

CALIFORNIA LEGISLATURE
SENATE SELECT COMMITTEE
ON
MOBILEHOMES

Transcript of Hearing on
**GOVERNMENTAL APPROVAL OF
RESIDENT MOBILEHOME PARK
BUYOUTS**

STATE CAPITOL
SACRAMENTO, CALIFORNIA
FEBRUARY 9, 1988

CHAIRMAN: SENATOR WILLIAM A. CRAVEN

MEMBERS: SENATOR RALPH C. DILLS
SENATOR JOHN DOOLITTLE
SENATOR DAN McCORQUODALE
SENATOR HENRY MELLO
SENATOR ROBERT PRESLEY

Additional copies of this publication may be purchased for \$6.00 per copy from:

Joint Publications
State Capitol, Box 942849
Sacramento, CA 94249-0001

Please add 6 percent sales tax. Make checks payable to STATE OF CALIFORNIA.

WILLIAM A. CRAVEN
CHAIRMAN
RALPH C. DILLS
JOHN DOOLITTLE
DAN MCCORQUODALE
HENRY MELLO
ROBERT PRESLEY

California Legislature

COMMITTEE ADDRESS
1100 J STREET
ROOM 511
SACRAMENTO, CA 95814
(916) 324-4282
COMMITTEE CONSULTANT
JOHN G. TENNYSON

Senate Select Committee on Mobilehomes

SENATOR WILLIAM A. CRAVEN
CHAIRMAN

TRANSCRIPT OF HEARING

ON

GOVERNMENTAL APPROVAL

OF RESIDENT MOBILEHOME PARK BUYOUTS

February 9, 1988

STATE CAPITOL

Sacramento, California



SECTION I

TABLE OF CONTENTS

	<u>Page</u>
SECTION I TABLE OF CONTENTS	1
SECTION II LIST OF WITNESSES	2
SECTION III BACKGROUND PAPER	4
SECTION IV TRANSCRIPT OF TESTIMONY	10
SECTION V PROPOSED LEGISLATION	76
SECTION VI APPENDIX	91
Selected Correspondence	

SECTION II

LIST OF WITNESSES

	<u>Pages</u>
SENATOR WILLIAM A. CRAVEN, Greeting and Opening	11 - 16
Marie Malone, President Golden State Mobilehome Owners League 11021 Magnolia Boulevard, Box 876 Garden Grove, California 92642 714/826-4071	16 - 19 25 - 27 72
Adele Raymond 3057 South Higuera #81 San Luis Obispo, California 93401 805/544-7633	29 - 31 33 - 35
Mike Mantel Bank of America 295 E Street Chula Vista, California 92610 619/230-5924	36 - 43
Arthur Reinhart 23 Valencia Court Fairfield, California 94533 707-425-0120	43 - 47
Elizabeth Vogel Santa Cruz Community Housing Corporation 105 Cooper Street, Suite 219 Santa Cruz, California 95060 408/423-1318	47 - 49 50 - 53 64, 68
Arnie Fischman Santa Cruz Community Housing Corporation 105 Cooper Street, Suite 219 Santa Cruz, California 95060 408/423-1318	48, 50 53 - 60 65, 68
Evelyn Linnertz Bank of America 151 Van Houten El Cajon, California 92020 619/441-3402	68 - 72
Maurice Priest Golden State Mobilehome Owners League 1112 I Street Sacramento, California 95814 916/446-1156	73 - 75

Witnesses, Continued
2/9/88 Hearing

Departmental Representatives

Department of Corporations

William Kenefick
Assistant Commissioner
1025 P Street, Room 205
Sacramento, California 95814
916/322-3633

Department of Housing and Community Development

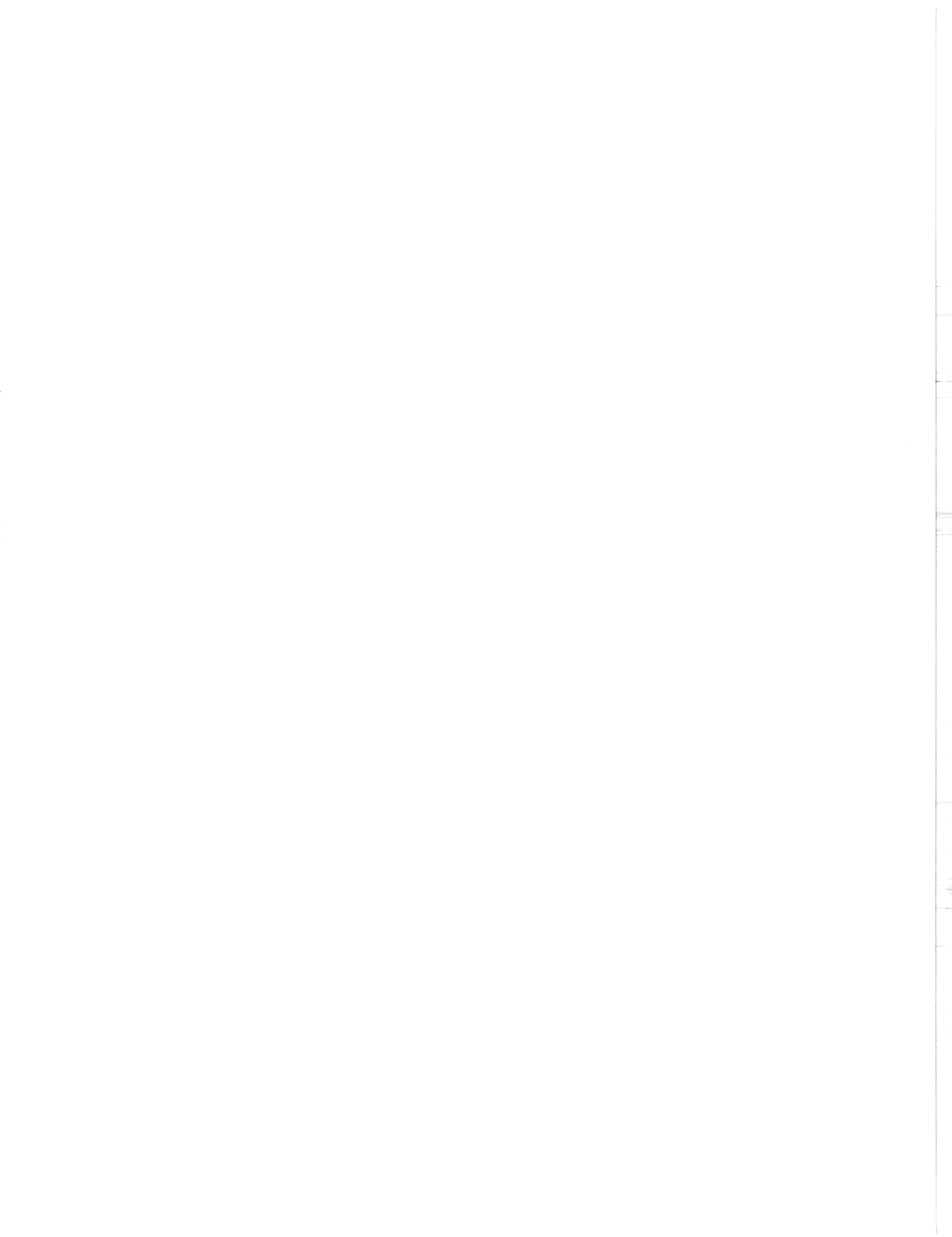
Al Blum, Program Manager 21 - 25
Mobilehome Park Assistance Program 27 - 28
921 Tenth Street, Room 501
Sacramento, California 95814
916/324-6321

Department of Housing and Community Development

Dan Pennington 20 - 21
Chief, Division of Community Affairs 28
921 Tenth Street, Room 401 64 - 67
Sacramento, California 95814
916/322-1560

Department of Real Estate

Martin Dingman 31 - 35
Box 187000 61 - 63
Sacramento, California 95818-7000 66
916/739-3580 69 - 70



SECTION III

BACKGROUND PAPER

WILLIAM A. CRAVEN
CHAIRMAN
RALPH C. DILLS
JOHN DOOLITTLE
DAN MCCORQUODALE
HENRY MELLO
ROBERT PRESLEY

California Legislature

COMMITTEE ADDRESS
1100 J STREET
ROOM 511
SACRAMENTO, CA 95814
(916) 324-4282
COMMITTEE CONSULTANT
JOHN G. TENNYSON



Senate Select Committee on Mobilehomes

SENATOR WILLIAM A. CRAVEN
CHAIRMAN

BACKGROUND PAPER

February 9, 1988 Hearing

GOVERNMENTAL APPROVAL OF RESIDENT MOBILEHOME PARK BUYOUTS

State Capitol, Room 2040, 10:00 a.m.

Introduction

The vast majority of some 4,000 mobilehome parks in California are rental parks, where the landowner rents the spaces in the park to mobilehome owners on which to locate their mobilehomes on a month-to-month rental or lease basis.

In the last several years, however, there has been a growing interest on the part of park residents in buying out the park owner when the park is put up for sale. This is prompted by the fact that many residents want more control over rents and policies of the park, as well as to help stabilize the value of their mobilehomes, which usually increase upon resident purchase of the park.

When a park is sold to a new landlord, often the new owner, to cover mortgage and other costs, will increase the rents substantially. Alternatively, the new owner may be a developer who wants to close the park and convert it to some other land use, thus displacing the residents. Hence, by purchasing the park themselves and operating it as a condo, co-op or nonprofit mutual benefit corporation, among other forms of ownership, the residents believe they can avoid some of these problems.

In the last few years, there has been an increase in the popularity of converting parks to resident ownership. More than 50 mobilehome parks have been converted in California, and the committee has been informed that another 75 to 100 parks are either pending conversion or are likely to convert in the next few years.

The conversion of a mobilehome park to resident ownership is not without difficulty. There are a number of problems: 1) getting the park owner to sell to the residents; 2) obtaining a sufficient majority of residents to participate in order to make the plan work; 3) obtaining funding on an interim - as well as long term - basis for the conversion of the park; and 4) obtaining approval by various governmental agencies at both the local and state levels.

Types of Ownership

Most commonly there are three state agencies involved in the conversion of rental mobilehome parks to resident ownership. Often it depends on the form of ownership which residents wish to create or whether they will be obtaining public funding, specifically state funding, for the conversion project.

The most common form of conversion is the common interest subdivision or condominium form of ownership. Individual park residents together own an undivided membership interest in the park's common area and land but own individual interests or air space with a separate deed on the space on which their mobilehome is located.

A stock cooperative is a type of subdivision where a corporation is formed to hold title to the real property with the shareholders as residents receiving shares or individual interests in the park and giving them the exclusive right to occupy the space on which their mobilehome is located.

Another form of park ownership is the nonprofit mutual benefit corporation. Such a corporation offers membership shares to participating residents representing an undivided interest in the park. Members usually hold one share each with the exclusive right to use the space on which their mobilehome is located. Mutual benefit corporations may be established both as an interim device, to take title to the park from the owner and then later subdivide after the purchase of the park has already been accomplished, or as a permanent mechanism for the operation of the park.

State Agencies Overseeing Park Conversions

1) Department of Real Estate

The Department of Real Estate (DRE) is the state agency responsible for enforcing the Subdivided Lands Act. The DRE is the primary watchdog agency in subdivided land projects involving the division of land into more than five parcels. The Subdivision Public Report is the primary regulatory mechanism utilized by DRE, requiring subdividers, including residents of

mobilehome parks, to file notice of intention to obtain a Public Report on the subdivision. The department examines the project to assure disclosure of material facts about the subdivision to buyers and provide for adherence to statutory and regulatory standards for creating, operating, financing and documenting the project. The idea is to ensure that the project is legitimate and that the buyers' interests are protected.

2) Department of Corporations

By virtue of legislation passed in 1986 (A.B. 256 - Frazee), however, the Public Report requirements are not applicable to the purchase of a mobilehome park by a nonprofit corporation where: 1) the majority of shareholders or members constitute a majority of the tenants of the mobilehome park and a majority of the board of directors of the corporation are tenants of the park; 2) the corporation does not represent that any shareholder will receive a separate subdivided interest in a portion of the park as a result of the purchase; 3) the corporation does not sell, lease or otherwise transfer any separate, subdivided interests without first obtaining a Public Report from DRE; and 4) all tenant funds for the purchase of the park are deposited in escrow until title transferring the park to the nonprofit corporation is recorded.

In these cases nonprofit corporations are subject to the requirements of the Corporations Code and a permit from the Commissioner of Corporations is a necessary prerequisite to the issuance of memberships in a nonprofit corporation. The Department of Corporations does not assume jurisdiction over nonprofit mutual benefit corporations which subdivide the park. As aforementioned, jurisdiction in those cases belongs to DRE.

In general, the processing requirements for a subdivision, condominium or cooperative under the Subdivided Lands Act is more lengthy than that required under the Department of Corporations for a nonprofit mutual benefit corporation.

