issues:

(1) the fact that no testing or listing agency has been available to approve earthquake bracing systems for mobilehomes under the new regulations, even though manufacturers and installers must have a certified system before they can be sold and installed; and

(2) the potential for prosecution of manufacturers and installers of bracing systems which have been sold or installed but not certified, even though the certification process was not in place.

One of the major concerns of the industry, the manufacturers, dealers and contractor-installers of earthquake bracing systems for mobilehomes, is that they have been caught in a Catch-22 situation, where they have not been able to obtain

certification of their devices even if they wanted to, since the Department has not approved any agency to test or list them.

In recent weeks the Department of Housing and Community Development has approved one such agency - RADCO - as well as taking on the job of testing mobilehome bracing systems itself, although such systems still must be listed by an independent agency. As such, two such systems have been certified and presumably listed within recent weeks, but many other manufacturers have had their applications rejected because the certification process had not been established to allow for testing and listing of their devices.

Some manufacturers and installers may face possible punitive action by the Department of Housing or the Contractors' State License Board, even though there has previously been no mechanism available for them to have their devices certified. Other manufacturers claim that they were not aware of the new regulations or for the need to make an application to have their earthquake bracing systems certified.

Mobilehome Owners:

Mobilehome owners who have purchased and installed earthquake bracing systems, at least since the adoption of the regulations on September 21, 1985, are likewise concerned that they may now own uncertified bracing systems and what legal action, if any, they

may have against a manufacturer or installer for selling and installing a device which does not meet such requirements.

Other mobilehome owners are concerned about the resale of their mobilehomes installed on uncertified bracing systems. Since the regulations make it unlawful for "any person ... to sell ... any earthquake resistant bracing system unless the system is certified by the Department ...", some owners believe they may be unwittingly subject to penalties when they put their mobilehomes up for sale.

The committee may wish to consider:

(1) the progress which the Department of Housing and Community Development is making toward expediting the certification process for mobilehome earthquake resistant bracing systems;

(2) whether manufacturers and installers of earthquake bracing systems for mobilehomes should be liable for installing non-certified systems after September 21, 1985, even though they were not aware of the certification requirements, or even where they were aware of such requirements but were not able to have their systems certified because there was no testing and listing mechanism available;

(3) the policing mechanism which the Department of Housing or other agencies, such as the Contractors' State License Board, have in place to assure that only listed and certified bracing systems are being sold and installed in California by manufacturers, installers and contractors;

(4) the rights and liabilities of mobilehome owners who may have purchased and had installed uncertified earthquake bracing systems on their mobile or manufactured homes since September 21, 1985.

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MOBILEHOME EARTHQUAKE BRACING SYSTEMS

TESTIMONY

SENATOR CRAVEN: All right, if we may now go to earthquake bracing for mobilehomes. Is Mr. Clark with us today? (no response) I just wanted to make sure. He was interested in testifying, but I understand he is ill. Bud Thole of GusGuard Products, Inc., do you want to come forward?

BUD THOLE: My name is Bud Thole, and this is Martin Farrar. I am President of GusGuard Products. Mr. Farrar is our Sales Manager. I don't want to sit here and try to rehash a lot of things that have already happened. Our obvious interest in being here today is to find help toward solving some problems that we understand are prevalent in this industry. We've been in this business for approximately 9 years. We've installed in excess of 3,000 mobilehome earthquake protection devices under California mobilehomes. We have made a very fine unit through the years and have always issued a lifetime guaranty. In this I might add that Jim Strada, with whom you are probably familiar, recommended our unit very highly and always has. About five years ago we decided we would obtain a state certification of some sort. We went through the state - just briefly - we asked them what their specifications were and they said, "What do you have?" And we said, "Well, what do you want?" They told us to show them what we have and they would decide whether or not it was good. Then, of course, in going through this with different engineering firms, it was a confused mess. Finally, in August of last year, it was

about a year and a half ago, anyway when the state decided that all people in this business would be certified by the state, at that time we got very earnest about engineering firms and so forth. We went to four of them before we finally got with some people that could understand the terminology of what the state really wanted and could work with them diligently. We submitted and resubmitted, I think, five different times, trying to box the thing in to where we received certification approximately three weeks ago. Just prior to that, the letter had gone out from Mr. Anderson stating that everybody was illegal in this business that wasn't certified, and, of course, nobody was certified. This killed us. But we had other lines to take care of at that time, and we did, and we hadn't received our certification. And since that time there has been no letter go back out to these mobile-home parks and mobilehome park managers stating there is anybody approved. They don't know it. We're dead in the water. We would like to have something done about that. We'd like to have a new letter issued, and I think this would take care of the immediate situation.

The other thing that we are concerned about - one of the things - is that there are still 7 manufacturers out there, still advertising, still installing, still selling. We spent almost \$40,000 in obtaining our certification, and there is no policing that we know of going on. There were several advertising in this

month's GSMOL. GSMOL was still advertising these people who aren't certified. You have a copy of that, I'm sure, if you subscribe to that magazine. We just called this morning and got the names of those - as a matter of fact, I'll be happy to give you the list. This is the September issue of those who are advertising. None of those have been certified yet.

SENATOR CRAVEN: Well, the point that you make is that the house organ for the residents - GSMOL - is advertising products by certain firms, none of which are certified?

MR. THOLE: That's my point, yes. We think it is quite unfair that this go on, but we have no idea how that can be policed or how these things can be enforced. In talking to Mr. Tennyson the other day I understood and through this printing I read today, they are considering enforcing the whole thing by possibly Consumer Affairs, the Contractors' State License Board. They are 8 months behind now in enforcing their laws, and any investigation - I don't know, it seems like an awfully unfair thing after all the troubles we went through that people are still out there doing business. Another thing that comes into that is that we want to be sure or we would like to do what we can to see that these people who get certification don't just go get a rubber stamp after all the troubles, trials, and tribulations that we've gone through. This has been a horrendous thing for us.

SENATOR CRAVEN: Just a minute (pause). Excuse me. Just consulting with my attorney.

MR. THOLE: I have a suggestion regarding enforcement or policing. It's easy enough for us to know who is out there doing these things. Marty runs across this all the time, as well as our other salesmen. Some of the things that these people pull is - it's just way out, you can't believe what they'll do to get into somebody's home - and we know about it. We know who they are and, of course, we'd be more than anxious to submit their name, address and telephone number and give the necessary information. I don't know how many people are involved in enforcing the Consumer Affairs laws and regulations, but it is probably numerous. If just one person were designated to do this, they probably would stay up with it. It was suggested that we might, knowing about this, go through a district attorney, and - well, that's not really our job to go to a district attorney and make a complaint about a man who is going against the law. I wouldn't know whether to go to the county where the man is doing business or go to the county where the infringement was made, but someone from the state certainly has some authority to get things done or at least write a letter to these people. I just don't think that they should be allowed to just continue doing business when they haven't been certified by the state, because we did go by the letter of the law in every dealing the state required.

SENATOR CRAVEN: Do you have a state contractor's license?

MR. THOLE: We certainly do.

SENATOR CRAVEN: Would I be correct in assuming the other people do as well?

MR. THOLE: Yes, as far as we know. We've never checked them out.

SENATOR CRAVEN: Have you communicated at all with the Contractors' State License Board?

MR. THOLE: No. I don't know why we would.

SENATOR CRAVEN: Well, presumably, it would be a violation of their contractor's license to do something that has been in effect adjudged illegal.

MR. THOLE: I see. Sure.

SENATOR CRAVEN: I'll tell you that you were right when you said something about the Contractors' State License Board. They run so far behind. You know, I think they are clearing up stuff now that happened right after World War II. They really are besieged by people, you know, who didn't get their linoleum laid properly or the heating duct didn't work. They are just absolutely badgered constantly. They have a tough job, and I don't mean to minimize their work. It's a tough job. But I think that the point you make is certainly a point well taken, and I sympathize with you, which is very little solace to you. I recognize that, but I think something should be done, and we would like to

try to take whatever immediate action we could. Do you advertise or have you advertised in any other mobilehome publication other than the GSMOL?

MARTIN FARRAR: Yes, we have.

SENATOR CRAVEN: Where are you located, by the way?

MR. FARRAR: Arroyo Grande.

SENATOR CRAVEN: Tell me where that is.

MR. FARRAR: By Pismo Beach.

SENATOR CRAVEN: Pismo Beach? I see. Well, I know where that is. There is a mobilehome tabloid in the district that I represent, which is in San Diego County, and it's read by all my mobilehome people - you know, religiously. And my thought would be - it's just an amateur's approach to the thing - is to get out a press release on the subject area and advise the editorial board of the paper or the editor or publisher of the paper what the situation is. At least if you just ran a news story, I think that would help. Do you do business all over the state?

MR. FARRAR: Yes, we do. However, I haven't done any advertising in over a year in any publication because we thought the certification was needed. But then, in the meantime, all the other existing companies kept right along with their advertising. You know, we were going strictly by the letter of the law.

SENATOR CRAVEN: You, Marty, are doing something which happens quite frequently - the fellow who abides by the law is generally the one who gets it right in the tail.

MR. FARRAR: Yeah.

SENATOR CRAVEN: I hate to say that, but I've seen it happen, and it has happened to me, as a matter of fact.

MR. FARRAR: Yes. But one point is that when all the certification went through, the state had said when we obtained that certification, there would be a rescinding letter sent out statewide to all the parks to let people know that we are certified.

SENATOR CRAVEN: Who told you that, Marty?

MR. FARRAR: That was in the letter put out by HCD.

SENATOR CRAVEN: Oh, really? Well, we can follow up on that because that would help immeasurably.

MR. FARRAR: One thing I've talked to a lot of different mobilehome parks, owners and managers, about that certification, and they are waiting on that letter so they can distribute that to the individual mobilehome homeowners in each park. We've got to get that solved as soon as possible.

MR. THOLE: In regard to that, I did have some conversation with Mr. Anderson and he was waiting until this meeting today- he was waiting to see if there was anything additional he should put in the letter. I told him how important it was to us to have that letter issued. It sure did stop us in our tracks when it came out...(inaudible)

SENATOR CRAVEN: Let me ask you a question, Bud. Are you stopped in your tracks because you have stopped trying to sell

the product, or are you stopped by the attitude of the would be or potential client?

MR. THOLE: The would be or potential client because, as I said, if I'm not certified, I can't charge...(inaudible)

SENATOR CRAVEN: OK. So, the reason I asked that is that if that happened to you, presumably it would happen to the other people who are, in fact, your competitors. Would it not?

MR. THOLE: Yes, and they continue to advertise, and to sell and to solicit.

SENATOR CRAVEN: Well, they may advertise and they may solicit, but if the public reaction - I don't know why the public reaction would be so perfect against you and not that way against them.

MR. THOLE: Oh, no. No, I'm saying it has to be universal. There's no question about that.

SENATOR CRAVEN: OK.

MR. THOLE: They are stopped dead in their tracks too. But, they haven't done anything to gain certification, or at least they haven't gained it. There are some of them who can never gain it.

SENATOR CRAVEN: Well, that will attest to your method.

MR. THOLE: Of course, it will. Well, we're not here saying, "Here we are; we're certified, and we don't want anybody else in the business." We know that's foolish.

SENATOR CRAVEN: Oh, no.

MR. THOLE: But what we have done, we got an early start and we spent a lot of money getting an early start and we'd like to have the advantage of . . .

SENATOR CRAVEN: Well, we will check on that. John will get in touch with you, and Mr. Anderson and Mr. Pitts in that Department, and see what we find out and how we may expedite matters.

MR. THOLE: OK. Are there any other thoughts along the line of policing this - I mean that's what we came here for.

SENATOR CRAVEN: Well, I have some thoughts about policing, but I'll let John do it first because mine are not too benign.

MR. TENNYSON: Well, I think, first of all, you have to recognize that the program is still relatively recent. The regulations have only been adopted within the last year, and as far as policing the industry is concerned, it is not an automatic situation. It's a situation just like a lot of mobilehome laws or any other laws of a civil nature. You cannot have a policeman on everyone's doorstep, and so when there is a violation, you have to bring it to the attention of the appropriate authority. In this case, obviously, the Department of Housing, and perhaps the Contractors' State License Board. I don't know if we have somebody here from the Board, who might want to comment on that today.

With regard to the rescinding letter, I understand that only recently have a couple of devices - yours and one other - been certified, so I would assume that the Department can respond to this. . . I believe they are on the agenda. Hopefully, that will be taken care of shortly.

MR. THOLE: Very good. Do you have any questions for us?

SENATOR CRAVEN: No, sir.

MR. THOLE: Thank you.

SENATOR CRAVEN: We admire you for the manner in which you have handled it, which has been most professional, to say the least, as well as your comments here today. You followed the right course. You did things appropriately and, hopefully, if the old adage holds true, you will be rewarded for it, your goodness.

MR. THOLE: Thank you for inviting us and for your time.

SENATOR CRAVEN: Thank you, sir. Next, Mr. James Logan of Mobilehome Earthquake Stop, Inc.

JAMES LOGAN: Hello, Senator.

SENATOR CRAVEN: How are you, Mr. Logan?

MR. LOGAN: Very well. I just recently found out - we've been working on ours since 1982, trying to get a certification, and we never really got the criteria of it or what it was. We had everything ready. Our engineers have had it all ready and ready to submit to the state, but for some reason I didn't get

this explanation until just recently. When we got the information, we did suspend sales and had our engineers contact Mr. Levine and the people up in HUD, and we have all of our calculations, all of our tests and everything ready to go in to them. I was listening and until today I didn't know there were any that had been certified. Today is the first time I knew that any had been certified.

SENATOR CRAVEN: Well, I think that Mr. Tennyson said there have been two that have been certified.

MR. LOGAN: I think that Quake Brace has them; they said they have theirs. We've been working with this for - well, since 1982 - trying to get this thing through. We have our testing lab right here in Sacramento. I've been out there with them this morning and they don't have any of the communication, and so, what I would really like to, what I think is really and truly happening in some cases, in my opinion, is the type of the criteria for the certification hasn't really been that explicit, so you can tell exactly what you have to do. Even now I have two engineers working with the Department of HUD, and right now they are really not clear exactly what they have to do in order to have the certification. They haven't come down and said you have to have so much vertical stress, so much horizontal stress, what it has to do. I don't know if you've ever seen one of these things - the details you have to go through for calculations, but . . .

SENATOR CRAVEN: Well, Mr. Logan, even if you show it to me, it would mean very little to me. . .

MR. LOGAN: The only thing is it would show what an immense amount of work . . .

SENATOR CRAVEN: Oh, I know it is a lot of work. I'm somewhat at a loss to understand, however, that your engineers have not - having been in receipt, let's put it that way, having been in receipt of, presumably, the specifications involved, how they are having trouble interpreting those specifications.

MR. LOGAN: Well, I'm not a structural engineer so I don't know.

SENATOR CRAVEN: Well, that makes two of us.

MR. LOGAN: I'm an electrician by trade. I'm a retired electrician, but that's what they were telling me and they have all their calculations and everything submitted. . .

SENATOR CRAVEN: Well, it's being processed today, isn't it?

MR. LOGAN: It's supposed to be, and according to. . .

SENATOR CRAVEN: Well, it very well may be that you will be notified as to the correctness or incorrectness of what has been submitted very shortly. But when we check with the Department, we may check on the application of yours, which I guess is made under Mobilehome Earthquake Stop, Inc.? Is that right?

MR. LOGAN: Quake Proof.

SENATOR CRAVEN: Yes. Quake Proof. Is that what it is called? And see what we can find out. Why don't you leave or give us your mailing address so we'll know. If you have a business card, fine. If not, just tell us and we'll write it down. Maybe Mickey has it here.

MICKY BAILEY: I have 1940 Lafayette Street, Santa Clara.

MR. LOGAN: That's right.