3) Department of Housing and Community Development

The role of the Department of Housing and Community Development (HCD) comes about as a result of legislation, S.B. 2240 (Seymour) of 1984, which created the Mobilehome Park Assistance Program (MPAP), authorizing the department to make loans to low-income residents of mobilehome parks in order to purchase a space or interest in their park. MPAP began making loans in early 1986, but MPAP funds usually represent only a portion of funding for any one park, which are often combined with loans from private sources and local government in order to make a total package viable. In fact, the department is limited by statute to loaning no more than 50% of the acquisition cost of individual interests in such parks or 50% of the conversion cost attributable to low-income spaces in the case of loans made to resident

organizations. The department has not loaned more than \$1 million to any one park; however, there have been some 15 park conversions partially funded through MPAP to date with several additional park conversions now in process.

Originally, the Mobilehome Park Assistance Program was scheduled to sunset on January 1, 1989; however, legislation, S.B. 98 (Craven) of 1987, extended the sunset date by one year to January 1, 1990. Although the program remains popular with mobilehome residents, only limited funding is available from one-time appropriations made by the Legislature and a temporary \$5 increase in license fees on mobilehomes per unit for three years, sunsetting on January 1, 1989. Because HCD must often coordinate financial subsidy programs for residents in order to make a full package available under a project for which they are providing money, approval times for applications can often be lengthy and complicated. Additionally, due to the limited funding available through the MPAP program, residents who have already started the conversion process cannot be assured that their applications for MPAP funding will be approved or that funding will continue to be available under the program.

4) Coastal Commission

Under the California Coastal Act, a coastal development permit may be required for the conversion of a mobilehome park within the coastal zone to a condominium, cooperative or other resident ownership. Where a Local Coastal Plan (LCP) has been approved, local government issues the development permit pending fulfillment of conditions and requirements imposed by the local agency on the park conversion. If there is no LCP or an appeal is filed to the commission, the Coastal Commission reviews the project. Although few cases of mobilehome parks converted to resident ownership have been taken before the commission to date, at least one case has been brought to the attention of this committee where the commission's inability to consider the project concurrently with the local agency has resulted in additional problems and costs for park residents.

Purpose of Hearing

The complaints received by the Senate Select Committee on Mobilehomes have come from the Golden State Mobilehome Owners League, various private conversion consultants, attorneys, and individual mobilehome owners. In general, the complaints involve the lengthy time period involved with the processing of public reports or loan applications and the detrimental effect this has on extending escrows or making it more costly for residents to purchase their parks.

The purpose of the hearing is for individuals and representatives of organizations registering complaints to make a specific case for their concerns and for representatives of the Departments of Housing, Real Estate, Corporations and the Coastal Commission, where applicable, to respond.

The Committee will then consider making recommendations for possible legislative action on legitimate problems left unresolved.

#

SECTION IV

TRANSCRIPT

OF

TESTIMONY

GOVERNMENTAL APPROVAL OF RESIDENT MOBILEHOME PARK BUYOUTS
HEARING TRANSCRIPT
10:00 a.m., FEBRUARY 9, 1988
State Capitol

SENATOR CRAVEN: Good morning, ladies and gentlemen. Thank you very much for coming to this meeting of the Senate Select Committee on Mobilehomes.

We are favored this morning by the presence of one of the Senate's most distinguished Senators, the Senator representing the Gardena area for many, many years in Southern California, who's been a leader in this house - and in both houses, as a matter of fact - over a period of years. And I am delighted to welcome my colleague, Senator Ralph Dills . . . Ralph. And to my left, Marsha Conkey, who is the secretary of this committee. And to my right, John Tennyson, who is the Consultant for the Mobilehome Committee.

I appreciate your attendance here today at another session of the Senate Select Committee on Mobilehomes. This marks the 17th hearing of this select committee on a variety of mobilehome and related issues - held since the committee's beginnings in 1983.

If you have not done so, let me suggest that you pick up a copy of the background paper and the agenda for the hearing which is up here in front.

For several months the committee has been asked to hold hearings concerning problems with state and local bureaucracies which impede the progress of the conversion of rental mobilehome parks to resident ownership. To date, most of these complaints have been of a general nature.

There have been other complaints in past years which the Legislature has addressed.

Concerns about funding of the Mobilehome Park Assistance Program were dealt with by legislation authorizing a temporary \$5 increase in mobilehome license fees. Legislation is currently pending to provide another \$3 million to the program from the General Fund to assure loan money continues to be made available and applications processed through the 1989 year without a winding-down of the program that is otherwise anticipated.

We have passed clarifying bills to provide that local tax assessors must abide by provisions of law exempting first-time resident park conversions from Proposition 13 reappraisal. We passed a bill a few years ago to clarify that nonprofit mutual benefit corporations composed of residents who buy their rental park - and otherwise do not subdivide - are exempt from the Subdivided Land Act requirements under the Department of Real Estate.

But despite the aforementioned changes, I understand that as the number of mobilehome park conversions increase - along with

the popularity of the concept - that even more problems have come to light.

We are here today to hear from you about some of the specifics - about your particular concerns and problems with the agencies which regulate or oversee park conversions.

We hope to concentrate primarily on state agencies today. However, there are problems with local governments as well, but they are so diverse that often they must be dealt with on a case by case basis, and perhaps a future hearing can be devoted to local governmental issues alone.

Before we get into the testimony, however, I'd like to inject a few thoughts of my own.

It seems to me that a good deal of the problems we seem to be hearing about have a familiar ring, that is, "it takes too long for agencies to process the paperwork on conversions - which in turn makes it more difficult to get the park owners to sell the parks to the residents - and more expensive or difficult for the residents to buy the parks in the first place."

I think we need to realize that processing loans or approving projects with a view toward protecting the buyer or consumer interest is a legitimate function of many of these agencies. Sometimes the projects in question can be complicated.

On the other hand, what we're talking about is not changing the use of the land, not evicting the residents and erecting high

rises or shopping centers, or not creating a new development in order to line the pockets of some building developer or contractor.

What we are simply talking about here is trying to preserve a lifestyle - giving the residents of a mobilehome park the chance to retain a simpler, less costly form of housing than would be the case if they are otherwise some day displaced.

We are trying to preserve low cost housing for lower and moderate income people - for senior citizens. And we are trying to make them part of the system - if you will - to make them first-time real property owners - in many cases.

What are the alternatives? Will the park be sold to another landlord who will raise the rents and create economic eviction for some of them? Will the park be sold to a developer who will close it down in order to build luxury condominiums and evict the residents? Will the mobilehomes become worthless when displaced from the park with no other place to put them? Will the residents virtually lose any equity they have in their mobile-homes - overnight - when the park closes down?

I believe that the social and economic problems caused by these alternatives make it imperative that we do everything possible to help mobilehome owners buy their own parks - and see that the concept of converting to resident ownership not only becomes a reality - but prospers and expands in the future.

The Legislature has gone on record in support of resident-owned mobilehome parks. We think - considering the alternatives - and for some of the reasons I have already mentioned - that it is a good public policy! We want to protect the buyer - the residents - and we want to expand the loan programs available.

But we do not need to throw up roadblocks and interject more red tape for residents to overcome before they can be permitted to control their own destiny.

We want to streamline the process if possible - to "fast track" - to use a coined term, which is very, very popular today - the approval process wherever possible to better enable residents to buy their own parks - which is, of course, our ultimate objective.

With the general comments that I've made, we want to hear from you, now. We have about ten witnesses and these are persons who are from parks as well as representatives of various agencies. We're going to run this perhaps a little more informally than we normally do, but let's begin with the normal situation of having the first person come up and testify.

When you come up, I think it's very important that you state your name and your address and your affiliation if you have one. This is being recorded which will be transcribed, and it becomes a part of the record, so it's important that we get that information at the outset.

Before I call that first witness, I want to introduce another very valued, dear colleague of mine, Senator Henry Mello, who comes from Monterey, who is one of the leaders in the Democratic Caucus in the Senate and has been for some years. I had the good fortune of serving with him in the Assembly many years ago, and he is a gentleman who has pursued his interests in mobilehome parks and the people who reside in them over a period of years and has been unrelenting in his quest to improve their plight. So, it's a pleasure to have Senator Henry Mello with us today . . . Henry.

First witness is Marie Malone. I didn't see Marie out here. Oh, there she is. Marie Malone is the president of GSMOL. And I last had the pleasure of being with her in San Jose a couple of weeks ago. Good to see you, Marie.

MS. MARIE MALONE: Thank you. Senator Craven, Chairman, Senator Dills, Senator Mello. Thank you for holding the meeting this morning. And I would like to, I would like to correct one thing. I think in the beginning it was a fault that came about, about eight years ago when we termed this the conversion of mobilehome parks. I think it was a great error on our part, and we should have called it what it really is, the resident purchase of parks. Using the term, "conversion", threw us into a background of already existing law that has created great problems for those residents trying to purchase parks.

For example, one of the problems that we are facing is the mental approach in government that we are changing the use of these parks, and we are not. We are the same as any corporation coming in to buy. The only thing that we are doing is, because we are nonprofit, we are freezing our housing costs.

But due to this philosophy, we run into such things, and I'll speak now specifically to Housing Community Development, and the assistance from that agency to help the low-income resident be able to participate in the purchase. As you are very much aware, the mobilehome residents throughout the state of California asked for an increase in their taxes with the understanding that that increase would be set aside specifically to help our low income receive funds so that they would stay in the park and that we would not evict anyone economically from these resident-purchased parks.

We have run into people apparently unfamiliar with the background of how this program came about, and we have - in one instance that has been brought to my attention in the last few weeks, to assist 31 widows in a park with low-income funds - cost the consultant over \$42,000 in legal funds just to work out the kinks in this with the Housing Community Development. It seems that basically, and I'm not condemning the people in HCD, it seems what we are lacking is a clear, defined policy that must be followed.

For example, one of the reasons for the high cost was that the beginning two-thirds of the people in the park must support the purchase of the park, or it will not be approved for any low-income assistance. This was all done; everything is fine. Come closing time to the issuance of the application, the rule comes in that they must be identically the same two-thirds at that time as they were in the beginning.

It's almost humanly impossible to do this for this reason: People in a mobilehome park, even though they're not going to buy, will support the purchase because it enhances their ability to sell their homes. It takes away the insecurity of the future, and they can sell. And it may be such a thing that, say they are from Illinois, and son and daughter want them to come back home. They could have had their home up for two years for sale, and it didn't sell because of the high rents. But upon a resident purchase, they will sell, because the market is there.

Now, in addition to that, with the word "conversion", we have legislation, laws, now, in the State of California that cover true conversion of parks. And there are certain requirements that must be met if a park is going to be closed, as you all know, and the homes are going to be moved out. What is now happening is that they are requiring a reserve fund to be set aside in the amount of \$6,000 for each renter in the park. This is to protect them in case they are economically evicted. What this

really does is raise the cost to each one of the individuals that are purchasing, initially, and eventually raise the rental cost to those people who are renting, because someone must pay off this loan, and the nonprofit corporation cannot take on that additional burden.

Now, I do not find any place in the law that this is required, and even under the true conversion law in the state of California, there is no provision for a park owner, who is going to close his park, that he must set aside \$6,000 or any other specified amount. It is upon the Impact Study, where this is determined, and it is called, I believe, "reasonable" relocation. This has created a very, very big hardship in some of the areas where the people are really struggling to raise the money to purchase their park.

Overall, the program is moving forward at a slow, but steady pace, which we expected and which we're grateful for because we feel that within the next two years, the explosion in resident-purchased parks may come. But if there are so many roadblocks in our way, then what is going to happen is that the people are not going to be able to afford to do it. And I think that we defeat our own purpose - our own goal.

Thank you very much.

SENATOR CRAVEN: Thank you, Marie.

Now, if you will stay there for a bit, I'm going to ask two gentlemen from H.C.D.--Al Blum, who is Program Manager for the Assistance Program, and Dan Pennington, Chief of the Division of Community Affairs--come up and join you here, and perhaps they can shed a little light on some of the comments which you've made, all of which were most cogent.

Before we begin, I want to take just a moment to introduce another colleague, Senator Bob Presley, who represents Riverside County, a gentlemen who has a considerable number of mobilehomes within his district, which is quite vast. He is the Chairman of the Appropriations Committee in the Senate, and he is also the gentlemen who is perhaps responsible for most of the law and order as well as prison legislation, providing more facilities to incarcerate people and to crack down and tighten up laws. He comes from a law background, having served in the Sheriff's Department in the County of Riverside. So it's a delight to have him with us. Bob, welcome.

Yes, sir. Either one of you, just take a seat and join us.

MR. DAN PENNINGTON: Good morning, I'm Dan Pennington. I'm the Chief of the Division.

SENATOR CRAVEN: Can you hear back there?

VOICE FROM AUDIENCE: No.

SENATOR CRAVEN: Oh, well, put it a little closer to you, Dan.

MR. PENNINGTON: Can you hear me, now?

SENATOR CRAVEN: Is that a little better? You could, Dan, you can take that thing out and hold it if you wish.

MR. PENNINGTON: I'm Dan Pennington. I'm the Chief of the Division of Community Affairs for the Department of Housing and Community Development, and while we didn't prepare a formal, written statement for this, this morning--understanding that it was more of an informal hearing--I would like to say that we did meet with Marie yesterday, and we concur with a lot of her concerns and feel that we need to review some of our procedures and requirements. And particularly, we're interested and looked at the two-thirds resident requirement.

It was this year we had it come into play and become an issue for the first time and feel that there was some misunderstanding, not only on the part of park residents and the consultants, but perhaps even within our own department, where the two-thirds requirement actually applies to two-thirds of the residents of the park at the time of application and that when it goes into escrow, there still needs to be two-thirds of the original park residents, but it does not necessarily have to be - as long as there are two-thirds of the same people there, and not necessarily the same two-thirds that you started out with. It, it's confusing, and I need to redefine it so that it is much more understandable.

SENATOR CRAVEN: Yes, I think I understand what you say. In other words, you must presume - let's presume - that some of the people, for one reason or other, leave. They expire, they move, one thing or another. But they are replaced in kind by someone else, who then must carry the same philosophic attitude as being one of the two-thirds. So the fact that that has been transferred from me to you is irrelevant, as long as the number is there, is that correct?

MR. AL BLUM: As long as the person replacing the person who said that he was supporting the purchase in the first place and decided not to buy was also a resident of the park at the time the application was submitted for the assistance. So, we can't replace with someone was not in residency prior to applying, but you can replace....

SENATOR CRAVEN: Oh, so then you have to....

MR BLUM: Could I explain it a little, maybe it will be a little clearer?

SENATOR CRAVEN: Sure.

MR. BLUM: We've got a red third, a yellow third and a green third. Okay, the red third and the yellow third said that they'll support the purchase of the park. They didn't commit to buy, but they'll support the purchase. Okay, escrow's closed. Okay, we want to see two-thirds of the red third and the yellow third and the green third--any mix, now okay--support the

purchase. So, the green third, that didn't say that they'd support the purchase still can be considered in the two-thirds at the time the escrow closes.

SENATOR CRAVEN: I see, but that would require presumably some degree of proselyting to pick up that vote.

MR. BLUM: I don't understand what you mean by proselyting, sir.

SENATOR CRAVEN: Well, proselyting to me means to go out to entreat somebody to do something.

MR. BLUM: Oh, well, you know.

SENATOR CRAVEN: So, in other words, I'm one of the green.

MR. BLUM: Yes.

SENATOR CRAVEN: And I took a fearlessly noncommittal stance.

MR. BLUM: Certainly.

SENATOR CRAVEN: I didn't say anything. And we have people who do that, here, quite frequently. That's not particularly unusual

MR. BLUM: No.

SENATOR CRAVEN: Nor is it necessarily frowned upon. But in this instance, I am then, I become a little more important to the whole concept because the red and the yellows have to convince me to join with them, since I am one of the original residents - resident of record at the time of application - and therefore, I am an eligible person, and hopefully they can bring me onto their

side to replace that vote or votes that they may have lost. Is that correct?

MR. BLUM: That was the interpretation.

SENATOR CRAVEN: So, in other words, what I said initially would not have been correct at all. Because you have to be a resident of record at the time of application.

MR. BLUM: Right.

SENATOR CRAVEN: And no new resident can come in and fulfill the obligation vested in the original resident.

MR. BLUM: Nothing is assumable under the program.

SENATOR CRAVEN: I understand. Good, Al. Thank you. John has a question. Mr. Tennyson.

MR. JOHN TENNYSON: May I ask why not? It doesn't seem to me logical that someone who is otherwise low income or otherwise qualified under the program in terms of their financial status couldn't otherwise assume that role. Their risk factor wouldn't be any different, assuming they were financially qualified under your program.

MR. BLUM: I assume your question is rhetorical. We're limited by statute to assist those low-income households in residency at the time of the application. Okay, our statute requires that they be the only ones assisted through the program.

SENATOR CRAVEN: Okay.

MR. BLUM: If we're looking at a creative change, then the assumability of the blending, as long as the households are not displaced that are originally in residency, could be considered.

SENATOR CRAVEN: Well, Al, let me ask you a question. Are we in this instance trapped by our own writing?

MR. BLUM: Yes, we are.

SENATOR CRAVEN: Okay. So, in other words, that's something that should be laid at the doorstep of the Legislature. We're the ones who created the problem, perhaps inadvertently.

MR. BLUM: Yes, we....

SENATOR CRAVEN: All problems that we create are inadvertent. We never intend to create them.

MR. BLUM: Well, we're trying. Well, no, well, the problem was created inadvertently, but I don't think there was a way around creating that problem, in that you didn't, you are trying to mitigate the displacement of low-income households at the time of conversion.

SENATOR CRAVEN: Yes.

MR. BLUM: Okay, and therefore, you're limiting your assistance to those households to mitigate that displacement. Now, if you allow the replacement of those original residents at any time during the conversion process, then you are creating the displacement that you are trying to mitigate.

MS. MALONE: Sir, could I...

SENATOR CRAVEN: Marie.

MS. MALONE: I think we've gone off the track, we have...

SENATOR CRAVEN: Okay.

MS. MALONE: What the question is this: We come in for a park. There's two-thirds supported, whether they're buying or not is irrelevant. All right. All their names are listed; it comes in. They have nothing to do with the low-income requests or applications. Those who later decide or are eligible for it may not even be in that original two-thirds but are eligible for low-income if they meet the criteria. We're not blanket-loaning the park or anything, we're doing it by an individual low income to individual members of that park.

Now, in this particular case, 31 widows - when those two moved in as married, their income was up here where they could afford it; the escalation of the rents and that and the expiration of a spouse, who in many instances cuts the income almost in half - placed them in a position where they were unable to raise the funds to buy. They matched what they were required. Okay, they came in for individual loans. Those individual loans were granted, except the money was held because the same number of the two-thirds, whose name was listed on the original, many of them had departed the park. They had sold their homes; they had less than two-thirds.

This particular park gave to those who could not afford to buy or did not desire to buy something that has never happened in a park. They gave them a lifetime lease. This has never happened before. The lifetime leases under DRE would be the same as purchase. It was not under HCD. Therefore, you didn't have the same original two-thirds. And this is where the complexity entered. It was not a loan to the park. It was individual loans.

Our position is that on individual loans, this should not apply.

MR. TENNYSON: And you're not displacing anybody because they've sold voluntarily or whatever.

MS. MALONE: That's correct.

SENATOR CRAVEN: Would you agree, now?

MR. BLUM: Right, I believe I know the problem that we're addressing right here, and it was a little more complex than that. The lifetime leases originally were recognized when the project was approved. And both the local government contract and the project contractor negotiated into the contract a condition that the long-time lease holders be given recognition as homeowners in the homeowner association. And that was acceptable to the department.

However, after the contract was contracted, of course, the homeowner association took umbrage with that condition.

SENATOR CRAVEN: Yes.

MR. BLUM: Rightfully so. But the two-thirds requirement had to be met, anyway. And it was met by the project with households who were in residency, and not the original supporting--but some of the original--a mixture. And the lending did go forward.

SENATOR CRAVEN: Very good.

Yes; John mentions this \$6,000 reserve situation.

SENATOR RALPH DILLS: Before we leave that...

MR. BLUM: In addressing...

SENATOR CRAVEN: Senator Dills.

MR. BLUM: Yes, sir.

SENATOR DILLS: Before we leave this two-thirds requirement and the various colors that you talk about, is there specific legislation required in order to meet that hiatus or the difficulty that we're facing? And if so, does Mr. Pennington or any of the rest of you have a suggestion as to how we can reach it?

MR. PENNINGTON: Well, it would require a change in the statute. But I don't think I'd want to say exactly what to do right now, but we'd certainly be willing to sit down and talk with the staff and work out something that would be acceptable. But it would require a change in the statute.

SENATOR DILLS: Thank you.

MR. PENNINGTON: Okay.

SENATOR CRAVEN: Marie?

MS. MALONE: Fine.

SENATOR CRAVEN: Thank you, Marie, very, very much. Thank you, gentlemen.

Why don't you just sit up here in the front row because I have a feeling you may be back in front again.

Thank you both.

Next, is Sue Loftin, representing Continental Associates of San Diego. Sue? Sue is not here.

All right. Adele Raymond from San Luis Obispo. Come up here, dear, if you will and sit down there and tell us your name all over, again.

MS. ADELE RAYMOND: I am Adele Raymond, and I live in Chumash Village Mobilehome Park. At our expense, they told us that we would have to subsidize these people...

SENATOR CRAVEN: Adele, do you live in the county or a city?

MS. RAYMOND: In the city.

SENATOR CRAVEN: Okay.

MS. RAYMOND: HCD has been very good to us. I think we have no problems with them as far as we were told how many people applied for that, and that the money was there and available. But our big problem has been with the white paper--that's the Real Estate Department.

SENATOR CRAVEN: Yes.

MS. RAYMOND: They originally told us that we needed 51 percent to buy before we could give out the escrows to the people. Then in the middle of the thing, why, they've come up with 60 percent that are needed of the people to buy. In the meantime, this has caused dissention in the park instead of going up, the numbers have come down for people who are wanting to buy.

This has been some of the problem. We need 141 people to close according to their 60 percent, and we have 117 out of 235 spaces.

SENATOR CRAVEN: Yes.

MS. RAYMOND: This has doubled our conversion cost, and we are paying a gap loan now for ten months at \$70 a month, and each month it just creates more of a problem. People are just having trouble coming up with this money and are not paying it. So we are not able to pay the gap loan like we should.

SENATOR CRAVEN: I see. Well, now since you've mentioned something in the DRE and we have a representative, is Mr. Dingman here? Yes, would you come up, sir, please? Hopefully you heard Ms. Raymond's comments.

MR. TENNYSON: How many months has this been in process?

MS. RAYMOND: How long has this been in process? Well, we started to buy the park in October, 1985, and we have hired Continental Associates as our consultants. And then at the, in the year of 1987, at the end of that year, our park owner wanted to

be sure and sell the park, and we were not able to buy it, so a holding company, Continental is the holding company, bought the park. And then in April, it, we bought the park.

MR. TENNYSON: April of '87?

MS. RAYMOND: April of, yes, April the 13th of 1987 is when we owned the park as homeowners in the park.

MR. TENNYSON: And it's been before the DRE since that time?

MS. RAYMOND: Yes.

SENATOR CRAVEN: Mr. Dingman?

MR. MARTIN DINGMAN: Yes. Mr. Chairman, members of the committee. Martin Dingman, representing the Department of Real Estate. What this lady has reference to is a regulation in DRE's administrative code that deals with the subdivider, ordinarily the subdivider having sufficient funds to maintain and operate the park. The regulation says in effect that you must impound until 80 percent of the units have been sold, so that we would realize enough assessments to maintain and operate after the closing takes place.

Insofar as Chumash Village goes, I do not have the filing date that was made with us. However, we did make substantive concessions concerning this regulation with Continental Associates who we termed the single responsible party. They're the employee of the park residents who process the applications.

In the case of Chumash, the original percentage of closing was 60 percent. Our regulation says 80 percent. It's still 60 percent, but we made further concessions that would allow a closing over a period of time. If I'm not mistaken, this, the escrow instructions were worked out in the month of December concerning Chumash Village, and closing should take place momentarily.

But keep in mind that it was not since April of '85 or 1985 that this filing has been with DRE. They, the filing is a condominium project. It took local approvals as far as getting a use permit to be accomplished, and thereafter, the filing was made to DRE in 1987, and they're just now getting all the necessary documentation.

Furthermore, we have no control over how long it takes the subdivider to comply with our deficiency notice. On the average, we found, after taking a survey, they take 115 days to respond to our deficiency notice.

Also it should be kept in mind that under the Business and Professions Code, the department is subject to certain specified statutory time frames in which to process subdivision applications for a Public Report. If the ideal situation took place, that is, if we received a totally complete application, the process could be completed within 85 days. I don't want to mislead anyone; we rarely get a totally complete application.

It's a most complicated process, especially with the complexities of the condominium-type documentation governing instruments, and I think we do perform a service to make sure that not only mobilehome park subdivisions, but all common interest subdivision purchasers, receive the protections of the Subdivided Lands Act, including the impounding of purchase money until the interest bargained for is delivered to the purchasers, the assurance that adequate financial arrangements have been made for construction of any facilities to ensure that the project will be a viable one and that there will be no surprises such as balloon payments, because in a condominium project, you have to have partial releases from any blanket encumbrance, and this is the service that the DRE performs as protection to individual purchasers.

SENATOR CRAVEN: Thank you. Do you have anything further, Adele?

MS. RAYMOND: Well, I, I do think, like Marie, the reserves are very high, and we have to set these reserves up every month, and it is something we cannot, monies that we can't use in any way to sort of buy the park and all of these things.

SENATOR CRAVEN: Yes.

MS. RAYMOND: I realize condo evidently does take longer, but it seems to me like it should be able to be speeded up faster than this. You know. And the longer it takes it, the longer and the more dissension you have within the park.

SENATOR CRAVEN: Well, of course, when you talk about time, I suppose, as this gentleman has said, you've got to start with the local governmental activity...

MS. RAYMOND: Yes.

SENATOR CRAVEN: ...which provides sort of another layer of governmental morass that you have to wade through. And my experience with local governments, although pleasant, has not always indicated that they're the most expeditious group in the world as to handling things, and I think that certain allusions have been made to that.

MS. RAYMOND: Yes.

SENATOR CRAVEN: So we understand, and I don't think you have to convince DRE that there's necessity to try to expedite this.

MS. RAYMOND: Right.

SENATOR CRAVEN: But they are beholden, at least in part, to the local governments over which really they have no great control.

MS. RAYMOND: Right.

SENATOR CRAVEN: Because it becomes jurisdictional, things that they are invoking there at that level, is that not correct?