SENATOR CRAVEN: Well, we already have it.

MR. LOGAN: All right. Thank you.

SENATOR CRAVEN: Thank you, very much, Mr. Logan. Next is Marvin Brown of Fall-Stop. Is that right?

MARVIN BROWN: Yes. Quite the reverse of not understanding the criteria, even though it is quite a job to figure out the criteria, we have understood the criteria for quite some time--as a matter of fact, immediately after we received the notice. I'd like to comment - it is interesting for me to hear the comment that the individual from GusGuard had ceased operations immediately upon receipt of the criteria. We have mailed literature into many, many parks soliciting the sale of the product. Without going into further detail, I think that speaks for itself. We are fully able to comply with the criteria and have been since the inception of Fall-Stop in 1971. We tested our device many times through the years. We could have qualified in 1971 for the criteria as far as vertical and lateral loading. However, we

felt that in the tremendous loading requirements asked for, we would be doing counter-productive designing. Can I give you a simile? If you were to take a car of a given weight, place it on a highway, a drag strip, you wouldn't want thin tires because they would slip and allow the car to sit there and spin, so you'd want as much friction as you possibly could gain so you'd put wide tires on them, bar them up, and you'd have racing slicks because of the friction. We've tried to avoid using, for the extremely short term period that's required during a seismic occurrence, a very wide stance for loading, because especially what you would do is--because of the coefficient of friction--tie the coach into the destructive movement of the earth just as though it was tied to the ground.

I can go to literally hundreds of volumes that will show you the results of tying structures to the ground. To wit: the Veterans Hospital, Oliveview Sanitarium, these were - particularly the Veterans Hospital - OK, the building in El Centro, the water towers that fell because of rigidity. OK.

SENATOR CRAVEN: You basically are addressing what is the adequacy or inadequacy of the design which they have imposed upon you.

MR. BROWN: Precisely. They allow us a thousand pounds as a loading. I don't know if you can understand any of this. I wish there were some engineers here. Maybe some of the gentlemen in

the back have such skills. But the footprint demand on the ground is so tremendous, that I'm afraid we're going to defeat our purpose. Our purpose is first to save lives, 2) personal property, 3) avoid destruction. I hope in that order. All right. We want to attenuate or reduce the tremendous damage causing vertical thrust of vertical posts, perhaps, or advance complete transference of energy into the floor of the home. Plus we want to attenuate or soften the lateral loading. Under the present criteria, that's not done.

Well, if I bought a mobilehome today, had it set up, it would be set up with piers for vertical loading only, and through the fifteen years plus, almost sixteen years that Fall-Stop has been on the market, I might add that over 60,000 units in place with a perfect safety record. The last notable quake, I think, that we can look at with validity is Morgan Hill, Gilroy. There was no damage to any structure. There were two coaches that are represented here today that I saw that had to be repositioned on their foundations with considerable damage inside. The worst damage with Fall-Stop's design was a lamp fell over, pictures fell off the wall, a lady lost a glass which fell into the sink - quite different than the people with the other designs. All right. And they are neighbors, incidentally. In these cases they did not have to be reset, but with the rigid design safety system, they did have to be repositioned in those two cases.

So, I think there is validity, with over fifteen years of experience, with those numbers, I think we can speak with a little credibility. So, back to the criteria. I had my own installed at a height of 30" with a baseplate of 8" underneath. The pier could be set with a base of 8" where we would have to have at least over 6 feet of footprint for the baseplate, the basis for the seismic safety unit. What a difference! It's ludicrous!

I think there are a lot of holes in the criteria. The state in their eagerness to react to what would happen in the earthquakes to mobilehomes - and these are good people - have turned to the Unified (sic) Building Code, and they have extrapolated to the degree where they will allow a 2" drop or compression into the earth of the mobilehome. That's fine. It attenuates the vertical loading. And they also allow a .28 lateral loading in the Unified (sic) Building Code. That's for the seismic safety devices. But, again, if I bought the mobilehome, I'd - with the blessings of the state - have it set up with piers, absolutely no lateral loading criteria and it's questionable about the ability of the pier to hold its stance, even in high wind.

So these are the reasons that we have not gone ahead. We've tried to work with the state . . . go ahead, sir, I'm sorry.

SENATOR CRAVEN: That's all right. Just as a matter of clarification. You started out by saying that you understand there

are such cases, and later you developed certain types which would indicate to me that you don't particularly agree with the manner of the state design, their engineering for the product or any product that was used in that capacity. I am presuming that today you have not yet had your equipment certified. Is that correct?

MR. BROWN: That is correct. We are . .

SENATOR CRAVEN: Have you submitted for certification at this time?

MR. BROWN: It is ready.

SENATOR CRAVEN: Ready?

MR. BROWN: We have not submitted it.

SENATOR CRAVEN: You are going to do that though?

MR. BROWN: Yes, we will.

SENATOR CRAVEN: I see. Did you, Mr. Brown, talk to any of the people in the Department relative to your concepts?

MR. BROWN: I did.

SENATOR CRAVEN: Are you a registered engineer?

MR. BROWN: I am not.

SENATOR CRAVEN: Oh, OK. But you are obviously very knowledgeable. Did you mention to them some of the thoughts that you have, which I suppose are the results from discussions with your engineers?

MR. BROWN: Yes. It's difficult for the people in the state because of their engineering licenses, I feel. They have to adhere to a crutch, the Unified (sic) Building Code, which is comfortable, and they have made some concessions which I think are very, very good. We are eager to get into the marketplace. I think - in reading over that letter from your office, there are questions that are asked. "Manufacturers or installers of mobilehome bracing systems face the potential of prosecution for installing uncertified systems. . .". I believe Senator Greene stated that he was very much against certification. As a matter of fact, I was the person who asked for criteria and certification because of what I saw coming into the marketplace. I had no idea that it would come to this type of criteria for emergency loading. May I give you a simile here? If I was on a ship and it was going down, I would give you a life jacket. That would certainly save you as an individual, but not for a sustained period. Now the state is essentially asking for another ship as a life jacket. I think it's overkill, very dramatic overkill. We will comply with the criteria. However, I would certainly think that it should be considered an open matter, and also you mentioned, "mobilehome residents. . .are concerned about their status" in having uncertified bracing systems installed. Well, if I were in a mobilehome and No. 1 was offering me something that would help me in a seismic occurrence, I would put it on.

Just as Senator Greene said he felt that it should be open, and I think it should perhaps be left open, at least for a period of time which would allow certification and a growing period to take place although in 10 to 50 years. . .

SENATOR CRAVEN: Of course, Senator Greene is the one member of the Senate who can speak with authority because he is, of course, a licensed professional engineer.

MR. BROWN: Yes.

SENATOR CRAVEN: Although I don't know that he has really practiced engineering for some years, but he certainly is a graduate of one of the nation's greatest engineering schools, Purdue University, and he could be a very fine engineer. But Leroy to some degree, like the rest of us, has his own opinions which may not necessarily be in consonance with what those regulations are stating. But I am presuming that the Department must have done some testing on their own to develop the criteria. You don't think so?

MR. BROWN: No. I would be most willing to offer our Fall-Stop unit or our latest devices to the state for testing. I implore you to have them run on a shake table, or whatever. You could do it on the basis of calculations from a smaller model, but I would like to see it done on a full scale because when we tested Fall-Stop, we used the exact steel frames of the coach at a very great cost to ourselves before we brought the product to

the marketplace. That, I feel, was well worth it. We have a perfect safety record through the years. I think it's proven. So I think that, as you have brought out in your note here, it might be good to address to these people that there isn't anything odious in the uncertified system. However, what I have seen out there are doomed to failure in many cases, and I think a lot of these systems which are complying with the criteria may not do the job as well as it can be done. Now if they are my competitors, what can I say?

SENATOR CRAVEN: Well, I don't think you are necessarily saying this on the basis of competition. I think you feel that on your own marketing judgment that the product would be better if other design factors were incorporated as opposed to those at which they have arrived. I think it is very, very difficult to perhaps translate a lot of that into layman's language that I might understand because, you know, I have no concept of engineering so I'm no expert. . .

MR. BROWN: Try me.

SENATOR CRAVEN: Well, I followed a couple of your metaphors there, I think. I think you left me there. But my experience in government, which has now covered about 30 years, has indicated to me that there are quite frequently people - well, in your area of operation, we'll say people in engineering or the construction business, who invariably think people who are the bureaucratic

members of the governmental society do things the hard way or upside down or backwards or all three. And I think that on many occasions they are right. I have to be honest in saying that, and I've served on the bureaucratic side as well as the other side. But I certainly would not be adverse to trying to discuss this or attempting to make some entree to the Department to have them look at what they have done, and I certainly would not, at any time, say that whatever we have may not be improved upon. We will be very happy to pursue that. Have you had the opportunity of sitting down and talking to any of those people of late relative to the design?

MR. BROWN: I have, but I think - maybe a committee meeting - actually, I think this has been legislated to a large degree rather than engineered. I'll make myself available. We're going to be certified so I'd be very pleased to work with whomever.

May I make a couple of comments? I think perhaps even those devices that are not certified, there might be a waiting period before you go in with pallets, and perhaps as long as a disclaimer from this day forward were issued that it was not a certified system - I think even those may be allowed because the marketplace will take care of that, I do believe.

Three more items, if you will, please. The GSMOL, as I have known it, has been very impartial. The GSMOL doesn't advertise. Advertisers advertise. If they want to advertise, I'll let them pay my bill, which is sizable.

Then, the early start to certify. I'd match dollar for dollar per penny per dollar with anybody here because I - we first introduced seismic safety for manufactured housing. We went to extreme efforts to make sure that what we were offering was correct and functional, and I think we have. We've all been hit very dramatically with this issue of the notices. So I wish to comply, and I certainly don't wish to be outside the law. I would like to see, perhaps, if you would consider an additional period for certifications, and the criteria has been altered most recently and, perhaps, a 90-day period, with a disclaimer.

SENATOR CRAVEN: Thanks to the gentleman who is going to follow you, he may shed some light on that for us.

MR. BROWN: Thank you.

SENATOR CRAVEN: Thank you, Mr. Brown. I appreciate it very much. Next is Travis Pitts with the Division of Codes and Standards, Department of Housing and Community Development. We've thrown enough problems at this fellow over the years that he shouldn't even show up any more, but he stays with us due to his great charity, I guess.

TRAVIS PITTS: I'm Travis Pitts. I guess if it was easy, Jerry Rioux would have stayed. Everybody likes Jerry. We admit to several things that have been said here today. In one regard we have been criticized for taking so long to promulgate the regulations, and in another regard we've been criticized for

proceeding too hastily in an area that is uncharted, and we have taken a very conservative approach. We have also worked with several manufacturers. In fact, the first person who testified has been working with us for a long, long time in the developmental process of their certification. That is in committee. Again, we have been very, very cautious as...

SENATOR CRAVEN: Bud Thole?

MR. PITTS: Yes, the gentleman with GusGuard. Mr. Logan, of course, I have not seen his application, yet. Mr. Brown began working with the department years before there was even legislation. So, we're very familiar with Mr. Brown and Fall-Stop and his theory. The difficulty that the Department faces is that there are multiple theories with respect to this uncharted area of engineering.

The legislation speaks to our hallowing accepted engineering practices for seismic safety in developing the earthquake resistant bracing system. Well, there are none; therefore, we are charting the course each day with engineers who do not agree. We have one side who would require that these units be placed permanently on foundation systems and bolted very tightly to the ground as conventional housing. And the other side has a perfectly valid engineering argument that is represented by people who would agree with Mr. Brown that that would be a horrible mistake.

And perhaps following our normal course, we have chosen somewhat a middle of the road and satisfied virtually no one. We are not requiring that these be permanently fixed to the ground in recognition that there may be some fault with permanently affixing the unit to the ground and taking the horizontal and lateral forces of a major earthquake.

On the other hand, we have required a great deal more support capability than some of the devices that have been submitted to us. We cannot define what is temporary. If a unit goes off its current pier setting, how long must it sustain the load? So, throughout the period of promulgating the regulations and working with the Seismic Safety Commission and working with a group of interested persons which Mr. Brown was represented on, we came to the best regulations we felt we could.

With respect to recent changes in the regulations, there have been none. There is a recent change in policy. The regulations were promulgated to permit the certification of these devices by an approved listing and testing agency, or certification of the devices by departmental plan review. There are no listing and testing agencies to date that are specifically approved to evaluate earthquake resistant testing devices. We knew that when we promulgated the regulations, and that's one reason we offered to do a course. We had certainly expected that many of these agencies would come forward and want to be certified listing and testing agencies.

Two have now come forward and are very close to being approved listing and testing agencies that can evaluate the devices themselves and do not require the department's evaluation of the plans. We are still evaluating plans, and basically would be in competition with approved listing and testing agencies. We currently have certified three devices. One as recently, I believe, as last Wednesday was the third device.

We have spoken earlier today of two devices being approved. Now these are being...the quality control of these devices...- although the department has done the "testing"--if you will--and the final review of the calculations, they have agencies that are doing the quality control of the devices which meets the same criteria as the listing and testing agency would. I guess the point, although I am even beginning to confuse myself, is that there are two methods of gaining certification. To this point, the department has been doing all the plan review. Soon there will be two and, hopefully, more listing and testing agencies that will be able to do the same thing that the Department is doing and expedite the process. There have been a total of eight applications filed with the Department for certification of devices, and three of those have been approved. We have taken a long time; we have been exceedingly cautious in our approval process and the promulgation of the regulations.

I would be most happy to answer any questions which you may have.

SENATOR CRAVEN: In reference to the letters by Mr. Anderson to advise the parks, I think it was, of the certification of certain of the products that have been submitted--has that gone forward yet or has...

MR. PITTS: ...It has not, it is in draft form. What the gentleman stated is basically correct. We have the draft information bulletin which we purposefully delayed until after this hearing.

SENATOR CRAVEN: Oh, I see.

MR. PITTS: ...Assuming that there might be some legislative insight on what we have done to this point, but...

SENATOR CRAVEN: Well, I don't know that we have anything that will change that. The thing or the thought that I have was to try to expedite that to get them out from under the onus under which they have been living, and I suppose that periodically, following the certification of the first three, other letters and memoranda may be circulated. Is that right?

MR. PITTS: Each time a device...

SENATOR CRAVEN: Each time? Oh, well, that's even better. Well, that's fine. John, did you have something?

MR. TENNYSON: Yes, as soon as the list goes, number one, what does it say, have these devices been listed and therefore

this is a letter which indicates to interested parties that these are the listed certified devices?

MR. PITTS: It will name the devices that have been certified, the three that have been certified. It will give the identifying criteria on the label on the device so the homeowner can look at the label to determine whether or not this is one of the devices certified by the Department. We're mailing the list is to all earthquake bracing system manufacturers, and that means those that we know of. There are many, I am sure, that we do not know of, yet. To all the mobilehome parks--we have a list of mobilehome park interested parties. In other words, there have been several people over the years that have asked to be included on a special list. All local enforcement agencies throughout the state--all local government and our division staff. That is everyone I know.

SENATOR CRAVEN: That local enforcement includes the building inspection department presumably for the entire county?

MR. PITTS: Yes.

SENATOR CRAVEN: Well, that seems a rather comprehensive list to me. And that, I think, would take care of at least one little facet of the problem.

MR. TENNYSON: There was another question. One gentleman indicated that he was concerned that your department could rubber stamp any other devices and that the same criteria would not be

used as has been used previously. And another gentleman indicated that he understood the criteria had been altered. Do you have a comment on that?

MR. PITTS: Mr. Tennyson, the last, first. The criteria for the devices have not been altered. I believe what the reference was made to is the certification process. The Department has been doing all of the evaluation and plan checking up to this point. A few weeks ago we had application from listing and testing agencies that we are very near to approving who will be able to certify the devices for a list of tested devices on behalf of the Department, at which time we will certify them--if you will--as a rubber stamp, although that's not quite true. And we will include them on our list of certified devices.