MR. DINGMAN: That's correct, Senator.

I would also like to respond to the question of reserves. What we do as a further added protection, is send our appraisers to review the budget that the SRP, then in this case Continental

Associates, has submitted that they have indicated will be sufficient to run the project, that is, maintain it, and reserves are part of that. We look at the entire budget and whether or not the reserve component is adequate to take care of future maintenance and major repairs and capital improvements.

SENATOR CRAVEN: Very good thank you.

Yes?

MS. RAYMOND: May I just say one thing?

SENATOR CRAVEN: You may.

MS. RAYMOND: I think that we are the first condo conversion in the county. And I think the city has been rather reluctant to do anything because it's a first. And so they want to set an example and a good example. So they may now want to help us further, and we're hoping that they will.

But these other things I think that could be helped along are the ones that I think we can do something about.

SENATOR CRAVEN: Very good.

We appreciate your testimony, Ms. Raymond. Thank you very much.

MS. RAYMOND: Thank you.

SENATOR CRAVEN: And we will see what we can do.

Thank you, Mr. Dingman.

MR. DINGMAN: Yes, sir.

SENATOR CRAVEN: Next is Mike Mantel, Bank of America, Chula Vista, which is in good old San Diego County. Good morning.

MR. MIKE MANTEL: Good morning. My name is Mike Mantel. I'm the Vice President-Manager of Bank of America, Chula Vista main office, and I also am responsible for Bank of America's statewide program involving mobilehome park conversion projects up and down the state of California. We run all of that through Chula Vista Branch. So, I've been involved in mobilehome park conversions since 1983 in all aspects of financing, and I've seen, we've personally been involved in about 15 projects at one stage or another to date.

We recognize the need and the importance of residents around the state to take some form of action to control their own destiny. And as such, we've been an active proponent and actively supported resident-motivated conversions at every possible chance that we get.

First of all, I'd like to talk a little bit about the HCD and the MPAP program. That program is absolutely critical to any given conversion that we've been involved with. We see that anywhere from five to twenty-five percent of the park residents that are in the projects we've been involved with are in dire need of some sort of assistance financing to enable them to enjoy the luxury of controlling their own destiny.

SENATOR CRAVEN: What percentage, Mike?

MR. MANTEL: Between five and twenty-five on any given project. It shades toward the high side at about a quarter of any given project really, absolutely needs to have some form of assistance.

SENATOR CRAVEN: Very good, thank you.

MR. MANTEL: To date the MPAP program along with some local city and county programs in the given areas have been able to meet the majority of those financing needs. What we find now is that we have window periods wherein residents of any given project don't know when they can apply or maybe they're told when they can apply for MPAP funds, but they don't know that those funds will necessarily be available. Residents in November of '87 may have a decision, a huge economic decision, whether they're going to buy a park, yet they don't know if up to 25 percent of those people in that park will be eligible or will even be able to receive any assistance from the MPAP program.

The program, itself, is a very good program, but a lot of the residents are forced to make a buy-sell...a buy-rent...decision, not knowing whether that program will be available.

Oftentimes, the benefits of the MPAP program and the administration of the program are not understood by the consultants that go into the projects. I've seen many occasions when the program has been misrepresented as almost being a free lunch, and it shouldn't. You know, I think one of the things we need to see is

perhaps some on-site presence from a representative of the MPAP unit, at some of the park meetings that occur around the state.

It seems to be very difficult to get a travel allowance or a travel authorization for the representatives of the department to go to some of the park meetings that are being held around the state. Their ability to attend those meetings and their ability to communicate the program would be critical to not having the program be misrepresented.

Bank of America would like to work with the state.

SENATOR CRAVEN: Mike, you want to...

MR. MANTEL: Yes.

SENATOR CRAVEN: Mr. Tennyson.

MR. TENNYSON: Are you saying that they're, everything's run from Sacramento? There isn't any on-site investigation or consultation?

MR. MANTEL: Correct. I, you know...

MR. TENNYSON: ...as far as your experience is concerned?

MR. MANTEL: The whole program is in Sacramento, and they're limited by that geographic location. If there was even an office in some of the areas that have a predominant number of mobilehome park residents like San Diego, Los Angeles, et cetera, that those people could go out on site and represent the state's program, it would be beneficial. A lot of the times, the county and city personnel are available for questions and answers in the parks,

but the state's program, unfortunately, is oftentimes represented by the consultants, who only know a little bit. Not condemning the consultants, but they're not the experts in the program.

MR. TENNYSON: You mean private consultants, not state.

MR. MANTEL: Private consultants, correct.

We would like to work with the state. I've talked a little bit on the phone... You know, the availability of the money in the future is going to be critical to residents being able to buy the parks.

As Marie mentioned, you've got an increasing number of residents around the state desirous of buying their parks and converting to resident ownership. Yet the ability to fund the low-income needs through the state's programs, you know, I read where there are sunset periods of the MPAP program, funding of the MPAP program, where is the money going to come from? We would like to work with the state, if possible, to come up with alternatives that may enable the state to leverage their money into assisting the residents.

We have programs in place in various municipalities around the state now, including the city of Chula Vista, where we have enabled the city to maximize the dollars they had available in any given projects to assist the low-income residents. And we'd like to study those alternatives with the state, if possible, through Bank of America.

I'd like to pick up on another comment that was made earlier on the financing aspect. Our goal when we get involved in the financing of any given project is that any resident's post-conversion occupancy expense will be no greater than 25% above what his preconversion occupancy expense was, meaning that an individual probably comes out equal on an economic basis if he is able to hold his cost of ownership within 25% of what it was as a renter.

What we have seen is residents be able to buy parks at prices that are fairly reasonable. However, by the time the conversion process is completed, too much responsibility is placed on the buyers of the project to subsidize and protect the non-buyers. The reserves that Adele Raymond was just mentioning, we have financed the Chumash Village project, and the residents--over 20% of their purchase price on those projects--on their individual spaces--goes to reserves to protect the people that will not buy.

It's interesting that we have an MPAP program allowance of \$535,000, I believe, allocated to that project to enable the low-income people to preserve their lifestyle so that they would not be economically displaced; they have an alternative available to them. However, the residents who are buying in that project, their cost of ownership from a financing standpoint is going up almost \$50 a month if they borrow the \$5,000 or \$6,000 that they need to put into these reserves to give these people a double protection.

It's interesting, you know, that the people have an option to protect themselves, and if they don't select to do that, it is being asked of the other residents in the park to protect them further against the unknown circumstances of economic displacement.

MR. TENNYSON: What kind of protection are we talking about?

MR. MANTEL: I'm not sure how the whole, you know, it's some sort of relocation reserve or displacement reserve, et cetera. I'm not a hundred percent up to date on that. All I know is that it seems like between the various agencies, there's a lot of double protection that goes on.

If we make an MPAP program loan available to a resident, do we also need to have a subsidy to protect that resident from the economic displacement if the rents go up. You know, they've got two alternatives, and unfortunately, it's the residents that are buying that aren't low income that are being asked to pay a fairly hefty price to protect that person who already had a program in place that could have protected them.

Another area that may warrant study would be some sort of incentive to park sellers to encourage them to sell to the residents and cooperate with the residents in achieving the goal of home ownership. Oftentimes now park sellers that are anxious to get out of a project, if there was some tax incentive or something else that would enable them to stay in.

Commercial banks and any lending institution is only able to assist with a certain portion of park resident financing. We cannot provide a 100% financing to a group of residents who desires to buy in their park. Their ability or inability to obtain what we call equity infusion or the secondary financing is going to be critical to their ability to buy. Some sort of incentive with the sellers would help in that regard.

The only other comment I would make is that the timing on these projects since 1983 seems to have almost doubled. I don't know what causes that. Obviously there's a lot of government involvement. We're 100% supportive of the Department of Real Estate's involvement. Obviously, we want their blessing on a condominium project before we will finance it. However, it seems that what took three to five months in 1984 is now taking over 12 months. I can't say that anybody in the Department of Real Estate--anybody in MPAP--don't know where it lies, but it just seems each project drags on further and further. The inherent risk to the resident groups is they're making a decision month one to buy a mobilehome park. They know what interest rates are, they know what their post-conversion occupancy expense will be, and they make an economic decision.

If the process takes 12 months, the economic scenario can change so greatly that interest rates could be higher; therefore, post-conversion occupancy expenses are higher if they borrow the

money, and they get into kind of a dilemma, in that they bought the park anticipating interest rates of, say, ten percent. If it takes a year, they could easily be 12, 14 percent, driving up the cost of ownership.

The only thing I would ask of all the agencies involved is bear in mind that time is of the essence. We don't have a developer taking a developer risk. We have a group of very needy residents needing the assistance of the state to get this project through in a timely fashion to protect them from all the inherent risks of owning this project and taking that developer risk.

SENATOR CRAVEN: Very good.

MR. MANTEL: Thank you.

SENATOR CRAVEN: Thank you, Mr. Mantel.

John, do you want to just briefly mention S.B. 525?

MR. TENNYSON: S.B. 525 by Senator Craven is pending before the Assembly, having passed the Senate. It would appropriate \$3 million from the General Fund to provide additional funding for MPAP on the additional year of its extension until it sunsets in 1990.

SENATOR CRAVEN: Very good.

Next we have Arthur Reinhart from Fairfield, California.

MR. ARTHUR REINHART: Members of the Senate Select Committee, my name is Arthur Reinhart. I reside at 23 Valencia Court, Fairfield. Formerly before retiring, I was a policy and

procedure analyst for large corporations. I am presently president of United Mobilehome Association of Fairfield, Incorporated. This is a corporation, this corporation is a limited equity, tenant-owned co-op. Our organization actually bought two adjacent parks, Dover and Country Club Estates, on December 24, 1986.

This was accomplished with minimal funding, namely a \$20,000 grant from the city of Fairfield and about \$12,000 was raised among the residents. Purchase price of the two parks was \$7,625,000 for a total of 414 spaces, plus clubhouse, pools, open spaces and so forth. The loan financing was as follows:

\$5,700,000 from a savings and loan corporation

\$ 830,000 from HCD under the MPAP program

\$1,222,000 from the former owner, which included closing costs, fees and so forth

We negotiated this financial package shortly after A.B. 256 was signed by the Governor on the assumption that we could sell shares to residents to pay off the loan. The shareowner would then have the right to live in a space as long as the resident owned all or a part of the share equity.

It was then determined in early 1987 that A.B. 256 was flawed and that we must, on legal and consultant's advice, go through the Department of Real Estate. The application was filed in February of 1987. Since then, DRE has insisted on almost impossible terms, treating our co-op as if it were a promotional for

profit developer's project with reserves to be established before shares could be sold. Our legal counsel has advised the co-op not to solicit any funds for such reserves as we might be legally vulnerable.

This was only one of a long list of controversial roadblocks. Our appeal to HCD for help...our appeals to HCD for help were ineffectual because of interdepartmental reluctance to interfere with DRE. Functions and their process..., excuse me...reluctance to interfere with DRE functions and their processing of applications.

Continuing delays, like change of personnel, legal administrative problems with state departments, cost our organization hundreds of thousands of dollars. As an example, the only owner's third position note was due in full on August 1, 1987, or a penalty or \$100,000 was assessed to add to the principle. This in conjunction with a \$10,000, \$12,000 monthly interest payment on this note sorely taxed our cash flow.

Another drain on our cash reserve was DRE requirement to renegotiate the \$5,700,000 loan, which was originally based on a 30 year amortization, to a 20 year amortization. This little change cost us \$57,000.

On and on it goes with consulting legal fees continually mounting and becoming unbearable. The last blow to be delivered was a statement from the title company, listing a fee of \$622 for processing each share that we are selling, or a total of \$255,000.

To date, we have received no DRE Public Report, although we expect it shortly. In all fairness to DRE, it is not to blame for all of these delays. Title company inefficiency, legal snafus, et cetera make this a classic example of Murphy's law at work.

Our tenants, who in the past have so strongly supported this project, are fearful, disenchanted and confused and rightly so. Now, may I offer a few suggestions to help alleviate this horrendous disorganization at state level?

Put the complete program for tenants to purchase their parks under the Department of Housing and Community Development. This would include instructional and informational assistance upon preliminary application by the tenant organization.

Two, administrative licensing of all consultants who may be retained by the tenant organization. This would include attorneys as well. Why reinvent the legal wheel? Supervise the total process of licensing to sell shares or spaces.

Provide adequate funds to carry forth this program by HCD. Our organization joins with so many other tenant groups in pleading for help. We need it immediately. We need an urgent do-pass bill to help us get out of this quagmire with a grandfather clause for these, for those organizations which have been cut up, caught up in this mess. We need complete direction and control from one state agency, and that should be Housing and Community Development.

Thank you.

SENATOR CRAVEN: Thank you very much, Mr. Reinhart. Appreciate your very cogent comments.

You have a prepared statement, which hopefully you will leave with us for the record.

MR. REINHART: Yes.

SENATOR CRAVEN: All right, the next...Senator Dills, the hour of eleven o'clock has now arrived. Senator Dills has other business that he must attend to at eleven. So, as he departs, why don't we call a five minute recess?

(RECESS)

SENATOR CRAVEN: Call the meeting to order.

Next, we have Elizabeth Vogel, Santa Cruz Community Housing Corporation. Good morning, Elizabeth.

MS. ELIZABETH VOGEL: Good morning. My name's Elizabeth Vogel. I work with the Santa Cruz Community Housing Corporation, which is a nonprofit, housing development corporation.

We're assisting the residents of the El Rio Mobilehome Park with the conversion of their park to a resident-owned, limited equity housing co-op. We're scheduled to close escrow February 18th, and we have a conversion loan from, through MPAP.

And if it would be all right with you, our executive director is here, as well. Can we both come up?

SENATOR CRAVEN: Of course. We'd be delighted to have him.

MS. VOGEL: He's the next person on the list, Arnie Fischman.

MR. ARNIE FISCHMAN: Executive Director of the Santa Cruz Community Housing Corporation. Thank you, Senator Craven - members of the committee.

SENATOR CRAVEN: Very well. While we're introducing one another, let me introduce another very valued assistant to this community. This is Assemblywoman Lucy Killea from San Diego County, who has a continuing interest in this program and has been one who has provided yeoman-like service for all our legislation in the other house. So, it's very nice to have Ms. Killea with us this morning. Lucy.

MS. VOGEL: The specific issue that we'd like to address is, was briefly touched upon earlier by Marie Malone. And that has to do with the eligibility requirements, both in terms of being a low-income resident and also in terms of living in the park prior to the date the loan's filled.

Now in the case of the Del Rio, which you, yourself, mentioned, we've had two people die, and we've had a few people move out because of various personal reasons - nothing having to do with the conversion of the park. However, our loan, the \$518,000 is based on 50 people having submitted reservation forms. Now,

each time we lose one of these people for one reason or another, we are left with having to scramble to hopefully find another low-income person that can replace that low-income person so that we're still eligible for the same amount of the loan, or else, when we roll over the conversion loan to the blanket loan, we'll be faced with having to give back money to the state and find another source of permanent financing, even though we already have all the permanent financing in place to make up the balance of this.

SENATOR CRAVEN: Elizabeth, let me interrupt you at that stage.

MS. VOGEL: Yes.

SENATOR CRAVEN: When you're faced with a problem which you've just recounted, do you take an active role in trying to go out and find replacements?

MS. VOGEL: You bet. The residents take a very active role trying to do that.

SENATOR CRAVEN: I see. So, in other words, they have to go out and intrigue those people, who perhaps did not commit immediately, to join with them.

MS. VOGEL: Right.

SENATOR CRAVEN: ...To provide the numbers necessary.

MS. VOGEL: Right. Which, this doesn't have anything to do with the two-thirds. This has to do with the loan dollar amount that it's down to.

SENATOR CRAVEN: Yes. Okay. Very good.

MR. FISCHMAN: In other words, if I can interject, we're talking about the number of people who're actually benefitting from the MPAP loan to low-income eligible residents of the park. Even though, well, in the case of the El Rio Mobilehome Park, the overwhelming majority of the residents are low income, but not all of them submitted applications for MPAP assistance.

In order to, in order that the amount of MPAP loan not be reduced, the residents of the park actually have to get additional MPAP-eligible households who had not submitted applications previously to also agree to submit applications. In other words, they have to go to a very limited pool of people. People who are number one, low income; number two, lived in the park - in this case I think it was April 10, 1986...

MS. VOGEL: 87

MR. FISCHMAN: ...87, and have those people now submit an additional application for MPAP assistance. Or else, when the conversion loan rolls over, the blanket loan will actually be faced to pay back something like \$11,000 to MPAP for each one of those households who may have passed on or left the park.

And there is absolutely no source of funds available in the deal to do that. So they're in a very terrible crunch.

MS. VOGEL: And there have been new low-income people moved into the park since the date of submittal, but prior to the loan closing, that can't get the benefit.

SENATOR CRAVEN: Can't get it then.

MR. TENNYSON: I think we've...

MS. VOGEL: Right, we can't use them.

MR. TENNYSON: We heard earlier that perhaps we need legislation on that.

MS. VOGEL: Yes.

SENATOR CRAVEN: Just tell me, what constitutes "low income"?

MS. VOGEL: 80% of the county median.

SENATOR CRAVEN: 80% of the county?

MS. VOGEL: Although in the case of the El Rio, probably the majority is 50 percent of the county median.

SENATOR CRAVEN: What figure would that be, Elizabeth?

MS. VOGEL: For a one-person household, that would be, for 80%, it would be less than \$18,850, and I believe 50% would be \$13,000.

SENATOR CRAVEN: I see, I see.

MS. VOGEL: And in case of the El Rio, the majority of the people are way below the \$13,000 range.

SENATOR CRAVEN: Yes.

MS. VOGEL: So, and the other...

SENATOR CRAVEN: How old a park is El Rio?

MS. VOGEL: A very old park. It was started as an auto court in the 20's and it evolved to a mobilehome park.

SENATOR CRAVEN: Oh, really? I see, I see. So, I'm presuming they don't have a luxurious clubhouse and pool.

MS. VOGEL: No, they have a very small clubhouse. That's the only amenity, but it's a very charming park.

SENATOR CRAVEN: I'm sure it must be charming. Very well, all right, go ahead.

MS. VOGEL: And the other problem with the way the legislation is written, is if somebody is currently employed and is going to see retirement in a few years and have their income very much reduced, if one of the MPAP households move out, an existing resident can't assume the benefits even though their income may have gone down substantially.

So, we're not only stuck with people that might die, people that move into the park subsequent to the date of submittal, but people who then may need the benefit but can't get it because it wasn't, the program wasn't set up that way.

SENATOR CRAVEN: Do you, do you have - someone mentioned it earlier - a situation where you begin your entry into the program, if you will, and this certain interest figure that you say, well, it's going to cost us X-number of dollars or percent. And then, when the situation is consummated, it may be considerably more, probably rarely less, but could be considerably more. Does that create problems for you on a...

MS. VOGEL: Well, we, in our specific situation, that didn't happen. We were very fortunate to put together a great financial package where everybody in the park, either their rent stayed the same as what they were before the residents bought the park, or they are reduced through the MPAP assistance.

SENATOR CRAVEN: I see.

MS. VOGEL: But that was,

SENATOR CRAVEN: All right.

MS. VOGEL: ...oh, probably once in a lifetime opportunity.

SENATOR CRAVEN: Yes, it may well be. Do you have anything further?

MR. FISCHMAN: Yes, I could elaborate on those points and also some others that I'd like to introduce to your attention.

I'd like to emphasize that the Community Housing Corporation is, itself, a nonprofit Texas-M corporation under contract to the City of Santa Cruz to provide affordable housing opportunities to low-income residents of Santa Cruz. And for that reason, we encouraged the residents of the El Rio Mobilehome Park to do the conversion through a limited equity housing cooperative, an ownership structure that we emphasize in all our work, which is designed specifically to maintain housing stock as permanently affordable to low-income households.

The impact of the particular regulation that you've heard about today which restricts residents who may benefit from the

MPAP program of assistance to residents who lived in the park on a certain day, the impact of that on this particular experience is that it makes it absolutely impossible for the park, even structured as a limited equity housing cooperative, to serve as a pool of housing resource for the low-income residents of Santa Cruz.

In other words, even after the park is converted and is owned by the co-op, when a low-income household moves out - and that low-income household is able to participate in ownership of the park only because they are receiving MPAP assistance - when that household moves out - and all the loans in this case are blanket loans, there are none of them are individual loans - when that household moves out, they must be replaced by someone who will not receive MPAP assistance. In other words, over time, the park is being forced into a situation where either a low-income person moves out and a new low-income person moves in, but that person must - is guaranteed to - pay more than they can afford to pay for housing because they are prohibited from getting MPAP assistance, or the low-income person must be replaced by an upper-income person. So that over time, a predominantly low-income park will be converted to a predominantly upper-income park, which I am sure is the exact contrary of the legislative intent for the MPAP program.

Now in the case of the El Rio Mobilehome Park, the financing was a very creative package in which it is originated through tax exempt bond sold by the city of Santa Cruz, and the requirements of that tax-exempt financing require that 85% of the residents be permanently low income. So in this case the residents have to, when residents leave, they must be replaced by new low-income households. So you're locking future people coming in to pay more than they can afford for housing.

In other words, this particular piece of the MPAP program - the way it is set up now - is designed to benefit those low-income households who happen to be living in the park on a certain date rather than the households - the low-income population of Santa Cruz County as a whole, who may desire to live in cooperatively-owned mobilehome park. It's not designed for the public benefit, but is a private benefit to a particular handful of individuals, which is totally contrary to the whole structure of the limited equity housing cooperative, and I suspect, to the underlying purpose of the MPAP program.

The solution, I think, is to design, is to redesign the program so that it works the same way that many other housing community development - state housing community development programs - work, whereby assistance is provided to a housing development, in this case a cooperatively-owned mobilehome park, the co-op agrees to use that assistance specifically to make a certain percentage

of the units affordable to low-income households and to devote that given percentage of units in the park permanently, or at least for the term of the MPAP assistance. But in the case of the El Rio, they would certainly be willing to do it permanently, to a given percentage of low-income households, and the MPAP money will always be used in that way to reduce the housing costs of eligible recipients. And I think it's actually a fairly simple mechanism that could be put in place, and it already is in place for many other HCD programs.

SENATOR CRAVEN: The Community Housing Corporation is, is it allied or a part of a governmental structure?

MR. FISCHMAN: No, we're a private, nonprofit corporation. We have a contract with the city to provide affordable housing.

SENATOR CRAVEN: Attitudinally speaking, do you get along well with the city?

MR. FISCHMAN: Oh, yes, the city is a tremendous support for all our projects and particularly this one. They're issuing the bond which is the primary source of financing for the park purchase.

SENATOR CRAVEN: Do you, your activity, is it restricted to the county?

MR. FISCHMAN: Yes.

SENATOR CRAVEN: Is it? Very good.

Dan, do you have any...no, Dan is not here. Well.

MR. FISCHMAN: There are a couple of other issues I wanted to mention, too, more briefly.

One relates to the timing question. As people are probably aware, it is very difficult to find conventional financing for mobilehome park acquisitions, for any park, particularly when the park is predominantly low income, it's even more difficult, and added on top of that using an unconventional ownership structure like a limited equity housing cooperative, it is extremely difficult to find sources of permanent financing.

In the case of the El Rio, the real carrot was the MPAP assistance. This idea that it would be possible to get a large amount of money because there are so many low-income households in the park at 7% interest with a ten-year deferred payment was a real carrot to encourage the other sources of financing. In this case, even though the city was issuing the tax exempt bond, a local bank was purchasing the entire proceeds of the bond and turning it around to a mortgage to the residents.

Also, the owner, in selling the park, was interested largely by this availability of attractive MPAP financing. Also, many of the residents, themselves, overcame their, initially - and this is very low-income park people - who are very discouraged and have difficulty believing that it would actually be possible for them to own their own mobilehome park on terms they could afford. So part of the purchase agreement between the owner and the

residents said that they would be able to obtain a commitment from MPAP within a certain period of time - a conditional commitment. And the owner was only willing to sell if the residents were able to get that conditional commitment within a certain number of days. Similarly, the bank was only willing to involve itself in this part of the financing if we were able to get a commitment from MPAP within a certain number of days.

So, in pulling these deals together, it's a very important public purpose for MPAP to be willing to make its commitment early on so that the owner and the other sources of financing of the residents - the whole deal - can be structured around that commitment from a public source.

In our case, as the deal progressed, we learned that due, I think, largely to demands on staff time at MPAP, MPAP's philosophy was changing that they actually wanted to see all the i's dotted and firm commitments from all the other parties before MPAP would make a commitment of financing, even a conditional commitment and that they wanted to be the last money to come in rather than the first, which was contrary to the way we had originally begun structuring the deal.

For deals like this to succeed and go forward, particularly for low income parks - particularly for limited equity co-ops - I think it is very important for MPAP to have the staff resources, not to give out commitments to anybody who walks in the door but

to make their commitments very early on in the process for viable deals so that the other sources of financing can be pulled in, so that the owners will be interested in selling, so more and more tenants will be interested in participating.

In terms of the DRE, in our case, the El Rio was actually exempt from the public report requirements because limited equity housing cooperatives, which have at least 50 percent of their financing from public sources and which have regulatory agreements with provisions to protect residents of the co-op in place with a public agency, all applied in this case. I think it would be helpful if the DRE regulation was changed so that you didn't have the requirement of at least 50 percent of the total financing from public agencies. In the case of MPAP, it's unlikely that 50 percent of the financing will come from MPAP, but if you do have a regulatory agreement with a lot of provisions to protect residents - and it is a limited equity housing co-op - I think there is adequate grounds to exempt the project from the DRE process.

Finally, I wanted to mention the issue of age restrictions which is an important issue today in mobilehome parks. There are many parks in the state which are adults only parks, many parks which are senior parks and have different age restrictions. Right now under state law under the recent Supreme Court ruling, it is legal under California law to have an adults-only park.

Since, at least a substantial portion of MPAP funds come from payments which are made by all mobilehome park residents in California, I think that any mobilehome park which complies with state law ought to be able to participate in the MPAP program. Right now there is a philosophy at MPAP that adults-only parks should not be able to get the benefits, should not be able to get MPAP loans, even though it is perfectly legal under state law right now for a park to be structured in such a way.