What I am trying to say is that we are about to approve listing and testing agencies that we believe will be qualified to act on our behalf so that our small plan-checking unit does not continue to be a bottleneck. We are not equipped to take a tremendous influx of new programs.

SENATOR CRAVEN: The devices are submitted to the Department, then farmed out to one of their contract testers, is that right?

MR. PITTS: It works a little bit in reverse, Senator. It is very much like the lighting fixtures in this room. Once we recognize that Underwriters Laboratories has the ability and the standards to evaluate these electrical devices, then whatever

Underwriters Laboratories evaluates, we will accept and put on our list.

SENATOR CRAVEN: I see. But if I am a manufacturer of a device, would I go to one of those people who has been approved or authorized by your Department?

MR. PITTS: You could go to one of those or continue to come to the Department.

SENATOR CRAVEN: I see. But the Department will just farm it out to somebody to do the testing, would it?

MR. PITTS: We would do it ourselves, however, on a first come, first serve basis, which is a major irritant to people who want expeditious service.

SENATOR CRAVEN: Well, it would probably be more expeditious to go the other way, but you're not set up to do that in volume.

MR. PITTS: We're not in a position to deal with ups and downs. Everything has to flatten out in our system. It goes on the back of the pile, and we will get to it as it comes up.

MR. TENNYSON: Will you continue to certify these systems departmentally when there are two or more private entities available to do the certification?

MR. PITTS: We will probably continue, Mr. Tennyson, until such time as we amend the regulations. And it's my opinion that whenever there is a private enterprise capability of taking over this responsibility, we would choose, through the regulations, to

withdraw from our own evaluation. We chose to become involved because of the absence of such capabilities.

MR. TENNYSON: Why was it set up that way to begin with, rather than having the Department operate the certification process, why are you farming this out?

MR. PITTS: Well, it was a choice on behalf of the Department to not become involved in this particular area of plan checking as it is in many other areas that we are able to farm out plan approval, plan evaluation, plan certification in the manufactured housing programs and recreational vehicle programs. If we required that only our Department could serve as a certification entity for all the many devices that have to be approved in houses, our engineering section would be enormous.

MR. TENNYSON: The Seismic Safety Commission worked with you when you adopted your regulations, did they not?

MR. PITTS: We worked with the Seismic Safety Commission; we sent them copies of our regulations. The first draft of the regulations were sent to the Seismic Safety Commission in January of 1982, the same time the statute became effective.

MR. TENNYSON: Did they concur with that process--that it be farmed out to private agencies?

MR. PITTS: They did not become involved in that aspect. They were given only what the standards were for the devices, themselves, and they have never become involved with who does the

plan checking and certification. That's primarily a Department decision.

SENATOR CRAVEN: It was mentioned by several of the witnesses about the physical checking of equipment presently installed and the fact that it may not meet specifications to be "certified". How much hope do you hold out for the ability of governmental people--whether it be ours, the municipal people or the county people--to do inspections of that nature?

MR. PITTS: Are we speaking to the earthquake resistance devices?

SENATOR CRAVEN: Yes.

MR. PITTS: Because earlier we talked about gas pipelines.

SENATOR CRAVEN: Yes, well, I'm talking about the earthquake...

MR. PITTS: There is very little capability to do as you may be suggesting, and that's go out and evaluate all the devices. And there is a tremendously inherent danger, as Mr. Brown has stated, prior to the effective date of regulations which make it unlawful to sell or install these, Fall-Stop themselves had sold or installed some 60,000 devices which was not unlawful at that time. Several other of these manufacturers have several other thousands of devices that are installed prior to the effective date of the regulations. The burden of proof would be on the local government agency or the Department as to when exactly was

the device installed as to whether or not it was a violation. There is not a great deal of incentive for the Department to conduct a massive inspection program keying on a particular date and time as to whether or not the device is lawful or unlawful.

SENATOR CRAVEN: Are we, for all intents and purposes being very pragmatic, in effect grandfathering in those that are already installed?

MR. PITTS: It could certainly be perceived to be the case. However, if there was a specific complaint, we would be obligated to respond to that complaint. Our past experience dictates this program is like the many others we've been involved in, Senator, that now that we have some certified devices, we will have one of the best enforcement agencies in the field that one could hope for the mobilehome owners themselves.

SENATOR CRAVEN: Well, has the industry, the mobilehome residents, I guess is the way to say that, have they been notified that there is now: one, a certification process; and two, there is a chance that that which they may have today perhaps is not conforming--it does not meet the requirement?

MR. PITTS: Specifically, no, Senator, they have not been informed individually, only through what they may read in press releases of the Department's information bulletin. We plan in early 1987, I'm not sure if we will be ready in the month of January, to begin an insert with our regular mailings of renewal

notices and titles and registration announcing the certification process--what to look for in an earthquake resistance device. In concert with the statute that says, "to the extent practical, we should notify mobilehome owners," we certainly are going to do that.

I'm somewhat reluctant to notify homeowners of the potential for danger in an uncertified device because it would certainly put me at odds with Mr. Brown, for example, and 60,000 devices that were out there, and I'm not at all sure that the fact that they are not certified means that they are not going to work. It means they were installed prior to the requirement, but I cannot allege that they will not work.

SENATOR CRAVEN: Well, I would agree with you in that I had the same thought. I think of the punitive act--what penalty is to be paid by a resident who had utilized something that, in time of stress, did not work properly. The only penalty is that which they suffer in a personal sense, is it not?

MR. PITTS: That is my opinion, Senator.

SENATOR CRAVEN: In other words, there is no reprimand, either physical or fiscal on the part of the state or local government against them, is there?

MR. PITTS: Any action that we would take, if we were to take an action immediately, would be against the contractor, the salesperson or the installer--not the homeowner.

SENATOR CRAVEN: But only if it predated, the installation predated the certification date--the first certification date.

MR. PITTS: If one were installed this afternoon, we would take no action against the homeowner. We would take action against the installer, the contractor, the salesperson. But if an unlawful device was installed today, we would take no action against the homeowner.

SENATOR CRAVEN: But you would only do that if and when that came to your attention?

MR. PITTS: If we happened to discover, in the normal course of our inspections, or if it was specifically called to our attention.

SENATOR CRAVEN: You're familiar with the inspection of mobilehome parks, I know that because of your long service in that area. How much attention does an inspection take for that type of vehicle?

MR. PITTS: Presently, there is no attention paid to earthquake resistant bracing devices. That will no doubt change in the immediate future. We will be looking very closely for certified devices, not so much on a regular inspection of the park, because we have the same problem of determining when it was installed. We will be especially watchful for the installation of new systems because now that there is a group of certified devices and there are regulations in effect, we will certainly be

mindful of potential new installations. However, as far as looking into old installations and going back and trying to pick nits, there will be none.

SENATOR CRAVEN: Is there any place in the regulations requiring installation of such device?

MR. PITTS: That requires their installation?

SENATOR CRAVEN: Yes.

MR. PITTS: No, sir.

SENATOR CRAVEN: So, in other words, the homeowner/tenant--homeowner is a better word--is at risk just as I would be with my conventional-built home without fire insurance?

MR. PITTS: It's a complete option to the homeowner, yes sir.

SENATOR CRAVEN: Very good.

MR. TENNYSON: On policing the uncertified systems that are brought to your attention, what specific action would your department or division take against an installer or manufacturer who is selling or installing a system that was brought to your attention?

MR. PITTS: The first action, typically, on our program, Mr. Tennyson, is to require that the manufacturer or installer or person cited bring the device into compliance. That normally carries with it 30-days, since we're not talking about something that's a human health and safety problem. A 30-day period for compliance.

If the person cited made no attempt or they were unable to bring their device into the certification process, it would then be deemed a misdemeanor violation of the Health and Safety Code, and we would take action. Our primary vehicle on a misdemeanor violation is to go to the local district attorney and file a formal complaint against that person.

SENATOR CRAVEN: Well, the device that's already been, the device that was not certified, but is later certified, does that mean that those devices that were installed prior to certification are now grandfathered in as being certified?

MR. PITTS: It would be one on one. Each device...for example the one that's installed today and it's not certified, and we are called out on a complaint...the fact that it may have been preceded by 500 and it's evaluated today and this one is certified doesn't mean that the previous 500 are certified. It would be on a case by case basis.

MR. TENNYSON: So in other words, you are going to give the manufacturer or installer the opportunity to correct his violation before any action is taken with the district attorney.

MR. PITTS: As always, yes.

MR. TENNYSON: Do you think that the Contractors' State License Board may also have some jurisdiction in this?

MR. PITTS: In my opinion they do, and we are in contact with the Contractors' State License Board now. One of their concerns

is that many of, several of these installers may not be properly licensed for the installation. That, in concert with the potential violation of the Health and Safety Code means that the Contractors State License Board does have some jurisdiction. It's to the State's advantage, and I believe the Contractors' License Board would agree, that we work very closely together and not independently on this issue.

MR. TENNYSON: Well, assuming that they are properly licensed but are installing uncertified devices, what would you feel--who would have jurisdiction? I mean, what I'm driving at here is, are we going to have dual jurisdiction or is one agency going to take responsibility for enforcing this thing?

MR. PITTS: It's my opinion that the Department of Housing has the clear responsibility for enforcement. We would call the Contractors' State Licensing Board for assistance.

MR. TENNYSON: In certain cases.

MR. PITTS: In cases or in every case where we could use their assistance, yes. Like the prime responsibility is undeniably ours.

MR. TENNYSON: What about homeowners who have had uncertified devices installed who later sell their mobilehome to someone else, would they be subject to any kind of liability for selling a mobilehome with an uncertified device?

MR. PITTS: In my opinion, no, Mr. Tennyson, and there may be some implied legalistic difference with what I am about to tell you. But there is no violation of our regulations; there is no prohibition against the transfer of ownership of one of these devices; they are not required to be installed. They could be removed at the time of sale. There is nothing that in my opinion could damage the homeowner upon a resale of a home that happened to include one of these devices, except that if an attorney could reach far enough to implied performance or that the purchaser was induced because of this uncertified device...but now, you're way off away from anything I deal with in the Health and Safety frame.

SENATOR CRAVEN: Never underestimate the reach of any attorney; they always represent their people and work for the good of the client.

I'm going to go down and work for the good of the Rules Committee Hearing, since I was due there 15 minutes ago. John, would you please take care of the other witnesses.

Before I leave, I just wanted to thank all of you for being with us, and we appreciate--always--the fact that you do take the time and you offer so much good comment, which helps us put together legislation, in time. Not every comment results in legislation obviously, but so much of it has. And I think it inures to benefit the people, whether they are park operators or

whether they are homeowners who live in the park. It all goes, I think, for a very, very good purpose. So, for all you that you have done for us, we are most appreciative, and we look forward to seeing you again in the not too distant future.

How often do we meet, about every quarter? Well, pretty close, about every three months.

Yes, sir?

MR. BROWN: Thank you, Senator. I would just like to comment. The certification process has effectively excluded a very large percentage of the mobilehome owners because of cost. Because of meeting these extremely rigid standards, in my humble estimation, very much overstated standards, the cost is astronomical. You might ask Mr. Thole, I believe it is, GusGuard, is that correct? What is the cost for his new system...for a double-wide, if he would care to answer?

MR. THOLE: Well, that isn't what I am here to discuss, Marvin.

MR. BROWN: That's what I thought you'd say, yes.

SENATOR CRAVEN: I think on that happy note I'm going to leave. Thank you very much

MR. TENNYSON: I think that before this develops into a free-for-all that we will hear from the rest of the witnesses. And then we'll probably hear at the end any questions that we might have from the audience on a one-by-one basis. Mr. Pitts,

would you mind remaining up in front in case we do have further questions?

MR. PITTS: Not at all.

MR. TENNYSON: Thank you. Maurice Priest, next on the list.

MAURICE PRIEST: Maurice Priest, I represent the Golden State Mobilehome Owners League. I'm the legislative advocate for the League in Sacramento. I would like to also bring greetings from our statewide president, Marie Malone. Her business required that she be out of state today, but she does appreciate the opportunity that the League has to present their opinions on these two subjects.

With regard to earthquake bracing systems, I have three comments to make. The first is that, with regard to earthquake bracing systems in general, it's the League's continued position that mobilehome owners should not be required to do anything not required of conventional homeowners. In other words, specifically with regard to mobilehome owners who are already situated in parks or on private property throughout California who may not be on an earthquake bracing system at this time, we would certainly not want anything to be retroactive and require those homeowners to now invest money in an earthquake bracing system. And that has not been the intent of anything that's been mentioned today, but it is something that we are very concerned about. We would not want anything to be retroactive.

MR. TENNYSON: May I break in and ask you what your feeling is about potential legislation to require bracing systems for new mobilehomes?

MR. PRIEST: Well, I think one of the things that we're always cognizant of is that mobilehomes have been the last form of affordable housing, and as Mr. Brown, I believe mentioned just a moment ago, to the extent that available earthquake bracing systems are going to substantially increase the cost of housing, I think that is one thing that we have to consider. I would not want new mobilehome owners, purchasing mobilehomes for the first time, to be required to incur substantial costs if the same or similar or comparable building standards were not also required of conventional contractors building conventional homes. I think if the conventional construction industry, building conventional homes, has been required to take those steps, then we might entertain something for mobilehome owners. But I think basically we are eliminating what has been the primary difference and advantage for mobilehome owners--that is, that it was affordable. So that would be our primary concern.

The point that I also wanted to make with regard to those who have purchased an earthquake bracing system--the problem that HCD has mentioned trying to deal with this problem and whether it was a certified system or whether it was a system that did not have to be certified at the time it was sold and installed. I think

there's one option amongst many that might work in helping to eliminate the problem. I think that if HCD could provide a letter or issue a letter along with their registration forms in their current mailings on official HCD letterhead, stating that prior to this date, prior to the date specified in the letter, earthquake bracing systems were not required to be certified and explaining the new certification process.

What the homeowner could then do at time of resale--Let's say that a particular homeowner purchased a Fall-Stop system prior to the date of certification. If he has HCD's letter in one hand and he has a prospective buyer in front of him, he can then offer independent evidence to his prospective buyer as to the date it was installed. It may be the contract with the, that he had with Fall-Stop, as one example. It may be the installation permit that was required. He can offer independent, written evidence to the prospective buyer, showing that even though it is not a certified system, it's a legal system that's there. It did not have to be certified at the time. And I think just by combining those two things, we're suggesting something I think is within the capability of HCD.

It is not going to impose an undue burden and will certainly help those who've already purchased systems because we have thousands of mobilehome owners within California as the manufacturers have mentioned today--they have sold thousands of these systems--

who are really facing a dilemma right now. And I know that not a large percentage of those may be situated in Northern California, but we do hear from many of our members in Southern California who purchased these systems at no small expense, and who are now facing a real problem when they go to resell. I think this letter is one system they might use to be able to sell without a new problem.

MR. TENNYSON: Well, I think Mr. Pitts indicated that some consideration was being given to some kind of notification at renewal time or resale time. And what I might suggest is that GSMOL get together with the Department and have interested parties make their input known, perhaps at a meeting. The Department could take input before some kind of a system is devised for notification so that these points can be made.

MR. PRIEST: If I may just make a few comments with regard to the Park Purchase Program. I know that we are on the earthquake bracing system, but I didn't want to run to the table twice this afternoon. We do appreciate the role that Senator Craven has played in spearheading a lot of this legislation--introducing a lot of the legislation on the Park Purchase Program. It's GSMOL's feeling, too, that Jerry Rioux and those at HCD, who have been instrumental in that program, have done an outstanding job in administering it and really developing the program that's now in place at HCD.

I think that there's been an overwhelming response to the Park Purchase Program. There is a demand for the program, and GSMOL would certainly support what we feel are two basic needs right now. Number one, we will support legislation that will extend the sunset date. It would be a major problem and a tragedy, really, for mobilehome owners in the state if it was to sunset, and I believe it's scheduled for 1988 now. So, we think that legislation should be introduced this session to extend the sunset date. The second aspect would be to support legislation that would increase funding for the program. Many of the witnesses this afternoon have indicated that we need to expand because millions of dollars could be put to good use in this area.

And I think there are two primary reasons why the Legislature should be supportive of these two things. Number one is that the Park Purchase Program was and still is a very attractive alternative to rent control. GSMOL is not sold on rent control, but we were sold on survival. And basically, we were forced to become advocates of rent control because in many instances it meant survival for mobilehome owners who had everything invested in their homes. And so we have been forced to advocate in many local areas what we believed had to be done to protect the mobilehome owners in that area. But legislators on both sides of the aisle favored this program--the Park Purchase Program--

because it was an alternative. And in everyone of those cases where the park, where HCD has been able to participate and provide funding, I can assure them that's one less park that's going to be needing to fight for rent control because they now own their own property. So that's something that I think we will need to remind the legislators of during the year so that we have their support.

And secondly, this program can be cost effective even though we would be asking them to support legislation that would create and divert millions of dollars of additional money into the Park Purchase Fund. It is cost effective because we are not asking anyone for a hand out. We're just asking them to provide funding which would be loaned, which would be repaid, even at hopefully modest interest rates. But this is not all money that the State's giving away. And the alternative to funding means that a lot of senior citizens and in some cases widows and widowers who are on limited income, if they can't participate because the funding just isn't there and in all other respects they're qualified, what that means is that ultimately they're going to be forced out of the park. In many instances they will be required to go on some type of state assistance or federal assistance. So, although we might, what we might be asking for may, appear to be pie in the sky--millions of dollars--I think it's really going to be cost effective for the state and federal government in the

long run because it will avoid a lot of people who otherwise would be forced to go on state aid.

And so we're very pleased to support the Park Purchase Program, and we'll be happy to extend that sunset date and to work for that and also to increase the amount of funding.

MR. TENNYSON: Thank you for your input, Maury. Next we have a note that Peter Carlson wanted to say a few words. Is he in the audience? (No response) Amos Summers also wanted to speak on the earthquake problem.

AMOS SUMMERS: Yes. My name is Amos Summers from Continental Associates. I want to address this problem from a different viewpoint. We are always trying, as consultants, to make available for the resident the least expensive cost of funds for borrowing money to purchase their park. And we have been negotiating with Freddy Mac in an effort to get Freddy Mac to provide a secondary market for those funds. Up to now Freddy Mac has insisted that these mobilehome parks, in order to qualify for Freddy Mac funds, include two criteria that we cannot come up with. One was a solid foundation for each mobilehome. We have been able, through some of the literature that I was able to get from GSMOL, to convince them that a good bracing, earthquake bracing system for California, is an appropriate foundation. And what that will do, I mean, we have another problem with...I'll address them in a minute...but that was one of the biggest

drawbacks in having, being able to make, loans available to these residents at as much as one-half to two percentage points below the market for conventional loans. So that would mean a substantial savings to the residents.

The other criteria that Freddy Mac requires is that the coach be attached as real property. That's a different bucket of worms, and I'm not prepared to address now, and I don't know enough about it. But at least, if we can get an acceptable, adequate, good foundation as an alternate to solid foundation, we will be halfway there.

MR. TENNYSON: Thank you, Amos for your input. Is there anyone else who would like to make a statement at this time on the earthquake bracing systems, issues we haven't heard before? Okay, we'll take Mr. Brown's question, Travis, if we might. He is concerned, again, about the criteria. He feels that, as I understand the gist of his question, that the new certification requirements--or the certification requirements that are now in place--make the bracing systems prohibitively expensive. Do you want to comment on that?

MR. PITTS: The position that the Department has taken with respect to the number of devices that must be installed and their capacity, it is certainly arguable. With respect to a higher standard, it's certainly not arguable that it will cost more money. However, we have no criteria or none of that accepted

engineering practice which the statute spoke to, to go by. We have performance of Mr. Brown's devices in some of the earlier earthquakes that's not well documented. We have no documentation of the performance of certified devices. And at this point, I have discussed this with our own engineers time and time and time again as to whether or not we are, in fact, attempting to over-kill the problem. It certainly is increasing the cost. Their response to me is that, is at what price or how much did the Legislature intend that we reduce the damage to the home, or at what magnitude of an earthquake are we addressing? Well, I have no response to them, and they have none to me. It may well be that history proves that we have gone too far. But in this particular case, with no other criteria to go on, we are going to stick with our guns.

MR. TENNYSON: Thank you, Travis. Are there any further questions that anyone in the audience would like to raise at this time? Okay, if not, we appreciate your attendance, Travis. We appreciate your assistance. If you could make contact with the gentleman down here regarding that case as well as Mr. Brown, if you haven't already, and the others who have spoken here today. Anything the Department can do for them to allay some of their fears would be appreciated--particularly with regard to the letter which you are to send out, which I assume you are going to move ahead with post haste.

The committee hearing is transcribed, and we will be transcribing that within the next few weeks, and we will also be briefing other members who were not able to be here today--the other members of the committee--on what is, on the issues involved. Thank you very much for your attendance.

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MOBILEHOME EARTHQUAKE BRACING SYSTEMS

SUMMARY AND COMMENTS

SUMMARY AND COMMENTS

December 2, 1986

Certification of Mobilehome Earthquake Bracing Systems

Summary of Testimony

By the time of the Committee hearing on earthquake bracing systems, one of the major problems which gave rise to the hearing in the first place, that the Department of Housing had not been able to certify any earthquake bracing systems because there was no mechanism in place to do so, had been at least partially resolved.

Witnesses representing the earthquake bracing systems industry had varied complaints. One manufacturer, whose system had been certified, complained about unfair competition from manufacturers who are still advertising, selling and installing uncertified bracing systems on mobilehomes. Complaints were made that those manufacturers whose systems had been recently certified had not been given the benefit of a retraction of an earlier HCD public notice indicating that no such systems were certified. Manufacturers of certified systems feel that HCD should notify the public and interested parties that specific systems are certified (a notice of four approved systems was made by HCD per information bulletin MP86-05 on December 12, 1986--see Appendix).

Other manufacturers complained that they were not even notified or made aware that their bracing systems needed to be certified. Finally, at least one manufacturer expressed his dissatisfaction with the entire system of certification, challenging the

engineering standards for the state approval process as an "over-kill" which prejudices his product.

The Golden State Mobilehome Owners representative stated his concerns about noticing home owners. He requested the Department of Housing to provide a notice or letter to owners of mobilehomes--informing those who had earthquake bracing systems installed before they were required to be certified--that there was no legal requirement for certification at the time of installation. This would give the homeowner, upon resale of the mobilehome, some evidence to show buyers that his/her bracing system is legal. The GSMOL representative also indicated opposition to any prospective requirements mandating earthquake bracing systems on mobilehome owners.

The representative of the Department of Housing stated that notices would be sent out to all interested parties and the press in December indicating which systems had been certified by the Department, and that the Department is considering sending notices to mobilehome owners with their license fee renewals in 1987, informing them that earthquake bracing systems need to be certified and providing information where a consumer can obtain a list of such certified systems.

HCD's representative also indicated that there were many difficulties in administering the certification process, since it is new and the Department, as well as private industry, has had

little experience in establishing tests and certification requirements for bracing systems. With regard to the disagreement in the industry, pointedly brought out at the hearing by one of the industry representatives, indications are that HCD has taken a middle ground concerning standards for certification of earthquake bracing systems. Engineering for earthquake bracing systems--according to HCD--is not a "perfect science".

Finally, it was pointed out that the Department of Housing and Community Development is, in fact, the lead enforcement agency for the certification of earthquake bracing systems and will work in conjunction with the Contractor's State Licensing Board on problems dealing with the sales and installation of uncertified bracing systems where it is brought to HCD's attention.

Comments

In view of the problems in the industry, where no testing procedures, equipment, or private entities qualified to test bracing systems have been available, it would appear that, perhaps, implementation of legislation requiring certification of earthquake bracing systems has been premature.

However, some of the problems brought to the attention of the Committee at the hearing, at least for the time being, have been resolved. The problem which kicked off the need for the hearing, the lack of processing of applications for certification by the

Department of Housing, has been resolved administratively by HCD's putting more manpower into the certification effort and HCD actually certifying systems in-house prior to the time third-party testing and certification was in place. On December 12 the Department issued a bulletin notifying interested parties and the public that four mobilehome bracing systems, by name and manufacturer, were certified (see Appendix).

With regard to notification of mobilehome owners, the Department representative promised the Committee that HCD would consider enclosing statements with annual license fee renewal notices to mobilehome owners, informing them that mobilehome earthquake bracing systems now need to be certified and giving such owners information where they might obtain a list of certified bracing systems if they should want to buy one to be installed on their home. A recent check by this Committee would indicate that the Department, upon resolving the question of how such a statement is to be worded, will proceed as promised.

Concerning the apparent disagreement within the industry on the engineering requirements for mobilehome earthquake bracing systems, this is an issue which cannot be established by the hard and fast rule of law. Only time and experience with bracing systems by the Department and testing agencies will lead to a greater consensus on the adequacy of the certification standards.

The question of liability of mobilehome owners upon resale

for having uncertified bracing systems installed, prior to the time certification was required, is not a problem which may really materialize. The position of the Department of Housing is that mobilehome owners who have previously installed uncertified systems under their mobilehomes are not subject to any punitive action, even upon resale of their home.

The potential for further problems always exists. Just before going to press, the Committee was advised that earthquake bracing system salespersons in some areas are canvassing mobilehome parks, telling mobilehome owners the law requires them to install earthquake bracing systems under their mobilehomes. Of course, this is not the case, although the possibility of legislation requiring bracing systems on at least newly manufactured mobilehomes in future years has been suggested by the Seismic Safety Commission.

The Department of Housing and Community Development (HCD) may wish to consider taking action to notify the public and mobilehome owners specifically about these illegal and fraudulent practices and about the fact that bracing systems are not now required. Additionally, in view of this problem as well as the potential opposition of mobilehome owners, themselves, to having bracing systems mandated on their homes, members of this Committee should consider very carefully the implications of any legislation requiring earthquake bracing systems on new mobilehomes or on mobilehome resales.

A P P E N D I X

APPENDIX

MOBILEHOME PARK ASSISTANCE PROGRAM

CHAPTER 1692

An act to add and repeal Chapter 4.5 (commencing with Section 50560) and Chapter 11 (commencing with Section 50780) of Part 2 of Division 31 of the Health and Safety Code, and to add and repeal Section 62.1 of the Revenue and Taxation Code, relating to mobile-home parks, and making an appropriation therefor.

[Approved by Governor September 30, 1984. Filed with Secretary of State September 30, 1984.]

LEGISLATIVE COUNSEL'S DIGEST

SB 2240, Seymour. Mobilehome parks: appropriations.

(1) Existing law does not authorize the California Housing Finance Agency to make loans to nonprofit corporations, stock cooperative corporations, or other specified entities organized by the tenants of mobilehome parks for the purpose of making earnest money deposits in connection with the purchase of the mobilehome park.

This bill would authorize the agency to make loans for this purpose to these nonprofit corporations, stock cooperative corporations, or other entities from moneys in the Mobilehome Park Purchase Fund, which would be continuously appropriated to the agency for the purpose of making these loans. These provisions would be repealed on January 1, 1989, as specified. This bill would appropriate \$3,000,000 from the Mobilehome-Manufactured Home Revolving Fund to the Mobilehome Park Purchase Fund, for a specified purpose.

(2) Existing law does not generally authorize the California Housing Finance Agency to make loans to nonprofit corporations, stock cooperative corporations, or other specified entities formed for the purpose of acquiring mobilehome parks.

This bill would create the Mobilehome Park Acquisition Fund in the State Treasury and would continuously appropriate the moneys in the fund to the agency for the above described purpose.

The bill would authorize the agency to issue revenue bonds for the purpose of financing the acquisition of mobilehome parks pursuant to the provisions enacted by the bill and would require that the proceeds of the bonds be deposited in the Mobilehome Park Acquisition Fund.

It would authorize the Department of Housing and Community Development to provide financing for the balance of the purchase price, as specified.

These provisions would be repealed on January 1, 1989, as specified.

(3) Existing law provides for various methods in assessing real property when changes in ownership occur.

This bill would provide that any transfer, on or after July 1, 1985, of a mobilehome park to a nonprofit corporation, stock cooperative corporation, or other specified entity formed by the tenants of a mobilehome park for the purpose of purchasing the mobilehome park is not a change in ownership for reassessment purposes.

These provisions would be repealed on January 1, 1989, as specified.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Chapter 4.5 (commencing with Section 50560) is added to Part 2 of Division 31 of the Health and Safety Code, to read:

CHAPTER 4.5. MOBILEHOME PARK ACQUISITION FUND

50560. For purposes of this chapter:

- (a) "Agency" means the California Housing Finance Agency.
- (b) "Fund" means the Mobilehome Park Acquisition Fund created pursuant to Section 50566.
- (c) "Mobilehome" means any housing unit, the construction of which is subject to the provisions of Part 2 (commencing with Section 18000) of Division 13.
- (d) "Mobilehome park" means a "mobilehome park" as defined by Section 18214.

(e) "Nonprofit corporation" means a corporation organized pursuant to the Nonprofit Corporation Law (Division 2 (commencing with Section 5000), Title 1, Corporations Code).

50561. The owners of mobilehomes who are tenants in mobilehome parks may form a nonprofit corporation, stock cooperative corporation, or other entity for purposes of converting a mobilehome park to condominium or stock cooperative ownership interests and for purchasing the mobilehome park from the management of the mobilehome park.

50562. The agency shall make loans from the fund to the nonprofit corporations, stock cooperative corporations, or entities formed for the purpose specified in Section 50561. The amount of the loan shall not exceed 80 percent of the purchase price of the mobilehome park. Loan funds may not be used for the acquisition and installation of mobilehomes. The department may provide financing for the balance of the purchase price for purposes of assisting the nonprofit corporation, stock cooperative corporation, or other entity.

50563. The nonprofit corporation, stock cooperative corporation, or other entity receiving loans pursuant to Section 50562 shall repay to the agency the full amount of the loans over a period not to exceed 40 years and pursuant to a repayment and installment schedule established by the agency. The interest on the loans shall be

determined by the agency based on the market rates at the time the loan agreement is entered into.

50564. With respect to the mobilehome park owned by a nonprofit corporation, stock cooperative corporation, or other entity and financed pursuant to this chapter, the agency shall establish the amount of the initial membership payment and shall fix the amount of monthly carrying charges in such a manner as may be necessary to meet the repayment schedule established by the agency pursuant to Section 50563 and to provide the mobilehome park residents with affordable monthly carrying charges to the extent consistent with the maintenance of the financial integrity of the mobilehome park and with the requirements for repayment established by the agency. The nonprofit corporation, stock cooperative corporation, or other entity may not alter monthly carrying charges without the prior permission of the agency, which shall be given only if such an alteration is necessary to avoid jeopardizing the financial integrity of the mobilehome park.

50565. No nonprofit corporation, stock cooperative corporation, or other entity formed for the purpose of acquiring a mobilehome park shall receive more than one loan from the fund.

50566. There is a Mobilehome Park Acquisition Fund in the State Treasury. Notwithstanding Section 13340 of the Government Code, the moneys in the fund are continuously appropriated to the agency for the purposes of this chapter. All moneys received by the agency pursuant to this chapter shall be deposited in the fund.