And let me say that I am very committed to providing housing to families with children. In fact, I'm actually personally the author of both the City of Santa Cruz and County of Santa Cruz child discrimination ordinances which make it illegal to discriminate against households with families in rental housing in Santa Cruz. But I do believe just as a matter of democracy that people in mobilehome parks, when the park is complying with state law - and I must say, after working with the El Rio Mobilehome Park, and I think if people here say the facilities or lack of facilities for children in the El Rio Mobilehome Park, they would be very sympathetic to the residents desire to not have children in the park.

That concludes my remarks. Thank you.

SENATOR CRAVEN: Al, do you want to make any comments on behalf of the alumni association of DRE?

Oh, Mr. Dingman is here. Yes, I didn't realize, I'm sorry.

MR. DINGMAN: Mr. Fischman mentioned the fact that the mobilehome park he was telling you about is exempt from DRE processing.

Mr. Reinhart, who earlier talked about his problems with the Dover Mobilehome Park in Fairfield, also has a project that is a limited equity housing cooperative. Exempt - it could be exempt from DRE filing or processing.

I have to explain a little background, if you will, Mr. Chairman. In 1981, the Department of Housing and Community Development sponsored A.B. 2781 (Bates), which provides a conditional exemption from the Subdivided Lands Act for limited equity housing cooperatives, in which HCD or other governmental entities provides financing of at least 50 percent of the construction or development costs of the cooperative and enters into a regulatory agreement with the recipient of the financing or the subsidy.

DRE will not assert jurisdiction upon receipt of a completed claim or notice of exemption form indicating compliance with the conditions for exemption, including a copy of an opinion of the attorney for the recipient of the financing that the project is statutorily an exempt, limited equity housing cooperative.

Since enactment of B&P Code Section 1103.4(b) in 1982, we have received approximately 24 notices of exemptions. As of late, however, we have received subdivision applications such as Mr. Reinhart's project for mobilehome parks proposed to be

converted to limited equity housing cooperatives which are deemed by the applicant to be non-exempt projects, even though substantial financing is provided by federal, state or local agencies, specifically named in the exemption.

The problem is, with what I believe to be too narrow an interpretation of "development costs". The applicants are reading "development costs" to be synonymous with the purchase price of the project or total financing costs. A review of the legislative history of A.B. 2781 indicates, to me at least, that no such interpretation was meant to apply to the exemption language when the exemption was worked out between HCD and DRE.

I am advised that some legal counsel for sponsors of limited equity housing cooperatives are working toward clarifying language to alleviate the problem of dual jurisdiction with regard to qualified offerings.

Also, I'd like to point out among the requirements of the conditional exemption is that an information report be distributed to the purchasers which, while not the equivalent of a white paper or a final subdivision public report, is at least a disclosure notice of what the purchasers can expect from purchasing in the development.

Just if you will allow me just one more second, I would like to emphasize the problem with Mr. Reinhart's development involved the lack of adequate financial arrangements to assure the payment

of, I believe, two balloon payments on a blanket mortgage on the property. And, as I understand it, he's been told that our public report is imminent, and I'm going to check on that as soon as I get back to the office.

SENATOR CRAVEN: Thank you, Marty. Mr. Tennyson.

MR. TENNYSON: Perhaps, then, we need clarifying legislation to provide that the exemption applies in cases where you have the actual purchase price rather than the development and purchase price from public funds?

MR. DINGMAN: Well, the law says that financing at least 50 percent of the construction or development costs, and I believe that the attorneys will not write an opinion letter that it is statutorily exempt because they are interpreting 50 percent of the construction or development costs as the purchase price, when in fact, in reviewing the legislative history, I find that DRE was concerned with new parks, that is, the construction and development costs of a new park. On conversions, they're already there; everything's there. They may have some minor improvements or substantial improvements, but in any event...

MR. TENNYSON: Okay, but what will we need to do to address this problem here with regard to exempting limited equity co-ops that already have some public scrutiny where you can't get 50 percent funding from the public? They can only get 30 percent from the combination of MPAP funds or local government funds.

MR. DINGMAN: Well, again, again, the DRE's concern in negotiating that exemption was with new projects and the costs to construct facilities from the ground up. But most of the limited equity housing cooperatives - perhaps 100 percent of them - have been conversion projects - the construction is already there, the common facilities are already there. So, I say, it's a....we need clarifying language in 1103.4(b).

SENATOR CRAVEN: Yes, Senator Presley.

SENATOR ROBERT PRESLEY: Some of the issues raised by Mr. Fischman that if it's an adult only park, that you're not allowed to get any of this money...

MS. VOGEL: That relates to Housing and Community Development.

SENATOR PRESLEY: And that's the other people.

MS. VOGEL: Yes.

SENATOR PRESLEY: That sounds like, is that a regulation?

MS. VOGEL: I believe it's a policy. I, maybe you should...

SENATOR PRESLEY: It sounds like it is inconsistent with the law, though.

SENATOR CRAVEN: Dan, do you want to come up and comment on that?

MR. PENNINGTON: It's a basic legal issue that has come up with the recent Supreme Court ruling, and what we say is that if it's a seniors only, it's all right. It's only if you try to

restrict keeping children out of it.....and that's confusing isn't it? If you, if you say it's seniors only, it's okay. But if you say it's an adult only, it's not all right in terms of our regulations.

SENATOR CRAVEN: Well, Dan, I run into a situation in a personal sense at times where I feel that socio-economic or social policy seems to transcend equity in some areas. To me, the foundation stone is the fact that all of these people are contributors, and to restrict a class simply because of a bit of nomenclature, does not - in my judgment - seem to be appropriate.

MR. PENNINGTON: Well, in essence, Senator, that's what we're trying to do is to say, "You can't restrict these parks if you're going to get our money." It's only because of the Supreme Court decision that allows them to have seniors only parks.

SENATOR CRAVEN: Well, you said if you say, "Seniors," there is no problem. But if you say, "Adults only," there is a problem.

MR. PENNINGTON: Correct. Correct.

MR. FISCHMAN: It's my understanding that under state law at the moment, adults only parks are legal.

MR. TENNYSON: That's correct. 798, 799 point whatever it is - 5 - of the code permits own-your-own type parks to have adult only rules. How can a department supersede the authority of state law and of a unanimous Supreme Court decision that said adults only parks are legal?

SENATOR CRAVEN: That's my point. I don't understand it.

MR. PENNINGTON: I totally agree with you. I'm not trying to debate because it's a legal issue. This is what they're telling....Our legal people have told us that we are trying not to restrict these, but that we have to go along with the seniors only because of the Supreme Court ruling.

SENATOR CRAVEN: Well, but then the Supreme...

MR. TENNYSON: There's no authority for seniors only in mobilehome parks under law, so how....It doesn't make sense.

MR. PENNINGTON: Well, we've been debating this substantially, too.

MR. DINGMAN: I think what hasn't been addressed here is not only the provision of the Civil Code that Mr. Tennyson called about and the Supreme Court Decision, but there is the amendment to the Unruh Act, which occurred a few years back, I believe it's 51.3 of the Civil Code, which essentially denied adult only common interest subdivisions and common interest or resident apartments units being limited to....

MR. TENNYSON: Excluding mobilehomes, though.

MR. DINGMAN: But not, well, yes, excluding the.....

SENATOR CRAVEN: They don't fall under the category.

MR. DINGMAN: Right. I take it back.

SENATOR CRAVEN: Okay. Very good, Marty. Well, I think we won one and lost one, John.

MR. PENNINGTON: As you can see, we're all confused about it.

SENATOR CRAVEN: Well, it is a confusing area, and perhaps that's one that we can attack. And that's, of course, basically the reason we get together like this from time to time to sound out these things and try to find some avenues to approach the problem with the thought of alleviating it or correcting it completely.

Do you have anything further, John?

Bob?

SENATOR PRESLEY: I'm not sure I'm real clear, yet. You say if it's seniors only, then it's clear that you have to let them participate in the money.

SENATOR CRAVEN: Yes.

SENATOR PRESLEY: But if it's adult...

MR. PENNINGTON: If it's restricted to adults, only

SENATOR PRESLEY: And that's where the kids come in?

MR. PENNINGTON: Right.

SENATOR CRAVEN: Well, adults only would be 18 and above.

MR. PENNINGTON: Yes, you'd have to be over 18 before you restricted the park not to allow...

SENATOR PRESLEY: 18 and over are just overgrown kids.

MR. PENNINGTON: I have several; I know what you mean.

SENATOR CRAVEN: They could be just as much of a problem as...

SENATOR PRESLEY: That sounds like an area that the committee needs to try to clarify.

SENATOR CRAVEN: Yes, very definitely, Bob. The point's well taken. Thank you Dan, Marty. Very good.

MS. VOGEL: And if there's anything that we can assist you all with working out the definition of low income and how it affects, please let us know.

SENATOR CRAVEN: Fine, if you want to report at 0800 tomorrow morning.

MS. VOGEL: Thank you.

MR. FISCHMAN: Thank you.

SENATOR CRAVEN: Thank you both very much. That was very, very fine.

Well, we have Evelyn Linnertz, Bank of America. Did I pronounce that correctly? Very good, I missed Mr. Mantel, however. His name is spelled differently: M-A-N-T-E-L. I thought that was Mantell. That's the way it goes.

Yes, dear.

MS. EVELYN LINNERTZ: I am the manager of the El Cajon office of Bank of America Escrow Services. That's in San Diego County. I am presently working on five mobilehome park conversion projects in various stages.

What I would like to see is a closer working relationship between myself and the Department of Real Estate in formulating

the escrow instructions. The way it's set up now, we never talk directly to DRE. All the information is passed between a third party. This is especially important when changes are made to the escrow instructions, so that we make sure that the intent of DRE is verbalized explicitly in the escrow instructions so that there's no chance for misunderstanding.

I would like to see, once the DRE approves our escrow instructions, to have them do so in writing. It now is only verbal exchange through a third party.

We would like to be reasonably assured that once DRE does approve the escrow instructions, that there'll be no further changes. I understand...

SENATOR CRAVEN: Let me interrupt, Evelyn.

MS. LINNERTZ: Yes.

SENATOR CRAVEN: There's nothing that you receive from DRE which says, "approved"?

MS. LINNERTZ: No.

SENATOR CRAVEN: Okay. Martin, do you want to come back up? Now you're going to find out why.

MR. DINGMAN: She referenced "third party" which is the person who's hired by the subdivider to be the single responsible party to process the filing to receive the information. She could be the single responsible party if the subdivider so elects to appoint her.

SENATOR PRESLEY: That sounds like an area that the committee needs to try to clarify.

SENATOR CRAVEN: Yes, very definitely, Bob. The point's well taken. Thank you Dan, Marty. Very good.

MS. VOGEL: And if there's anything that we can assist you all with working out the definition of low income and how it affects, please let us know.

SENATOR CRAVEN: Fine, if you want to report at 0800 tomorrow morning.

MS. VOGEL: Thank you.

MR. FISCHMAN: Thank you.

SENATOR CRAVEN: Thank you both very much. That was very, very fine.

Well, we have Evelyn Linnertz, Bank of America. Did I pronounce that correctly? Very good, I missed Mr. Mantel, however. His name is spelled differently: M-A-N-T-E-L. I thought that was Mantell. That's the way it goes.

Yes, dear.

MS. EVELYN LINNERTZ: I am the manager of the El Cajon office of Bank of America Escrow Services. That's in San Diego County. I am presently working on five mobilehome park conversion projects in various stages.

What I would like to see is a closer working relationship between myself and the Department of Real Estate in formulating

SENATOR CRAVEN: Very good. We'll send you a legion of merit. How's that?

MS. LINNERTZ: I think the key to this whole process by the time we come into it is that everything should be standardized, clear cut, and there should be a formula in place so that there's no misunderstandings and that these escrows can be closed as quickly as possible. The longer the delay, it costs the park residents money, aggravation...

SENATOR CRAVEN: Well, we touched on that before. Let me ask you, Evelyn, are all escrow officers standardized? Do they all do things the same way?

MS. LINNERTZ: Not identically the same. But you have the general, in general you can come to where the instructions would be universal to many different companies.

SENATOR CRAVEN: I see. So, in other words what you would like is to have a further or greater delineation of requirements.

MS. LINNERTZ: Right, where it was especially exactly spelled out what the escrow holder's duties would be in this particular project, because it's very important.

SENATOR CRAVEN: The communication activity that you have with our departments of state, that's all verbal, is that...

MS. LINNERTZ: We do get written instructions from HCD.

SENATOR CRAVEN: Yes.

MS. LINNERTZ: And we are trying to fine tune those right now, because originally, initially, the instructions to us covered areas that we could not be held responsible for, so we tried to educate HCD to that and have them rewrite their instructions.

SENATOR CRAVEN: I see.

MS. LINNERTZ: For example, they were trying to make escrow holder responsible for loan documents that we did not prepare or ever see. They were trying to make us responsible that they be prepared accurately when we don't prepare them.

SENATOR CRAVEN: Okay.

MS. LINNERTZ: These have all been or are in the process of being clarified and worked out.

SENATOR CRAVEN: Very good. Where are the parks, the five parks, in Lakeside?

MS. LINNERTZ: No, we had one in Vista, California; one in Chula Vista; one in San Luis Obispo. We're working on the Chumash project, now.