50567. The agency may, in addition to any other power conferred by this part, issue revenue bonds for the purpose of financing the acquisition of mobilehome parks pursuant to this chapter. All of the proceeds of these revenue bonds shall be deposited in the Mobilehome Park Acquisition Fund.

50567.5. This chapter shall remain in effect only until January 1, 1989, and as of that date is repealed, unless a later enacted statute, which is enacted before January 1, 1989, deletes or extends that date.

SEC. 2. Chapter 11 (commencing with Section 50780) is added to Part 2 of Division 31 of the Health and Safety Code, to read:

CHAPTER 11. MOBILEHOME PARK PURCHASE FUND

50780. (a) The Legislature finds and declares as follows:

(1) That manufactured housing and mobilehome parks provide a significant source of homeownership for California residents, but increasing costs of mobilehome park development and construction, combined with the costs of manufactured housing, the costs of financing and operating these parks, the low vacancy rates, and the pressures to convert mobilehome parks to other uses increasingly render mobilehome park living unaffordable, particularly to those residents most in need of affordable housing.

(2) That state government can play an important role in

addressing the problems confronted by mobilehome park residents by providing supplemental financing which makes it possible for mobilehome park residents to acquire the mobilehome parks in which they reside and convert them to resident ownership.

(b) Therefore, it is the intent of the Legislature, in enacting this chapter, to encourage and facilitate the conversion of mobilehome parks to resident ownership, to protect low-income mobilehome park residents from both physical and economic displacement, to obtain a high level of private and other public financing for mobilehome park conversions, and to help establish acceptance for resident-owned mobilehome parks in the private market.

50781. Unless the context otherwise requires, the following definitions given in this section shall control construction of this chapter:

(a) "Affordable" means that, where feasible, low-income residents should not pay more than 30 percent of their monthly income for housing costs.

(b) "Conversion costs" includes the cost of acquiring the mobilehome park, the costs of planning and processing the conversion, the costs of any needed repairs or rehabilitation, and any expenditures required by a government agency or lender for the project.

(c) "Department" means the Department of Housing and Community Development.

(d) "Fund" means the Mobilehome Park Purchase Fund created pursuant to Section 50782.

(e) "Housing costs" means the total cost of owning, occupying, and maintaining a mobilehome and a lot or space in a mobilehome park. The department's regulations shall specify the factors included in these costs and may, for the purposes of calculating affordability, establish reasonable allowances.

(f) "Individual interest in a mobilehome park" means any interest which is fee ownership or a lesser interest which entitles the holder to occupy a lot or space in a mobilehome park for a period of not less than either 15 years or the life of the holder. Individual interests in a mobilehome park include, but are not limited to, the following:

(1) Ownership of a lot or space in a mobilehome park or subdivision.

(2) A membership or shares in a stock cooperative, as defined in Section 11003.2 of the Business and Professions Code, or a limited equity housing cooperative, as defined in Section 33007.5 of the Health and Safety Code.

(3) Membership in a nonprofit mutual benefit corporation which owns, operates, or owns and operates the mobilehome park.

(g) "Low-income resident" means an individual or household who resided in the mobilehome park prior to application for a loan pursuant to this chapter and who is a lower income household, as defined in Section 50079.5. However, personal assets shall not be

considered in the calculation of income, except to the extent that they actually generate income.

(h) "Low-income spaces" means those spaces in a mobilehome park operated by a resident organization which are occupied by low-income residents.

(i) "Mobilehome park" means a mobilehome park, as defined in Section 18214, or a manufactured home subdivision created by the conversion to resident ownership of a mobilehome park, as defined in Section 18214.

(j) "Resident organization" means a group of mobilehome park residents who have formed a nonprofit corporation, cooperative corporation, or other entity or organization for the purpose of acquiring the mobilehome park in which they reside and converting the mobilehome park to resident ownership. The membership of a resident organization shall include at least two-thirds of the households residing in the mobilehome park at the time of application for assistance from the department.

(k) "Resident ownership" means, depending on the context, either the ownership, by a resident organization, as defined in this section, of an interest in a mobilehome park which entitles the resident organization to control the operations of the mobilehome park for a term of no less than 15 years, or the ownership of individual interests in a mobilehome park, or both.

50782. The Mobilehome Park Purchase Fund is hereby created in the State Treasury and, notwithstanding Section 13340 of the Government Code or any other provisions of law, is continuously appropriated to the department for the purpose of providing loans pursuant to this chapter and for related administrative costs of the department. Notwithstanding Section 16305.7 of the Government Code, any moneys received by the department pursuant to this chapter, any other sources, repayments, interest, or new appropriations shall be deposited in the fund. Money in the fund shall not be subject to transfer to any other fund pursuant to any provision of Part 2 (commencing with Section 16300) of Division 4 of Title 2 of the Government Code, except the Surplus Money Investment Fund. The department may require the transfer of moneys in the fund to the Surplus Money Investment Fund for investment pursuant to Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code. Notwithstanding Section 16305.7 of the Government Code, all interest, dividends, and pecuniary gains from the investments shall accrue to the fund.

50783. (a) The department may make loans from the fund to resident organizations for the purpose of financing mobilehome park conversion costs, as defined in this chapter.

(b) Loans provided pursuant to this section shall be for a term of no more than three years and shall bear interest at a rate of 7 percent per annum.

(c) Loans provided pursuant to this section shall be for the minimum amount necessary to enable a resident organization to acquire and convert the mobilehome park in which its members reside. However, in no case shall the loan amount exceed 50 percent of the approved conversion costs.

50784. (a) The department may make loans from the fund to low-income residents of mobilehome parks converted to resident ownership or to resident organizations which have converted or plan to convert a mobilehome park to resident ownership. The purpose of providing loans pursuant to this section is to reduce the monthly housing costs for low-income residents to an affordable level.

(b) Loans provided pursuant to this section shall be for a term of no more than 30 years and shall bear interest at a rate of 7 percent per annum.

(c) The department may establish flexible repayment terms for loans provided pursuant to this section if the terms are necessary to reduce the monthly housing costs for low-income residents to an affordable level, and do not represent an unacceptable risk to the security of the fund. Flexible repayment terms may include, but are not limited to, graduated payment schedules with negative amortization.

(d) Loans provided to low-income residents pursuant to this section shall be for the minimum amount necessary to reduce the borrower's monthly housing costs to an affordable level. However, in no case shall loan amounts exceed 50 percent of the acquisition costs of the individual interests in the mobilehome parks. In addition, the total indebtedness upon individual interests may not exceed 90 percent of the value of the interests.

(e) Loans provided to resident organizations pursuant to this section shall be for the minimum amount necessary to reduce the monthly housing costs of low-income residents to an affordable level. However, in no case shall the loan amounts exceed 50 percent of the conversion costs attributable to the low-income spaces. Funds provided pursuant to this section shall not be used to assist residents who are not of low income, or to reduce monthly housing costs for low-income residents to less than 30 percent of their monthly income.

50785. In determining the eligibility for and amount of loans pursuant to Sections 50783 and 50784, the department shall take into consideration, among other factors, all of the following:

(a) The reasonableness of the conversion costs relating to repairs, rehabilitation, construction, or other costs.

(b) Any administrative and security factors affecting the department's program operation and administration.

(c) Whether or not the projects complement the implementation of a local housing program to preserve or increase the supply of housing for persons and families of low or moderate income.

(d) Whether or not state funds are utilized in the most efficient

and effective manner.

To the extent consistent with requests for assistance, the department shall allocate funds available for the purposes of this chapter throughout the state in accordance with identified housing needs, including seeking to allocate not less than 20 percent to rural areas.

50786. (a) The department shall promulgate rules and regulations for the administration and implementation of this chapter.

(b) The department shall obtain the best available security for loans made pursuant to this chapter. The security may include a note, deed of trust, assignment of lease, or other form of security on real or personal property which the department determines is adequate to protect the interests of the state. To the extent applicable, these documents and any regulatory provisions shall be recorded or referenced in a recorded document in the office of the county recorder of the county in which the mobilehome park is located.

(c) The degree of continuing regulatory control with respect to park operations and resident loans exercised by the department in making loans pursuant to this chapter shall be commensurate with the level of financial assistance provided and in all cases shall be adequate to protect the state's security interest and assure the accomplishment of the purposes of the program authorized by this chapter. The regulatory requirements shall be set forth in a regulatory agreement, deed of trust, or other lien, and violation of these requirements shall be considered a violation of a security document.

(d) Before providing financing pursuant to this chapter, the department shall require provision of, and approve, at least the following:

(1) Verification that at least two-thirds of the households residing in the mobilehome park support the plans for acquisition and conversion of the park.

(2) Verification that either no park residents will be involuntarily displaced as a result of the park conversion or the impacts of the displacement will be mitigated as required under state and local law.

(3) Verification that the conversion is consistent with local zoning and land use requirements, other applicable state and local laws, and regulations and ordinances.

(4) Projected costs and sources of funds for all conversion activities.

(5) Projected operating budget for the park during and after the conversion.

(6) A management plan for the conversion and operation of the park.

(7) If necessary, a relocation plan for residents not participating which is in compliance with Chapter 16 (commencing with Section 7260) of Division 7 of Title 1 of the Government Code.

(e) The department shall, to the greatest extent feasible, contract with private lenders or units of local government to service loans made pursuant to this chapter.

50787. Within two years of the completion of the mobilehome park conversions financed pursuant to this chapter, but in no event later than January 1, 1989, the department shall undertake an evaluation of the conversions to determine the feasibility and desirability of establishing a more comprehensive program of state assistance for mobilehome park conversions. The department shall submit this report with its recommendations to the Legislature no later than July 1, 1989. This report shall also include an examination of the financial, governmental, and institutional constraints to the conversion of mobilehome parks; the impact of park conversions upon low-income residents; the characteristics of persons who moved from the parks during the conversion process or within one year of the conversion; the costs of acquiring interests in converted parks, the monthly costs of remaining in the parks, and the affordability of those costs to the residents; the distribution and average income and assets of the residents; data, if any, on loan delinquencies and defaults; the costs of acquiring and converting mobilehome parks to resident ownership and recommendations on ways in which the costs can be reduced; and a comparison of the different resident ownership structures financed pursuant to this chapter.

50788. This chapter shall remain in effect only until January 1, 1989, and as of that date is repealed, unless a later enacted statute, which is enacted before January 1, 1989, deletes or extends that date.

SEC. 3. Section 62.1 is added to the Revenue and Taxation Code, to read:

62.1. Change in ownership shall not include any transfer, on or after January 1, 1985, of a mobilehome park to a nonprofit corporation, stock cooperative corporation, or other entity, as described in Section 50561 of the Health and Safety Code, formed by the tenants of a mobilehome park for the purpose of purchasing the mobilehome park.

This section shall remain in effect only until January 1, 1989, and as of that date is repealed, unless a later enacted statute, which is enacted before January 1, 1989, deletes or extends that date.

SEC. 4. The amount of three million dollars (\$3,000,000) is hereby appropriated from the Mobilehome-Manufactured Home Revolving Fund, contained in Section 18016.5 of the Health and Safety Code, to the Mobilehome Park Purchase Fund for the following purposes and to be apportioned according to the following schedule:

(a) Two million eight hundred thousand dollars (\$2,800,000) for loans made pursuant to Chapter 11 (commencing with Section 50780) of Part 2 of Division 31 of the Health and Safety Code.

(b) Two hundred thousand dollars (\$200,000) for the costs of

administering the above-cited Chapter 11.

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DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
OFFICE OF THE DIRECTOR
921 TENTH STREET
SACRAMENTO, CA 95814-2774
(916) 445-4775



December 18, 1986

Mr. John G. Tennyson, Consultant
Senate Select Committee on Mobilehomes
1100 J Street, Room 511
Sacramento, California 95814

Dear Mr. *John* Tennyson:

I am writing to thank you for inviting the Department of Housing and Community Development to participate in the Senate Committee's recent hearing on the Mobilehome Park Assistance Program and earthquake bracing systems. These topics are important issues for the Department as well and we were very glad to help.

Please let me know if we can be of assistance at any time in the future.

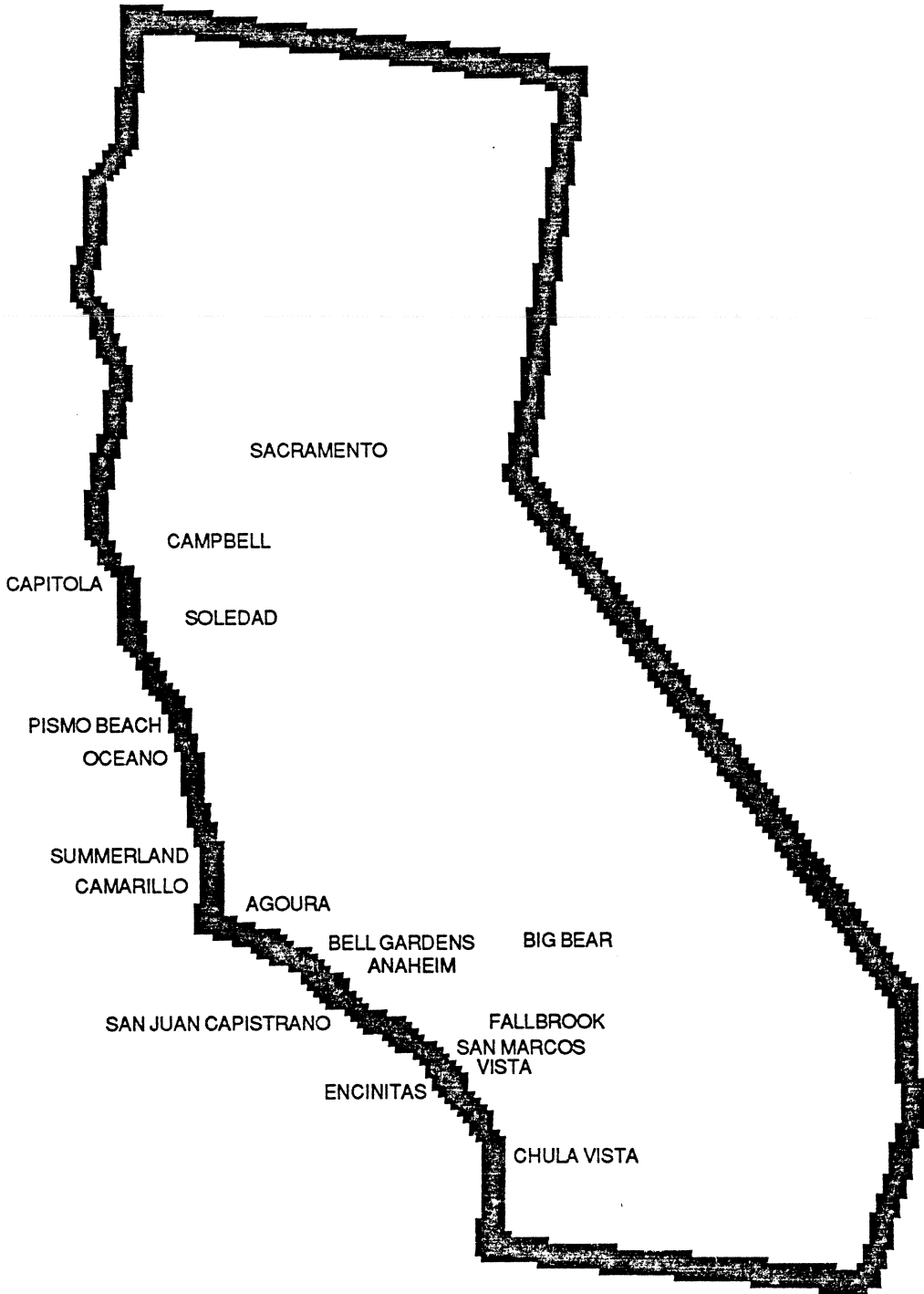
Sincerely,

Christine Diemer

Christine M. Diemer
Interim Director

CMD:GLR:ef

RESIDENT OWNED MOBILEHOME PARKS IN CALIFORNIA



WHY MOBILEHOME PARK RESIDENTS WANT TO OWN THEIR PARKS

1. RENT INCREASES

- RENTS INCREASED 10% LAST YEAR
- MOST PARK RESIDENTS ARE SENIORS
- LOWER INTEREST RATES MEAN LOWER INCOMES
- VALUES OF HOMES vs. VALUES OF PARKS

2. RULES, REGULATIONS & OPERATIONS

- USE OF PARK FACILITIES
- LEVEL OF PARK MAINTENANCE
- CHARGES FOR SERVICES
- PETS, GUESTS, RENTING...

3. PARK CLOSURES

- NUMBER OF PARKS:

1982	5,900
1983	5,804
1984	5,812
- COST OF MOVING HOMES
- LACK OF VACANT SPACES
- DISRUPTION OF LIFE

SECURITY OF TENURE

FORMS OF PARK OWNERSHIP

1. CONDOMINIUM (AIR SPACE)

- RESIDENTS OWN THEIR INDIVIDUAL SPACES FROM THE GROUND UP
- LAND AND ALL FACILITIES OWNED IN COMMON
- HOA MAINTAINS COMMON AREAS
- HOA COLLECTS DUES FOR MAINTENANCE

2. LIMITED EQUITY COOPERATIVE

- RESIDENTS FORM COOPERATIVE CORPORATION TO OWN PARK
- INDIVIDUALS OWN MEMBERSHIPS IN CORPORATION
- INDIVIDUALS ALSO HAVE RIGHT TO OCCUPY THEIR SPACES
- MEMBERSHIPS CONSIDERED AN INTEREST IN REAL ESTATE
- BOARD OF DIRECTORS MANAGES PARK
- COOP COLLECTS MONTHLY FEES FOR PARK OPERATIONS
- COOPERATIVE RESPONSIBLE FOR PAYING MORTGAGE
- RESALE VALUE OF MEMBERSHIPS RESTRICTED UNDER STATE LAW

3. NONPROFIT CORPORATION

- RESIDENTS FORM CORPORATION TO OWN PARK
- INDIVIDUALS OWN STOCK IN CORPORATION
- STOCK NOT CONSIDERED AN INTEREST IN REAL ESTATE
- BOARD OF DIRECTORS MANAGES PARK
- PARK OPERATES MUCH LIKE A HEALTH CLUB
- CORPORATION COLLECTS RENT FOR PARK OPERATIONS
- CORPORATION RESPONSIBLE FOR PAYING MORTGAGE
- OWNERS RIGHTS ARE DEFINED IN BUY-LAWS

OTHER FORMS OF OWNERSHIP:

STANDARD SUBDIVISION
STOCK COOPERATIVE
LIMITED PARTNERSHIP
TENANTS IN COMMON

PLANNED DEVELOPMENT
CORPORATION
GENERAL PARTNERSHIP

OWNERSHIP PROS & CONS

1. CONDOMINIUM (AIR SPACE)

- PROS:** BEST UNDERSTOOD FORM OF OWNERSHIP
OWNERS RECEIVE DEEDS
LARGEST POTENTIAL RESALE MARKET
INTEREST & TAXES DEDUCTABLE
NO RESTRICTIONS ON REALES
- CONS:** REQUIRES THE MOST GOVERNMENT APPROVALS
MOST EXPENSIVE TO CONVERT
LONGEST TIME REQUIRED TO CONVERT
MUST SELL OUT - HARDER TO CARRY RENTERS
INDIVIDUAL FINANCING, HARDER FOR LOW-INCOME

2. LIMITED EQUITY COOPERATIVE

- PROS:** NO LOCAL APPROVALS REQUIRED
QUICKER TO CONVERT THAN CONDO
LESS EXPENSIVE TO CONVERT THAN CONDO
BLANKET FINANCING - EASIER FOR LOW INCOME
RENTERS CAN REMAIN IN PARK
OWNERSHIP RIGHTS SPECIFIED IN STATE LAW
INTEREST & TAXES DEDUCTABLE IF PAID DIRECTLY
- CONS:** DRE APPROVAL REQUIRED
NOT AS WELL UNDERSTOOD AS CONDOMINIUM
FINANCING HAS PRIORITY OVER COOPERATIVE
RESALE VALUE IS RESTRICTED BY STATE LAW

3. NONPROFIT CORPORATION

- PROS:** POTENTIALLY THE QUICKEST TO FORM
LOWEST CONVERSION COSTS
BLANKET FINANCING, EASIER FOR LOW INCOME
RENTERS CAN REMAIN IN PARK
- CONS:** RELATIVELY UNKNOWN
REQUIRES DEPT. OF CORPORATIONS APPROVAL
FINANCING HAS PRIORITY TO RESIDENTS' INTERESTS
DIFFICULT TO FINANCE
INTEREST & TAXES NOT DEDUCTABLE

SUMMARY OF LEGISLATION

1983	AB1008	CREATED MTAP
1984	AB2728	LIMITS LOCAL FEES
	AB3373	ALLOWS MHP CONDOS
	SB2240	CREATED MPAP
		PROPERTY TAX FREEZE
1985	SB29	INCOME TAX DEFERRAL
	SB435	PROHIBITS FOUNDATION REQUIREMENT
		BROAD AUTHORITY FOR HA OWNERSHIP AND PUBLIC FINANCING
1986	AB256	NPs EXEMPT FROM DRE
	SB1768	EXPANDED TAX FREEZE
	SB1769	NOTICE OF SALE

MOBILEHOME PARK ASSISTANCE PROGRAM

AUTHORITY: H&SC SEC. 50780 - 50788
CAC TITLE 25, SEC. 8000 - 8032

FUNDING LEVEL: FY 1985-86 \$4 MILLION
FY 1986-87 5 MILLION

APPLICATIONS ACCEPTED: SEPTEMBER 15, 1986
JANUARY 12, 1987
APRIL 13, 1987

ELIGIBLE APPLICANTS: PARK RESIDENT ORGANIZATIONS
UNITS OF LOCAL GOVERNMENT
AS CO-APPLICANTS

LOAN TYPES AND TERMS

CONVERSION LOANS: SHORT-TERM (TO 3 YRS) LOANS TO
PURCHASE PARKS AND FINANCE
CONVERSION COSTS

BLANKET LOANS: LONG-TERM (TO 30 YRS) LOANS TO
REDUCE COSTS FOR THE PARK AND
LOW-INCOME RESIDENTS

INDIVIDUAL LOANS: LONG-TERM (TO 30 YRS) LOANS TO
INDIVIDUAL RESIDENTS TO FINANCE
THE COST OF THEIR LOT, SPACE ...

INTEREST RATE: 7% SIMPLE

PAYMENTS REQUIRED: DEFERRALS POSSIBLE

LOAN LIMITS: \$1 MILLION BY REGULATION
\$500,000 UNDER CURRENT RFP
50% OF ALLOWABLE COSTS



CONTINENTAL ASSOCIATES

SAN DIEGO OFFICE: 7970 Convoy Court • San Diego, California 92111 • Telephone: (619) 277-2373 • Toll Free: (800) 862-9100

December 2, 1986

The Hon. Bill Craven
Senator, 38th District
State Capitol, Room 3070
Sacramento, CA 95814

Dear Senator Craven:

Thank you for the opportunity to make our presentation. The following are some items that we feel are essential for the program assisting residents of mobilehome parks.

The program provides assistance to low and moderate income residents of mobilehome parks in the purchase of their spaces and has proven invaluable. It is a very sound and successful program. The only problems we have encountered are due to the limitation of funds available, and the allocation of these funds among the residents requiring assistance.

Our experience to date indicates that depending on the parks involved, between 10% and 40% of the residents are eligible for MPAP assistance. Last year we closed one project utilizing MPAP funds. This year we have applied for MPAP funds on 6 projects and expect to apply for 4 more projects before the next application deadline. For 1987, we expect to apply for an additional 25 projects.

Project Name	Total Units	Total L&M Income Households	MPAP Loan Requested	MPAP & Redevel. Funds App.	Other Assistance Funds App.
Madrid Manor	330	44	130,00	130,000	111,896
Orange Tree	154	59	662,000	662,000	500,000
Sierra Vista	99	40	465,000	658,940	250,000
Rancho Escondido	337	130	1,000,000	1,000,000	500,000
Chumash	235	59	534,179	534,179	0
Meadows	260	45	290,000	290,000	200,000
Skys Haven	191	13	134,940	134,940	250,000

If the experience we have encountered to date holds true for future projects, Continental Associates alone will apply for more MPAP funds than the total allocated by HCD for the whole State of California. A way must be found to supplement existing funding sources with funds from either the General Funds or other sources looking for a purpose. I don't know much about a bond issue, but would it be possible to utilize this method of financing in a manner similar to Cal Vet financing?

The lack of available funds to assist all the MPAP applicants has forced HCD to set guidelines in allocating the available funds. Basically, the MPAP program operates as follows:

- A. MPAP provides loans to applicants at 7%. The repayment of this loan is deferred to the time the resident sells his space.
- B. The loan is limited to 50% of the purchase price including conversions costs.
- C. The applicants must provide a minimum of 10% as down payment for the purchase price. This 10% may be waived if the resident's equity in the coach is sufficient to cover the 10% down.
- D. The balance of the funds needed by the applicants is provided by the conventional lender.
- E. Due to lack of funds, initially each project is allocated a maximum fund of \$500,000.00. The applications are reviewed by HCD and a priority is established for each project. In some cases, the \$500,000.00 maximum can be increased up to \$1,000,000.00 per project.

The problem areas in this program are twofold. All qualified residents are expected to come up with 10% down. This requirement can be waived if the resident has a substantial equity in the coach. This works well for those who own their coach free and clear. In most parks this applies to most residents. In some parks we have as many as 20 low and moderate income residents who also have payments on their coaches. This policy forces those who can least afford it to come up with funds they don't have, just in order to satisfy some questionable credit practices. In effect, the very ones who need help the most, are prevented from purchasing their spaces with MPAP assistance because the regulations do not qualify residents whose total housing costs exceed 40% of their income.

What I would like to suggest is that in allocating funds for each project, HCD earmark 20% of the fund for those residents whose housing costs exceed 30% of their income, and not require either the 10% down payment or limit the MPAP loan to 50%. While these measures could require additional MPAP funds, for the time being, the rest of the low and moderate income residents would have to allocate the balance of the funds between them on another basis.

I would like to share with you my estimate for funds needed to fund future low and moderate mobilehome park conversions.

1. Estimated total number of mobilehome parks in California - 5,600.
2. Estimated number of parks designed and maintained at a level that would induce financial institutions to provide "gap" loan financing - 20% - 1,120.
3. Estimated average number of spaces per park - 200.
4. Total household spaces subject to possible conversion - 224,000.
5. Estimated percentage of above parks where owners thereof would agree to sell parks to residents - 40%.

The Hon. Bill Craven
December 2, 1986
Page Three

6. Number of spaces subject to possible conversion - 90,000.
7. Estimated sales price per space - \$28,000.
8. Total value of park spaces subject to conversion - \$2,520,000,000.00.
9. Average percentage of spaces whose residents are in low and moderate income categories - 30%.
10. Value of spaces with low and moderate income residents which may be subject to future conversions - \$756,000,000.00.
11. Current level of annual MPAP funding - \$5,000,000.00 per year.

This program is scheduled to expire in 1988.

This limited amount of funds can hardly provide the assistance and need that I foresee for the next five years. The 1986 tax revision will probably induce more owners to sell their parks to the residents because:

1. The tax shelter tax benefits available to investors from passive income sources has been greatly modified and nearly eliminated.
2. Investors in parks will require that these investments provide a cash on cash return.
3. Syndication of park purchasers will be nearly eliminated, unless the syndication has a current taxable income from passive income sources which it can shelter.
4. Financial institutions will consider the implication of the new tax act in their decisions to refinance existing parks, and the consequent effect on their fall back positions.
5. The anticipated effect of the new tax law will be to increase rents to levels that will provide a cash on cash return.
 - (a) This may work for apartments where the supply of rental units can be easily replenished by production of new units.
 - (b) In mobilehome parks this is not the case, and all I can see is an even more vociferous and concerted effort in the direction of adopting additional and more stringent "rent control" ordinances.

I will not go into my philosophical beliefs regarding this controversial issue, that has been tossed around as a political football. There are merits on both sides of the issue, but the end results are only short run benefits to the residents. Too many advocates of "rent control" fail to recognize that the practical aspects are

The Hon. Bill Craven
December 2, 1986
Page Four

self defeating and that in the long run, housing costs will double even under rent control, every 8 to 12 years, depending on the measures adopted, and in addition provide a lower level of services than would be achieved under condominium or co-op ownership of the parks.

If you have any questions, or if I can provide you with any further information, please do not hesitate to contact me.

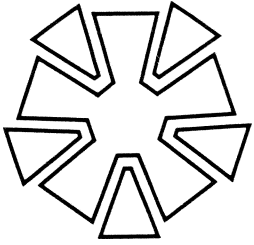
Sincerely,

CONTINENTAL ASSOCIATES



Amos Sommers
Partner

AS:le



Rural Community Assistance Corporation

January 15, 1987

State Senator Bill Craven
38th Senate District, California
State Capitol, Room 3070
Sacramento, California 95814

Dear Senator Craven:

We were unable to attend your recent hearing concerning the funding for the Mobilehome Park Assistance Program but I wanted to express our support for the program and its administration by the Department of Housing and Community Development.

As one of the original consultants who assists parks through the complex conversion process, we think this program has tremendous potential. Given that it's a relatively "new" concept for resident-controlled housing, the institutional investors and some residents are slow to exercise their option. We are having some difficulty in northern rural areas where the speculation by private developers has not occurred to such a great extent to create an economic incentive to get people over the hump of uncertainty to try this new idea.

Extending the program seems to be the direction to head until we can get more experience to suggest alternative ways to work in this area.

Your recent sponsorship of legislation to give notice to the residents before the property is listed will be helpful to our work.

If we can be of any assistance, please give us a call.

Sincerely,

(Ms.) Billie L. Heath
Director, Housing

Hous9:Craven:BH:lw

APPENDIX

MOBILEHOME EARTHQUAKE BRACING SYSTEMS

Senate Bill No. 360

CHAPTER 533

An act to add Section 18613.5 to the Health and Safety Code, relating to mobilehomes.

[Approved by Governor September 16, 1981. Filed with Secretary of State September 16, 1981.]

LEGISLATIVE COUNSEL'S DIGEST

SB 360, Alquist. Mobilehome installation: seismic safety.

(1) Existing law does not expressly require the Department of Housing and Community Development, with the review and advice of the Seismic Safety Commission, to adopt rules and regulations to ensure that purchasers of all mobilehomes installed for occupancy are offered earthquake resistant bracing systems which meet generally accepted seismic safety standards for the protection of the health and safety of the occupants.

This bill would require the department to adopt such rules and regulations. It would require the rules and regulations to include a process and a fee schedule for review and certification by the department of such bracing systems, as specified. The bill would make the department responsible for notifying owners of existing mobilehomes of the certification process.

(2) Article XIII B of the California Constitution and Sections 2231 and 2234 of the Revenue and Taxation Code require the state to reimburse local agencies and school districts for certain costs mandated by the state. Other provisions require the Department of Finance to review statutes disclaiming these costs and provide, in certain cases, for making claims to the State Board of Control for reimbursement.

However, this bill would provide that no appropriation is made and no reimbursement is required by this act for a specified reason.