SENATOR CRAVEN: Is Marie involved with the Vista park? Do you know where that park is, Marie?

MS. MALONE: I wish I could take credit for it, but I can't. But it's a very low-income park, very successfully closed.

SENATOR CRAVEN: Very good, fine.

MS. LINNERTZ: And the other two are in San Diego County, also.

SENATOR CRAVEN: Fine, very good, Evelyn, thank you very much. Appreciate it. Thank you, Marty.

Is there anyone else who wishes to make a comment?

Maury? This is Maurice Priest, who is counsel for GSMOL and a great help to this committee today and every day. Maury.

MR. MAURICE PRIEST: Thank you, Mr. Chairman and members. I did want to respond to one issue that several of the witnesses have mentioned and also a question raised by Senator Dills.

On the two-thirds issue of the application - At GSMOL's request, Assemblyman Steve Clute has agreed to carry, and it is now being drafted in Legislative Counsel, a bill which will provide that the two-thirds of resident households at time of application need not be the identical two-thirds of resident households at time of funding. And we believe that that clarifying bill will be very important and help solve some of the problems which the committee has heard about this morning.

SENATOR CRAVEN: Am I correct in assuming that the names make no difference but the numbers are constant?

MR. PRIEST: That is correct.

SENATOR CRAVEN: Okay, very good.

MR. PRIEST: On the issue of adult only, I might say that GSMOL has followed that issue very closely as has the committee and its consultant. And my reading of the Supreme Court case that has been referenced here, makes no mention of "senior park"

whatsoever, that it basically upholds the right of a park owner to designate his park as adult only, and it upholds the statute which Mr. Tennyson referred to earlier.

The reason it's so important for the department to honor applications from adult only or family parks in upholding the law is that it's not the residents of those parks that determine the rule. In other words, it can work a double hardship on a family which finds itself, or a couple - a mobilehome owner, I could say - that finds itself in a park where the management has exercised and applied an adult only rule. The homeowner who is in that park has no authority or determination over that rule proposed by management, and if the given park ownership designates and elects to use its legal right to designate that park as adults only, it seems patently unfair and inequitable for the department to exclude all of those needy, low-income households that have no control over the type of rule that that park owner has adopted. And I don't think in my reading of the cases, that we even need clarifying legislation on that issue. That would take several months to do that, and I have found nothing in the codes at all which would say the department can apply it for seniors but not for adult only. I think that we basically need to get a handle on what it is we are attempting to rely on or where the confusion is. I don't think that even legislation is needed to correct that. I think it's the misinterpretation of existing law.

SENATOR CRAVEN: John?

Why don't we get some response from the department on that, Maury, okay?

MR. PRIEST: Yes, sir. Thank you very much.

SENATOR CRAVEN: Thank you.

Is there anyone else?

Well, there appears to be none, and once again we want to thank you - Senator Presley and the rest of us who have been here with you this morning, for your taking your time to give us the benefit of your thinking, your suggestions or criticisms - whatever it may have been - all of which are received very interestingly by the committee. And hopefully we can translate some of what you have mentioned to us into corrective legislation, which in some areas, I think is very, very desperately needed.

So, once again, for your presence here today, we are most grateful, and we thank you very much.

#

SECTION V

PROPOSED

LEGISLATION

Addressing Some of the Issues
Discussed at February 9th Hearing

AMENDED IN ASSEMBLY MARCH 21, 1988

AMENDED IN SENATE JANUARY 15, 1988

SENATE BILL

No. 525

Introduced by Senator Craven

February 24, 1987

An act relating to housing, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 525, as amended, Craven. Mobilehome park purchases: loans.

~~Existing law requires all manufactured home, mobilehome, or commercial coach license fees collected by the Department of Housing and Community Development to be deposited in the Manufactured Home License Fee Account in the General Fund. Existing law establishes the Mobilehome Park Purchase Mobilehome-Manufactured Home Revolving Fund, which is derived from fees or other moneys accruing to the Department of Housing and Community Development, except as otherwise expressly provided by law. The fund is continuously appropriated to the department to provide loans for the purchase of mobilehome parks and for related administrative costs for purposes of the Mobilehomes-Manufactured Housing Act of 1980. Existing law establishes a program to provide loans for the purchase of mobilehome parks under specified conditions.~~

This bill would appropriate ~~\$3,000,000~~ \$1,000,000 from the ~~General Mobilehome-Manufactured Home Revolving Fund~~ for loans to purchase mobilehome parks under these provisions of existing law; and would require that loans made from this appropriation be repaid with interest at the rate applicable to the Pooled Money Investment Account.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

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

1 SECTION 1. The sum of ~~three million dollars~~
2 ~~(\$3,000,000)~~ *one million dollars (\$1,000,000)* is hereby
3 appropriated from the ~~General Fund~~
4 *Mobilehome-Manufactured Home Revolving Fund* for
5 loans made pursuant to Chapter 11 (commencing with
6 Section 50780) of Part 2 of Division 31 of the Health and
7 Safety Code. ~~Loans made from funds appropriated~~
8 ~~pursuant to this section shall be repaid with interest at the~~
9 ~~rate applicable to the Pooled Money Investment~~
10 ~~Account.~~

O

AMENDED IN SENATE MARCH 24, 1988

SENATE BILL

No. 2192

Introduced by Senator Craven

February 17, 1988

An act to ~~amend Section 50785~~ of add Section 18114.1 to, and to repeal Sections 50787 and 50788 of, the Health and Safety Code, relating to mobilehomes, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 2192, as amended, Craven. Mobilehome ~~Park Purchase Fund: criteria for loans~~ park purchases.

Under existing law, the Department of Housing and Community Development is authorized to make loans from the Mobilehome Park Purchase Fund to (1) resident organizations to finance mobilehome park acquisition and conversion costs and (2) to make loans to low-income residents to enable them to reduce their monthly housing costs in connection with such a conversion. *The program is repealed effective January 1, 1990.*

This existing program is supported through the payment of a specified \$5 fee, in addition to other fees, by mobilehome owners at the time of registration or renewal. Moneys collected from these fees are deposited into the Mobilehome Park Purchase Fund, which is continuously appropriated. Registered mobilehome owners who provide documentation that their mobilehome is located on a private parcel owned by the mobilehome owner are exempt from this fee. The funding described in this paragraph is repealed effective January 1, 1989.

This bill would prohibit the department from refusing to make a loan under these provisions on the basis that one or more individual residents or owners have changed, for

reasons specified in the bill, since the loan application was submitted. The bill would require the new residents and owners to qualify on the basis of the applicable criteria for individual loans requested by them.

This bill would delete the repeal of the program. It would make an appropriation by reenacting the program's funding provisions, thereby extending a continuously appropriated fund. The extension of the \$5 fee also would constitute an increase in state taxes, requiring a $\frac{2}{3}$ vote of all of the members of each house of the Legislature.

The bill would add procedures to prohibit the department, once a registered owner has established his or her exemption from the \$5 fee as a result of having his or her mobilehome located on a private parcel, from requiring the owner to establish the exemption in each subsequent year. The bill also would repeal an existing requirement that the department undertake and complete a specified report on the Mobilehome Park Purchase Fund.

In addition, the bill would appropriate \$50,000 to the department from the Mobilehome-Manufactured Home Revolving Fund for the department's administrative costs in determining exemptions from the \$5 fee, as described above.

Vote: ~~majority~~ $\frac{2}{3}$. Appropriation: ~~no~~ yes. Fiscal committee: yes. State-mandated local program: no.

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

- 1 ~~SECTION 1.~~ Section 50785 of the Health and Safety
- 2 SECTION 1. Section 18114.1 is added to the Health
- 3 and Safety Code, to read:
- 4 18114.1. (a) In addition to the annual registration fee
- 5 required by Section 18114, an annual fee of five dollars
- 6 (\$5) shall be paid to the department at the time of
- 7 registration or renewal for each transportable section of
- 8 a manufactured home or mobilehome registered
- 9 pursuant to this part. All revenues derived from this fee
- 10 shall be deposited in the Mobilehome Park Purchase
- 11 Fund provided for in Chapter 11 (commencing with
- 12 Section 50780) of Part 2 of Division 31.
- 13 (b) Any transportable section of a manufactured

1 home or mobilehome registered pursuant to this part and
2 located on a private parcel owned by the registered
3 owner of the manufactured home or mobilehome shall be
4 exempt from the fee imposed by subdivision (a), if the
5 owner provides documentation or a written statement,
6 signed under penalty of perjury, which establishes to the
7 satisfaction of the department that the manufactured
8 home or mobilehome is located on a private parcel
9 owned by the registered owner of the manufactured
10 home or mobilehome.

11 (c) Pursuant to subdivision (b), upon renewal of
12 registration in 1988, or thereafter, once the registered
13 owner provides documentation or a written statement to
14 the department to establish the exemption, the
15 department shall not require the owner to establish the
16 exemption in each subsequent year upon renewal, unless
17 the department receives evidence that the manufactured
18 home or mobilehome is no longer located on a private
19 parcel owned by the registered owner of the home.
20 Renewal forms for registered owners of manufactured
21 homes or mobilehomes who have established the
22 exemption shall not reflect or include the fee required
23 pursuant to subdivision (a).

24 SEC. 2. Section 50787 of the Health and Safety Code
25 is repealed.

26 ~~50787. Commencing January 1, 1988, the department~~
27 ~~shall undertake a report on the Mobilehome Park~~
28 ~~Purchase Fund, to be submitted to the Legislature no~~
29 ~~later than January 1, 1989. The report shall include, as a~~
30 ~~minimum, an examination of the financial,~~
31 ~~governmental, and institutional constraints to the~~
32 ~~conversion of mobilehome parks; a comparison of the~~
33 ~~different resident ownership structures financed~~
34 ~~pursuant to this chapter; the number, types, and amounts~~
35 ~~of loans made; the number and characteristics of projects~~
36 ~~financed; the amount and types of assistance provided by~~
37 ~~local government; characteristics of financing provided~~
38 ~~by private lenders; data, if any, on loan delinquencies and~~
39 ~~defaults; the costs for residents in acquiring and~~
40 ~~converting mobilehome parks to resident ownership; the~~

1 monthly costs of remaining in the parks; and the impact
2 of the conversion upon lower income residents.

3 *SEC. 3. Section 50788 of the Health and Safety Code*
4 *is repealed.*

5 *50788. This chapter shall remain in effect only until*
6 *January 1, 1990, and as of that date is repealed, unless a*
7 *later enacted statute, which is enacted before January 1,*
8 *1990, deletes or extends that date.*

9 *SEC. 4. The sum of fifty thousand dollars (\$50,000) is*
10 *hereby appropriated from the*
11 *Mobilehome-Manufactured Home Revolving Fund to*
12 *the Department of Housing and Community*
13 *Development for administrative costs of the department*
14 *incurred pursuant to subdivision (b) of Section 18114.1 of*
15 *the Health and Safety Code.*

16 *Code is amended to read:*

17 *50785. In determining the eligibility for and amount*
18 *of loans pursuant to Sections 50783 and 50784, the*
19 *department shall take into consideration, among other*
20 *factors, all of the following:*

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

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

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

30 *(d) Whether or not state funds are utilized in the most*
31 *efficient and effective manner.*

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

37 *The department shall not refuse approval of an*
38 *application, revoke an approved application, or refuse to*
39 *release funding for an approved application for a loan*
40 *under this chapter on the basis that one or more*

1 individual residents or owners of mobilehomes in a
2 mobilehome park have changed and been replaced by
3 new residents or owners of mobilehomes, due to death or
4 disability of the original residents or owners or resale of
5 the mobilehomes, occurring since the time the original
6 application was submitted to the department. However,
7 any new resident or owner of a mobilehome who obtains
8 an individual loan under this chapter shall otherwise
9 qualify for the loan.

O

ASSEMBLY BILL

No. 3875

Introduced by Assembly Member Bates

February 18, 1988

An act to amend Section 11003.4 of the Business and Professions Code, relating to limited-equity housing cooperatives.

LEGISLATIVE COUNSEL'S DIGEST

AB 3875, as introduced, Bates. Limited-equity housing cooperatives: subdivision public reports.

Under existing provisions of the so-called Subdivided Lands Law, limited-equity housing cooperatives are subject to the same requirements as stock cooperatives, including primarily the requirement for a public report of the Real Estate Commissioner. However, limited-equity housing cooperatives meeting specified criteria are exempt from those requirements.

This bill would revise the criteria for that exemption.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

- 1 SECTION 1. Section 11003.4 of the Business and
- 2 Professions Code is amended to read:
- 3 11003.4. (a) A "limited-equity housing cooperative"
- 4 is a corporation which meets the criteria of Section
- 5 11003.2 and which also meets the criteria of Section
- 6 33007.5 of the Health and Safety Code. Except as
- 7 provided in subdivision (b), a limited-equity housing
- 8 cooperative shall be subject to all the requirements of this
- 9 chapter pertaining to stock cooperatives.