The people of the State of California do enact as follows:

SECTION 1. Section 18613.5 is added to the Health and Safety Code, to read:

18613.5. The Department of Housing and Community Development, with the review and advice of the Seismic Safety Commission, shall adopt such rules and regulations as are necessary to ensure that purchasers of all mobilehomes installed for human occupancy pursuant to Section 18613 are offered earthquake resistant bracing systems which meet generally accepted seismic safety standards for the reduction of damage and for the protection of the health and safety of the occupants. Such rules and regulations also shall include provisions for establishing a process and a fee

schedule for the design review and certification by the department.

To the extent practical, the department shall be responsible for notifying owners of existing licensed mobilehomes that a certification process has been established so that when considering purchase of a bracing system the owners can determine if the product or system is certified by the department.

The fees established by the department shall be sufficient to pay for the development of the design criteria and standards and the costs for the design review and certification of the products or systems.

SEC. 2. No appropriation is made and no reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution or Section 2231 or 2234 of the Revenue and Taxation Code because the only costs which may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, changes the definition of a crime or infraction, changes the penalty for a crime or infraction, or eliminates a crime or infraction.

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DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF CODES AND STANDARDS - Administrative Office
6007 Folsom Boulevard, Suite A, Sacramento, CA 95819
Mailing Address: P. O. Box 1407, Sacramento, CA 95807
(916) 445-9471



December 12, 1986

INFORMATION BULLETIN MP 86-05

TO: EARTHQUAKE BRACING SYSTEM MANUFACTURERS
MOBILEHOME PARKS
MOBILEHOME PARK INTERESTED PARTIES
LOCAL ENFORCEMENT AGENCIES
DIVISION STAFF

SUBJECT: EARTHQUAKE RESISTANT BRACING SYSTEMS

On September 21, 1985, regulations became effective in California Administrative Code, Title 25, Chapter 2, Article 7.5, providing for Department certification of earthquake resistant bracing systems for manufactured homes and mobilehomes. Those regulations further provided that the sale, offering for sale or installation of systems not certified by the Department was unlawful. Several manufacturers have submitted systems for Department certification and four (4) systems have been certified. Those systems are:

Manufacturer: Gus Guard Products, Inc.
Model Number: MHF-2460-12
Product Name: Gus Guard
Listed By: Professional Registered Inspections, Inc.
Listing Number: 2304-11

Manufacturer: Oliver Construction Co.
Model Number: OC-1
Product Name: Safe-T-Beam
Listed By: Testing Engineers of San Diego
Listing Number: 417

Manufacturer: Quakebrace
Model Number: QB-1
Product Name: Quakebrace
Listed By: Resources Applications, Designs and Controls, Inc.
Listing Number: 1187

Manufacturer: Tommy Mitsueda
Model Number: QM-1
Product Name: Certified Earthquake Brace
Listed By: R.A.D.C.O.
Listing Number: 1174

In addition to the above, each system is required to bear a label authorized by the listing agency indicating the manufacturer's name, product name, and model number. This label will also give the listing agency's name and listing number along with a statement that "this system complies with the California Administrative Code, Title 25, Chapter 2, Article 7.5".

As new systems are certified by the Department, the above list of certified systems will be updated by Information Bulletin. Any questions concerning earthquake resistant bracing systems should be directed to the Mobilehome Parks Program Manager, at (916) 445-9471.

The following are a few of the most frequently asked questions concerning Department certification of earthquake resistant bracing systems:

1. Question: How do we go about having our system certified?

Answer: The specific procedures are contained in Department regulations and we have developed a list of criteria that must be met for system certification. Please contact our Engineering and Plan Check Section for additional information at P.O. Box 1407, Sacramento, CA 95807-1407, (916) 445-0954.

2. Question: What about the sale, offering for sale or installation of systems not certified by the Department?


Answer: The sale, offering for sale or installation of a system not certified by the Department is a criminal violation of Department regulations and will be punished accordingly.

3. Question: What about systems that were previously installed?

Answer: Systems sold, offered for sale or installed prior to the effective date of Department regulations are not in violation.

4. Question: I had a system not certified by the Department installed on my manufactured home and now I want to resell the home. Do I have to remove the system to avoid being in violation of Department regulations?

Answer: Department regulations prohibiting the sale of uncertified systems are intended to apply primarily to the sale or installation of new systems. It is not a violation to own, maintain or resell a system currently installed with the home; however, the sale of an uncertified system independently from the resale of the home would technically be a violation of Department regulations.



Robert T. Older
Chief

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF CODES AND STANDARDS - Administrative Office
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(916) 445-9471



August 22, 1986

INFORMATION BULLETIN MP 86-04

TO: EARTHQUAKE BRACING SYSTEM MANUFACTURERS
MOBILEHOME PARKS
MOBILEHOME PARK INTERESTED PARTIES
LOCAL ENFORCEMENT AGENCIES
DIVISION STAFF

SUBJECT: EARTHQUAKE RESISTANT BRACING SYSTEMS

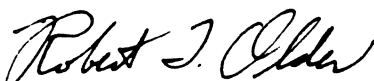
This Information Bulletin is issued to clarify Mobilehome/Manufactured Home Earthquake Resistant Bracing System requirements.

California Administrative Code, Title 25, Chapter 2, Article 7.5, enclosed, provides that it shall be unlawful for any person, firm, or corporation to sell, offer for sale, or install within the State, any Earthquake Resistant Bracing System unless the system is certified by the Department. The article also outlines the necessary procedures for certification.

Since September 21, 1985, the effective date of these regulations, only three mobilehome earthquake resistant bracing system manufacturers have submitted designs to the Department for certification. All of these applications have been returned to the manufacturers without certification, due to insufficient testing, the need for additional engineering and/or the manufacturer failed to have the bracing system properly listed prior to submitting their application to the Department.

As of the date of this Bulletin, no Earthquake Resistant Bracing Systems have been certified by the Department. When certifications are given to a manufacturer for their Earthquake Resistant Bracing System the information will be distributed in the form of an information bulletin.

If you have any questions regarding the certification please contact the Mobilehome Parks Program Manager at (916) 445-9471.


Robert T. Older
Division Chief

RTO/CH:rfb

Enclosure

Enact a new Article 7.5, Title 25, to read as follows:

Article 7.5

MOBILEHOME AND MANUFACTURED HOME EARTHQUAKE RESISTANT BRACING SYSTEMS

1370. Application and Scope.

(a) The provisions of this article relating to mobilehome or manufactured home earthquake resistant bracing systems are applicable to all mobilehome or manufactured home earthquake resistant bracing systems sold, offered for sale, or offered for installation within the State of California.

(b) The requirements of this article shall not apply to a mobilehome or manufactured home installed on a foundation system pursuant to Section 18551 of the Health and Safety Code.

(c) Nothing in this article shall be construed as requiring the installation of earthquake resistant bracing systems under a mobilehome or manufactured home sited either before or after the effective date of this article.

NOTE: Authority cited: Section 18610.5, Health and Safety Code.

Reference: Sections 17000.5, 18300 and 18613.5, Health and Safety Code.

1370.2. Certification Required.

(a) It shall be unlawful for any person, firm, or corporation to sell, offer for sale, or install within this state, any earthquake resistant bracing system unless the system is certified by the department as meeting the requirements of this article.

(b) It shall be unlawful for any listing or testing agency to list as "approved" or authorize the use of its labels for any mobilehome or manufactured home earthquake resistant bracing system until such system is certified by the department.

(c) Upon certification by the department, the manufacturer of the system shall assure that each system sold, offered for sale or installation bears evidence of approval from a listing or testing agency.

(d) Upon sale or installation, the manufacturer shall provide the consumer with a copy of the bracing system installation instructions.

NOTE: Authority cited: Section 18613.5, Health and Safety Code.

Reference: Sections 18613.5, 17003.5 and 18300, Health and Safety Code.

1370.4. Enforcement and Penalties.

(a) The department shall administer and enforce all the provisions of this article. However, the penalties provided by this article shall not preclude an aggrieved party from pursuing any other remedies he or she may have under any other provision of law.

(b) In addition to the penalties provided for in Section 18700 of the Health and Safety Code, violation of any of the provisions of this article, or the sale or offering for sale or installation of a certified earthquake resistant bracing system which does not conform to the certified plan for that design or system model, shall be cause for cancellation of certification by the department.

NOTE: Authority cited: Section 18613.5, Health and Safety Code.

Reference: Sections 17003.5, 18300, 18613.5, and 18700, Health and Safety Code.

1370.6. Definitions.

"Certification" means a stamp of certification applied to plans for an earthquake resistant bracing system certified by the department.

"Department" means Department of Housing and Community Development.

"Earthquake Resistant Bracing System" means an anchoring system, bracing system, or other device designed and constructed, or represented as having been designed and constructed, for the purpose of protecting the health and safety of the occupants of and reducing damage to a mobilehome or manufactured home in the event of an earthquake.

"Label" means a tag, symbol or other identifying mark of a listing or testing agency and used by a product manufacturer to indicate compliance with applicable standards or regulations.

"List" means all equipment and installations that appear in a list published by an approved listing or testing agency.

"Listing Agency" means an agency approved by the department which is in the business of listing or labeling and which maintains a periodic inspection program on current production of listed models, and which makes available at least an annual published report of such listing in which specific information is included that the product has been tested to approved standards and found safe for use in a specific manner.

"Testing Agency" means an organization which:

- (a) Is in the business of testing equipment and installations;
- (b) Is qualified and equipped for such experimental testing;
- (c) Is not under the jurisdiction or control of any manufacturer or supplier for any affected industry;
- (d) Maintains at least an annual inspection program of all equipment and installations currently listed or labeled;
- (e) Makes available a published directory showing current listings of manufacturer's equipment and installations which have been investigated, certified and found safe for use in a specified manner and which are listed or labeled by the testing agency; and
- (f) Is approved by the department.

NOTE: Authority cited: Section 18613.5, Health and Safety Code.

Reference: Section 18613.5, Health and Safety Code.

1371. Construction and Design Requirements.

(a) Earthquake resistant bracing systems shall be designed and constructed to resist seismic forces determined in accordance with the provisions of Section 2312, Chapter 23, Uniform Building Code, 1982 Edition.

(b) Earthquake resistant bracing systems shall be designed to limit any downward vertical movement of a mobilehome or manufactured home to a maximum of two (2) inches.

(c) Each earthquake resistant bracing system that is sold, offered for sale or installation, shall be identified with the manufacturer's name or trademark and model.

NOTE: Authority cited: Section 18613.5, Health and Safety Code.

Reference: Sections 17003.5, 18300, and 18613.5, Health and Safety Code.

1372. Certification Procedure.

(a) To obtain department certification for an earthquake resistant bracing system, the manufacturer shall submit the following:

(1) Completed application on forms obtainable from the department.

(2) Three copies of the plan and specifications and two copies of the design calculations and test data when required to substantiate the design. Specifications shall be shown on the plan. Design calculations shall be submitted separately from the plan sheet(s).

(3) Evidence that the system has been submitted to and approved by a department-approved listing or testing agency.

(4) Certification application fee as specified in Section 1376.

(b) Upon receipt of a complete application, the department shall review the application to assure that the proposed system will comply with the construction and design requirements set forth in Section 1371 and the system has been approved by a department-approved testing or listing agency.

If the department finds that the above requirements have been met and the balance of any certification review fees due pursuant to Section 1376 have been paid, the department shall certify the earthquake resistant bracing system plans. An approved copy of the plans shall be returned to the manufacturer and a copy shall be retained at each place of manufacture.

NOTE: Authority cited: Sections 18502.5 and 18613.5, Health and Safety Code.

Reference: Sections 18300, 18502.5 and 18613.5, Health and Safety Code.

1372.2. Plan Requirements.

(a) Plans submitted to the department for certification shall be on substantial paper or cloth, not less than 8-1/2 x 11 inches or multiples thereof but not exceeding 25-1/2 x 36 inches.

(b) A plan shall include all pertinent items necessary for the design, construction, and installation of the system, such as details of connections, dimensions, footings, general notes and the method of installation.

(c) A plan shall depict only one design or model of earthquake resistant bracing system.

(d) A plan shall include installation instructions.

(e) Each plan shall provide a blank space not less than 3 x 3 inches for the department stamp of certification.

(f) Each plan shall be identified by a model number.

NOTE: Authority cited: Section 18613.5, Health and Safety Code.

Reference: Sections 18300 and 18613.5, Health and Safety Code.

1372.4. Non-Conforming Application and Plans.

(a) The department shall within 10 working days of receiving the application and plans, review each permit application and notify the applicant and listing or testing agency in writing, of the acceptance of the application for filing, or the rejection of the application due to incompleteness or errors. The notice of rejection shall specifically identify in what manner the application is incomplete or in error and provide instructions to the applicant for making the application complete and acceptable.

(b) With 10 working days after receiving a corrected application, the department shall review the application and plans pursuant to this Article and either issue a plan certification or a notice of rejection.

(c) Should the applicant fail to submit a corrected application or plan within 90 days of the notice of rejection the application shall be deemed abandoned and all fees submitted pursuant to Section 1376 shall be forfeited to the department. Should an applicant cancel the application for the plan certification prior to obtaining certification, all fees submitted shall be forfeited to the department.

NOTE: Authority cited: Section 18502.5 and 18613.5, Health and Safety Code.

Reference: Sections 18300, 18502.5 and 18613.5, Health and Safety Code.

1372.6. Calculations and Test Procedures.

(a) The load-bearing capacity of elements or assemblies shall be established by calculations in accordance with generally established principles of engineering design. However, when the composition or configuration of elements, assemblies, or details of structural members are such that calculations of their safe load-carrying capacity and basic structural integrity cannot be accurately determined in accordance with generally established principles of engineering design, structural properties of such members or assemblies may be established by the results of tests acceptable to the department.

If a manufacturer chooses to substantiate his design or method of construction by tests, the manufacturer shall contact the department's Engineering and Plan Check Section prior to performing the tests to obtain information on testing criteria. If a department representative is required to witness the tests, the manufacturer shall be so notified.

(b) When any structural design or method of construction is substantiated by calculations and supporting data, such calculations and supporting data shall be signed by a California licensed architect or professional engineer and shall be submitted to the department.

(c) When the design of an earthquake resistant bracing system is substantiated by calculation or tests, all structural plans shall be signed by a California licensed architect or professional engineer in charge of the total design.

(d) When any design or method of construction is substantiated by tests, all test procedures and results shall be reviewed, evaluated, and signed by a California licensed architect or professional engineer.

NOTE: Authority cited: Section 18613.5, Health and Safety Code.

Reference: Sections 18300 and 18613.5, Health and Safety Code.

1373. Expiration.

(a) Plans shall expire two years from the date of department certification.

(b) Certification of a design, which has not been changed since the most recent plan certification, may be renewed by resubmission, in triplicate, with all information required by Section 1372, and renewal fees as specified in Section 1376 on or before the expiration date of the certification.

NOTE: Authority cited: Sections 18502.5 and 18613.5, Health and Safety Code.

Reference: Sections 18300, 18502.5 and 18613.5, Health and Safety Code.

1374. Revisions of Certification.

(a) When an applicant proposes revisions of a certification which does not change the structural system or method of construction of the system, the applicant shall submit an application in triplicate, three copies of the revised plan and specifications, two copies of the revised design calculations, and a revision fee as specified in Section 1376.

(b) Plans which have been returned to the applicant for correction shall be resubmitted together with a resubmission fee and certification review fee as specified in Section 1376.

NOTE: Authority cited: Section 18613.5, Health and Safety Code.

Reference: Sections 18300, and 18613.5, Health and Safety Code.

1374.2. Amended Regulations.

When substantive amendments of the department's regulations requires changes to a certification, the department shall notify the applicant of such changes and shall allow the applicant 180 days from the date of such notification in which to submit a revision. The revision proposal submitted pursuant to this section shall be submitted with appropriate fees. A proposal submitted after the 180-day period of time provided shall be processed as a new application with appropriate fees.

NOTE: Authority cited: Sections 18502.5 and 18613.5, Health and Safety Code.

Reference: Sections 17003.5, 18300, 18502.5 and 18613.5, Health and Safety Code.

1374.4. Change of Ownership, Name or Address.

When there is a change of ownership, name or address of an earthquake resistant bracing system manufacturing business having department certification, the manufacturer shall notify the department in writing within ten (10) days. The notification shall be accompanied by a change in ownership, name or address fee pursuant to Section 1376 of this article.

NOTE: Authority cited: Sections 18502.5 and 18613.5, Health and Safety Code.

Reference: Sections 18300, 18502.5 and 18613.5, Health and Safety Code.

1375. Inspections.

(a) The department may conduct inspections to determine compliance with the approved certification.

(b) Should inspection reveal that a manufacturer is manufacturing systems which do not conform to the department's certification, the manufacturer and the listing or testing agency that investigated and listed the system shall be notified by the department. Where the manufacturer, after having been notified of the violation, continues to manufacture systems in violation of the certification, the department's certification shall be revoked.

(c) If as a finding of inspection, the installation of an earthquake resistant bracing system is found to be in violation of the certification, the installer shall request reinspection after making corrections of the reported violations. The department shall be reimbursed by the installer for the time reported according to the schedule of fees set forth in Section 1376.

NOTE: Authority cited: Section 18613.5, Health and Safety Code.

Reference: Sections 18300 and 18613.5, Health and Safety Code.

1376. Fees.

(a) Certification application fee, one hundred dollars (\$100).

(b) Renewal fee, fifty dollars (\$50).

(c) Resubmission fee, ten dollars (\$10).

(d) Revision fee, ten dollars (\$10).

(e) Certification review fees of thirty-nine dollars (\$39), for the first hour and nineteen dollars and fifty cents (\$19.50) for each 30 minutes or fractional part thereof in excess of one hour. The balance of certification review fees due shall be paid to the department prior to the issuance of certification.

(f) Requested inspection and office or field technical service fee of thirty-nine dollars (\$39) for the first hour plus nineteen dollars and fifty cents (\$19.50) for each 30 minutes or fractional part thereof in excess of one hour.

A minimum fee of thirty-nine dollars (\$39) shall be submitted with each request for an inspection or office or field technical service. Any additional fees required shall be paid upon completion of the inspection or technical service.

(g) Change of manufacturer's name, ownership or address fee. Fifteen dollars (\$15.00).

NOTE: Authority cited: Sections 18502.5 and 18613.5, Health and Safety Code.

Reference: Sections 18300, 18502.5 and 18613.5, Health and Safety Code.

SEISMIC SAFETY COMMISSION

1900 K STREET, SUITE 100
SACRAMENTO, CA 95814-4186
(916) 322-4917



November 26, 1986

Senator William A. Craven, Chairman
Senate Select Committee on Mobilehomes
Room 3070, State Capitol
Sacramento, CA 95814

Dear Senator Craven:

The Seismic Safety Commission is pleased that the Senate Select Committee on Mobilehomes is considering the earthquake resistant foundation system program. As you know, since it was created, the Commission has been concerned about the poor performance of mobilehomes during earthquakes. The Commission sponsored legislation in 1981, authored by Senator Alquist that created the earthquake foundation bracing program in the Department of Housing and Community Development. We strongly believe that foundation standards need to be enforced.

Mobilehome damage observed in every damaging earthquake to strike California since 1971 is particularly regrettable, since many of the residents on fixed incomes are unable to pay for repairs, and because the damage is readily avoidable for little additional cost. The Commission intends to seek legislation this year to require properly designed seismic bracing systems be installed on new mobile and manufactured homes, and would appreciate the opportunity to work with the Committee in writing this legislation.

As you may know, the Commission has held public hearings on various earthquake subjects in need of public airing. Should your committee decide that such a hearing would be desirable, the Commission would be pleased to do so.

Very truly yours,

A handwritten signature in cursive script that reads "L. Thomas Tobin".

L. THOMAS TOBIN
Executive Director

LTT:bj

Enclosures

cc: Committee Members

6.1 Quake Jars Eastern Sierra

State's 4th Temblor in Two Weeks Damages Homes, Traps Campers

By GEORGE RAMOS and KENNETH REICH, *Times Staff Writers*

BISHOP—An earthquake measuring 6.1 on the Richter scale hit the Eastern Sierra region at 7:42 a.m. Monday, knocking 53 mobile homes from their foundations in Chalfant Valley, shattering plate-glass windows in downtown Bishop and briefly trapping 300 campers at the Pleasant Valley Reservoir northwest of here.

Only two minor injuries were reported in California's fourth, and strongest, temblor in the past two weeks. Both injuries occurred in Chalfant Valley, a hamlet of 325 residents 11 miles north of Bishop.

A hillside gave way underneath the main access road into the Pleasant Valley campground seven miles outside Bishop, creating a 30-foot-deep hole and damaging a pickup truck without hurting its occupants. Later in the morning, after clearing away boulders, the authorities evacuated the campers by a secondary road.

Power Plants Knocked Out

Fissures, cracks and landslides were reported in other localities. A Sierra Club trail-construction party was briefly stranded by a rock slide that blocked an access road near Pine Lake, 20 miles west of Bishop.

The chief engineer for the Los Angeles Department of Water and Power in the Owens Valley, Duane Buchholz, said three of the agency's power plants, producing a total of 110 megawatts of electricity, were knocked out of service in the Owens River gorge between Bishop and Mammoth Lakes. There was no interruption of power in Los Angeles from the damage.

Seismologists said the quake was on the Owens Valley Fault and was followed by numerous aftershocks, including a 5.2 and a 5.1. The epicenter was 15 miles north of

Bishop, between the communities of Chalfant Valley and Hammil Valley, in the same vicinity rattled by a 5.5 temblor Sunday. There had been a number of quakes in the area since July 3, including three magnitude 3 quakes Friday.

Monday's quake was felt over most of California, and in Nevada and Utah as well. Reports of swaying buildings came from as far north as Chico, as far south as Los Angeles and as far east as Salt Lake City. The U.S. Geological Survey in Menlo Park said the quake was only about four miles below the earth's surface, which is why it was felt over such a widespread area.

Variety of Readings

Caltech measured the quake at 6.2 on the Richter scale, UC Berkeley at 6.1, and the National Earthquake Information Center in Golden, Colo., at 6.0. Such variances are not uncommon when earthquakes are measured from different points and distances.

Seismologists said the Chalfant Valley quake was apparently unrelated to a 5.9 temblor centered near Palm Springs on July 8 and a 5.3 quake off the coast near Oceanside on July 13. A 4.0 aftershock of the Oceanside quake was registered Monday morning hours after the quake near Bishop.

Altogether, this month has seen the most destructive seismic activity in the state since the May 2, 1983, earthquake that caused widespread damage in Coalinga in the San Joaquin Valley.

The Coalinga quake was a 6.7 magnitude temblor. Each increase of one number on the Richter scale represents a tenfold increase in ground motion.

Although there was no immediate estimate of total damage Mon-

Please see SIERRA, Page 3

SIERRA: 6.1 Quake Injures 2

Continued from Page 1

day, the worst destruction was in Chalfant Valley, where, in addition to the 53 mobile homes knocked off their foundations, at least two homes were reported destroyed and almost all of the 145 structures in the community were damaged to some degree. The town's water supply was disrupted when some pipes burst, and authorities warned residents not to drink the water until silt tests were made. With sewer lines broken, portable latrines were installed.

Victor Benchetler, a building supplier in Chalfant Valley, said he and his wife, Kathy, were asleep when "all of a sudden the whole house felt like it was going to fall down. . . . We ran into the baby's room and grabbed him. Pictures, everything, were falling off the wall. Two console TVs fell over. . . . A chandelier broke off. . . . I've been in rolling quakes, but this was more shaking side to side rather than rolling."

Two Injuries Reported

Mrs. Benchetler suffered a few minor cuts, and Dana Sensibaugh, operator of the Chalfant Valley Mercantile store, was struck by falling debris and slightly hurt. They were the only injuries reported in the quake.

Shirley Burnett said she had to claw her way out of her mobile home with a hammer after the walls collapsed and the structure fell two feet from its foundations, blocking both doors.

Burnett said she was cleaning up the damage in her home from the previous day's quake when the bigger one hit. She said her first thought was, "Oh my God, there's going to be another mess in my house." A moment later, her only thought was leaving. "At first, it was a kind of a slow rolling and suddenly it hit hard, and then I said to myself, 'Man, I just better get out of here.'"

Burnett's home appeared to be a total loss.

Becky Manross returned home from her job in Bishop to find a six-foot-deep hole where her previously level front yard had been. Her next-door neighbor, Nora Denmark, marveled that before the quake the door to her home was locked and dead-bolted, but during the quake "it swung right open." When Denmark and her husband looked around, they found that their mobile home had moved two feet from its original place.

Most of the merchandise fell from the shelves at the mercantile store. Among those arriving to help Sensibaugh restore order was the manager of a supermarket in Mammoth Lakes, who drove 55 miles to offer his assistance, and 16 boys from a Probation Department camp in neighboring Mono County.

In the afternoon, Chalfant Valley still had no electric power, no safe running water, no working sewers and the authorities had ordered the gas turned off. A sign in the fire station warned residents against drinking contaminated liquids.

In neighboring Hammil Valley, horse trainer Pat Bartlett said that his father-in-law was on the telephone from Pasadena inquiring about Sunday's quake when Monday's occurred. "What we didn't lose yesterday, we lost it today," Bartlett said. "The TV's hanging off the stand. A trailer outside was

knocked off its foundation. . . . The ranch right next door to us has serious cracks in the walls, inside and out."

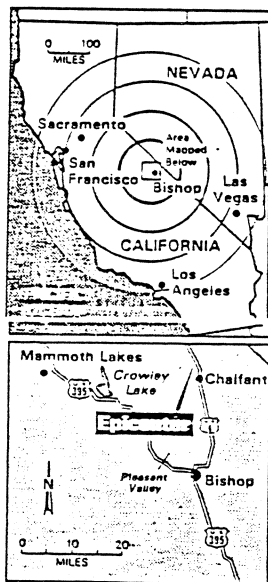
Bartlett said that in Sunday's tremor his 15 horses did not seem particularly bothered. "Today, they were all trying to get out of their pens. They were very excited."

In downtown Bishop, there was structural damage at the First Sierra Bank building, where part of the front brick facade fell onto the sidewalk, and at a Burger King restaurant, where part of the ceiling collapsed. Plate-glass windows were shattered at a number of businesses.

The manager of the Rexall drug store, Chuck Dugas, said a showcase was smashed at his store, and the manager of the Bank of America branch, Tom Ferrara, reported that ceiling panels fell and furniture in the lobby was overturned.

Power was knocked out for more than an hour in some parts of Bishop. The city, with a population of 3,550, is the largest urban center in the Eastern Sierra.

Summer is a time when thousands of campers and vacationers flock to the mountains around Bishop, and there were reports Monday that quite a few had been at least temporarily stranded by rock slides that blocked some of the roads into camping areas. The worst disruption, however, was at Pleasant Valley Reservoir, with 200 camp sites and recreational vehicle places. A 150-foot section of the access road dropped about 30 feet. At the time, there was a camper-pickup truck with six occupants entering the area. The camper, driven by Art Lucero of Canoga Park, fell into the hole and



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ordered temporarily closed after more fissures and increased hot spring activity was noted.

In downtown Los Angeles, 265 miles south of Bishop by road, tax lawyer Ernie Schmuder, at work early in his office on the 44th floor of the Bank of America Tower, felt the quake distinctly. "There was a little bit of a shake and the doors began swaying and there was a creaking of window frames," Schmuder said later. "It was enough for me to go find a door to stand in."

Monday's quake occurred about 25 miles southeast of the Mammoth Lakes area and the Long Valley Caldera, where authorities had given notice of possible volcanic activity after a spate of earthquakes in 1980.

But David Hill, in charge of the U.S. Geological Survey's monitoring of the seismic and volcanic situation in the area from a USGS outpost in Menlo Park, said the latest tremors apparently have nothing to do with volcanic activity.

"These earthquakes are located east of the Long Valley Caldera," Hill said. "They are probably associated with the fault system on the west side of the White Mountains (north and east of Bishop). So we suspect that these earthquakes are involved with that system. We have no evidence so far that they are associated with the Long Valley Caldera. . . . We're continuing to monitor that system very closely, but we haven't seen any significant earthquake activity within the caldera."

George Ramos reported from Bishop and Kenneth Reich from Los Angeles.

caught fire. Lucero and his party, all members of his family, were reported by sheriff's deputies to have escaped without injury.

Lucero was quoted by others as saying, "The road rose up about 10 feet in front of us, and then the whole road collapsed and we went down with it."

One lane of U.S. 395 was briefly blocked by a rock slide on the Sherwin Grade leading to Mammoth Lakes northwest of Bishop.

No appreciable damage was reported at Mammoth Lakes, but the nearby Hot Creek bathing area was

Earthquake braces; a very shakey issue

By Katheryn Fenick
Courier Staff

SACRAMENTO — The State should get on the ball and approve an earthquake bracing system for mobile homes before the damage is done, says mobile home advocate Marie Malone.

In a short notice sent to mobile home parks and earthquake bracing system manufacturers, the State Department of Housing and Community Development (HCD) said they have not yet certified any earthquake resistant bracing system.

"It's up to the state to protect the health and safety of the citizens. If one system hasn't been approved, they better get on the ball and do something about it," said Malone, president of the Golden State Mobilhome Owners League (GSMOL).

Although more than six different systems have requested certification by HCD, all have been rejected due to "insufficient testing, the need for additional engineering and/or the manufacturer failed to have the bracing system properly listed prior to submitting their application to the department."

There are 25 regulations the manufacturer must abide by before certification is given. According to Julie Stewart of HCD, no manufacturer has followed each of these regulations, but some are being tested now.

Even after the notices were given three months ago, Stewart is amazed that so few manufacturers of bracing systems have applied for certification.

The notice also states that under the California Administrative Code, it is illegal for any person, firm or corporation to sell or install bracing

systems within the State.

"It's absolutely unfair to make a blanket statement saying it's illegal to install braces, when they are not rushing to get any system certified," Malone said. "(HCD) is in Sacramento. The earth doesn't shake up there. They should not ignore what's going on down here."

Although selling bracing systems may be against the law, manufacturers go on the precept that the systems are tolerated and that they won't be caught, said Art Angelo of American Seismology. Malone said there has been some concern about the resale of a mobile home once the braces are installed, howev-

er. "It is not illegal to buy the braces, it's just illegal to sell them," she said. "A person will not be penalized if braces are on their homes when trying to sell."

According to Stewart, three bracing systems are being considered now, and if approval is given, notice will be sent to manufacturers and mobile home parks in the next three or four weeks.

"It's very important for mobile home residents to know that the law does not specify that bracing systems eliminate damage," Stewart said. "They only limit the damage."

City may have word on bracing systems

By Katheryn Fenick
Courier Staff

OCEANSIDE — Mobile home residents here may soon be receiving the city's assistance with earthquake bracing systems for their homes.

In a letter to the city manager, former city councilwoman Melba Bishop noted that structural engineers at the city could offer some information on the standards to be met for earthquake bracing systems.

"Residents are concerned because they are being bombarded by so many companies offering earthquake bracing systems," Bishop stated. "I felt the city could give advice on the matter."

In response to her letter, city manager Suzanne Faucault thought the suggestion was good. The building division of community development is to report back to Faucault by Nov. 15 to assure the feasibility of the request, Bishop said.

Bracing systems can run anywhere from \$100 to \$5,000, said Bishop. Many mobile home residents are in question as to how far they should go to protect their homes from a major earthquake.

Bishop, after receiving numerous calls on this matter, believes the city should have jurisdiction over earthquake braces since it deals with the health and safety of many citizens here.

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