1 (b) A limited-equity housing cooperative shall be
2 exempt from the requirements of this chapter if the
3 limited-equity housing cooperative complies with all the
4 following conditions:

5 (1) The United States Department of Housing and
6 Urban Development, the Farmers Home Administration,
7 the National Consumers Cooperative Bank, the
8 California Housing Finance Agency, or the Department
9 of Housing and Community Development, alone or in
10 any combination with each other, or with the city,
11 county, or redevelopment agency in which the
12 cooperative is located, directly finances or subsidizes at
13 least 50 percent of the total construction or development
14 cost *or one hundred thousand dollars (\$100,000),*
15 *whichever is less;* or the real property to be occupied by
16 the cooperative was sold by the Department of
17 Transportation for the development of the cooperative
18 and has a regulatory agreement approved by the
19 Department of Housing and Community Development
20 for the term of the permanent financing,
21 notwithstanding the source of the permanent subsidy or
22 financing.

23 (2) No more than *20 percent of the total development*
24 *cost of a limited-equity mobilehome park, and no more*
25 *than 10 percent of the total development cost of other*
26 *limited-equity housing cooperatives,* is provided by
27 purchasers of membership shares.

28 (3) A regulatory agreement ~~has been duly executed~~
29 ~~between the recipient of the financing or subsidy and one~~
30 ~~of the federal or state agencies described in paragraph~~
31 ~~(1)~~ which covers the cooperative for a term of at least as
32 long as the duration of the permanent financing or
33 subsidy, notwithstanding the source of the permanent
34 subsidy or financing *has been duly executed between the*
35 *recipient of the financing and either (A) one of the*
36 *federal or state agencies specified in paragraph (1) or*
37 *(B) a local public agency which is providing financing*
38 *for the project under a regulatory agreement meeting*
39 *standards of the Department of Housing and Community*
40 *Development.* The regulatory agreement shall make

1 provision for at least all of the following:

2 (A) Assurances for completion of the common areas
3 and facilities to be owned or leased by the limited-equity
4 housing cooperative, unless a construction agreement
5 between the same parties contains written assurances for
6 completion.

7 (B) Governing instruments for the organization and
8 operation of the housing cooperative by the members.

9 (C) The ongoing fiscal management of the project by
10 the cooperative, including an adequate budget, reserves,
11 and provisions for maintenance and management.

12 (D) Distribution of a membership information report
13 to any prospective purchaser of a membership share,
14 prior to purchase of that share. The membership
15 information report shall contain full disclosure of the
16 financial obligations and responsibilities of cooperative
17 membership, the resale of shares, the financing of the
18 cooperative including any arrangements made with any
19 partners, membership share accounts, occupancy
20 restrictions, management arrangements, and any other
21 information pertinent to the benefits, risks, and
22 obligations of cooperative ownership.

23 (4) The federal or state agency named in paragraph
24 (1) which executes the regulatory agreement shall satisfy
25 itself that the bylaws, articles of incorporation, occupancy
26 agreement, subscription agreement, any lease of the
27 regulated premises, any arrangement with partners, and
28 arrangement for membership share accounts provide
29 adequate protection of the rights of cooperative
30 members.

31 (5) The federal or state agency shall receive from the
32 attorney for the recipient of the financing or subsidy a
33 legal opinion that the cooperative meets the
34 requirements of Section 33007.5 of the Health and Safety
35 Code and the exemption provided by this section.

36 (c) Any limited-equity cooperative which meets the
37 requirements for exemption pursuant to subdivision (b)
38 may elect to be subject to all provisions of this chapter.

39 (d) The developer of the cooperative shall notify the
40 Department of Real Estate, on a form provided by the

1 (b) A limited-equity housing cooperative shall be
2 exempt from the requirements of this chapter if the
3 limited-equity housing cooperative complies with all the
4 following conditions:

5 (1) The United States Department of Housing and
6 Urban Development, the Farmers Home Administration,
7 the National Consumers Cooperative Bank, the
8 California Housing Finance Agency, or the Department
9 of Housing and Community Development, alone or in
10 any combination with each other, or with the city,
11 county, or redevelopment agency in which the
12 cooperative is located, directly finances or subsidizes at
13 least 50 percent of the total construction or development
14 cost *or one hundred thousand dollars (\$100,000),*
15 *whichever is less*; or the real property to be occupied by
16 the cooperative was sold by the Department of
17 Transportation for the development of the cooperative
18 and has a regulatory agreement approved by the
19 Department of Housing and Community Development
20 for the term of the permanent financing,
21 notwithstanding the source of the permanent subsidy or
22 financing.

23 (2) No more than *20 percent of the total development*
24 *cost of a limited-equity mobilehome park, and no more*
25 *than 10 percent of the total development cost of other*
26 *limited-equity housing cooperatives,* is provided by
27 purchasers of membership shares.

28 (3) A regulatory agreement ~~has been duly executed~~
29 ~~between the recipient of the financing or subsidy and one~~
30 ~~of the federal or state agencies described in paragraph~~
31 ~~(1)~~ which covers the cooperative for a term of at least as
32 long as the duration of the permanent financing or
33 subsidy, notwithstanding the source of the permanent
34 subsidy or financing *has been duly executed between the*
35 *recipient of the financing and either (A) one of the*
36 *federal or state agencies specified in paragraph (1) or*
37 *(B) a local public agency which is providing financing*
38 *for the project under a regulatory agreement meeting*
39 *standards of the Department of Housing and Community*
40 *Development.* The regulatory agreement shall make

ASSEMBLY BILL

No. 4069

Introduced by Assembly Member Clute

February 19, 1988

An act to amend Section 50781 of the Health and Safety Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

AB 4069, as introduced, Clute. Mobilehome parks: tenant purchases.

Under existing law, the Department of Housing and Community Development may make loans from the Mobilehome Park Purchase Fund to finance the acquisition and conversion of mobilehome parks by resident organizations and to reduce monthly housing costs of low-income residents. Existing law requires resident organizations applying for this assistance to comprise at least $\frac{2}{3}$ of the households residing in the mobilehome park at the time application is made to the department.

This bill would specify that (1) membership in the resident organization at the time the application was submitted to the department is not a requirement for receiving a loan to reduce a low-income resident's monthly housing costs and (2) the $\frac{2}{3}$ of households who are members of the resident organization when funding is received need not be the same households that were required at the time the application was made.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. Section 50781 of the Health and Safety
2 Code is amended to read:

3 50781. Unless the context otherwise requires, the
4 following definitions given in this section shall control
5 construction of this chapter:

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

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

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

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

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

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

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

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

37 (3) Membership in a nonprofit mutual benefit
38 corporation which owns, operates, or owns and operates

1 the mobilehome park.

2 (g) "Low-income resident" means an individual or
3 household who resided in the mobilehome park prior to
4 application for a loan pursuant to this chapter and who is
5 a lower income household, as defined in Section 50079.5.
6 However, personal assets shall not be considered in the
7 calculation of income, except to the extent that they
8 actually generate income.

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

12 (i) "Mobilehome park" means a mobilehome park, as
13 defined in Section 18214, or a manufactured home
14 subdivision created by the conversion to resident
15 ownership of a mobilehome park, as defined in Section
16 18214.

17 (j) "Resident organization" means a group of
18 mobilehome park residents who have formed a nonprofit
19 corporation, cooperative corporation, or other entity or
20 organization for the purpose of acquiring the
21 mobilehome park in which they reside and converting
22 the mobilehome park to resident ownership. The
23 membership of a resident organization shall include at
24 least two-thirds of the households residing in the
25 mobilehome park at the time of application for assistance
26 from the department. *However, membership in the*
27 *resident organization when the application is made shall*
28 *not be a requirement for a loan under Section 50784, and,*
29 *when funding a loan under Section 50783, the two-thirds*
30 *of households in the resident organization need not be*
31 *the same households that were in the resident*
32 *organization when the application for assistance was*
33 *submitted to the department.*

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

O

SECTION VI

A P P E N D I X

Selected Correspondence

San Luis Obispo, Ca.
Feb. 10, 1988

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

Dear Senator Craven:

Thank you so very much for allowing me to be on your Agenda with regard to Mobilehome Park Conversion problems.

You certainly conduct a well planned program; we who were involved in Park conversions were able to speak with the various State Organizations personnel to facilitate and correct the problems that had created a roadblock to conversion park closing.

I was disappointed that Sue Loftin, one of the representatives of Continental Associates, our Consultants from San Diego did not appear. I feel they have hindered the closing since they did not carry through the promises to us. We actually started prior purchase arrangements, contracts, etc. with them on Oct. 1985. They promised to have an office opened on site at the onset which they did not do. They did not satisfactorily finalize a program of assistance with our City Council, in this regard I now hope it can be accomplished.

HCD under Mr. Rioux and Mrs. Trombetta arrived at the park to set up a program. Both are not in charge and I was happy to meet Mr. Blum. To expect that 2/3 of the residents to be alive and sales not to take place in the years of this endeavor is unrealistic and hope this matter is immediately remedied.

We waited months for the "White Paper" from DRE, Real Estate Department and finally received it Nov. 23, 1987. Prior meetings with them required that 51% be signed to buy their space and we could not add the low and median income approved by HCD. When the "White Paper" was received the requirement had risen to 60% which meant 141 spaces out of 235. Talking with Mr. Dingman yesterday he stated we could start to close escrows now and work up to the 60%.

All of these delays have caused more dissention in the Park more dropping out to buy, especially when the conversion costs doubled. We have also each had to pay \$70.00 a month on the Gap loan for ten months, hope it will end soon.

Was so happy to see my friend of years Senator Mello, we miss him so much. Thanks again for all the correspondence I receive from you.

Sincerely
Adèle Raymond
Mrs. Adèle Raymond
3057 S. Higuera Sp. 81
San Luis Obispo, Ca. ~~9350~~ 93401

GOLDEN STATE MOBILHOME OWNERS LEAGUE, INC.



11021 MAGNOLIA BOULEVARD, GARDEN GROVE, CALIFORNIA

P.O. BOX 876, GARDEN GROVE, CALIFORNIA 92642

(714) 826-4071 1-800-422-4471

October 15, 1987

"A Homeowners Association"

Senator William Craven
2121 Palomar Airport Rd. #100
Carlsbad, CA 92008

Dear Senator Craven,

Seven years have passed since the first group of mobilehome owners formed their corporation to purchase, own and operate their mobilehome park. The process required by government prior to approving that sale took five years. The long delay was credited to lack of provision in state law for purchase of mobilehome parks by the home owner residents of the park.

Department of Real Estate tried to apply existing laws to that purchase but existing laws did not then nor do they today fit the unique conversion from a rental to resident owned mobilehome park. Existing laws were designed for the conversion of rental apartments to resident ownership and cannot be satisfactorily adjusted to include the unique circumstances of existing home ownership as well as the different building standards applicable to mobilehome parks.

There are, in the main, four types of resident ownership being achieved today. They are conversions from rental to condominium, stock co-op, limited equity co-op and corporation. With the exception of the corporation, all continue to experience delays due to adjustments that still have to be made in the process because mobilehome park purchases made by residents are trying to be accomplished under statutes designed for resident purchase and ownership operation of apartments.

I believe success of the program for conversion of mobilehome parks to resident ownership is and will continue to be seriously impaired if required to continue to operate without of its own statutory guidelines.

As the GSMOL Coordinator for this program, for the past seven years I have worked with the various parties involved, i.e., consultants, bankers, escrow companies, city governments, county governments, state government and of course the mobile-home owner.

Senator William Craven
October 15, 1987
Page 2

Consultants, bankers, local governments and mobilehome owners have voiced their ideas, based upon experience, about the statute they feel is needed to improve the conversion process.

I do not know of a better vehicle to air the conversion problems than a public hearing by the Senate Select Committee on Mobile Homes.

I do not know if this is possible or not but perhaps representatives from the Assembly Sub-Committee on Mobile Homes could also be invited to attend to gain information on the operation of the conversion program.

As you know, I have discussed this idea in a telephone conversation with John Tennyson. I understand he has brought it to your attention.

If you can find time for another hearing in your busy schedule, I believe it will prove to be very productive.

I will be happy to furnish names and addresses of the professionals and mobilehome owners that have volunteered to participate in the hearing or if you desire GSMOL will be glad to ask for their individual participation.

Thank you for your cooperation.

Sincerely,



Marie L. Malone
President

MLM:gbt

DEPARTMENT OF CORPORATIONS

OFFICE OF THE COMMISSIONER
600 S. COMMONWEALTH AVENUE
LOS ANGELES, CALIFORNIA 90005
(213) 736-2741



IN REPLY REFER TO:

FILE NO. _____

January 27, 1988

The Honorable William A. Craven
Member of the Senate
State Capitol, Room 3070
Sacramento, CA 95814

Re: Senate Select Committee on Mobilehomes; Hearing scheduled
for Tuesday, February 9th.

Dear Senator Craven:

This letter is in response to your January 15, 1988 request that a representative of the Department of Corporations be available to discuss issues and respond to questions relating to the purchase of mobilehome parks by its tenants or residents. I have contacted the Office of Policy of the Department of Corporations and asked Assistant Commissioner William Kenefick to attend the hearing on February 9th. I also have asked Mr. Kenefick to provide to you and the Select Committee any assistance or information that may be required prior to the hearing date.

Your letter mentions complaints the Select Committee has received concerning actions of the Department of Corporations that may have impeded or frustrated mobilehome purchase transactions by tenants or residents. I am concerned about these complaints as much as you are and would appreciate being more precisely informed of them by the Select Committee consultant in sufficient time prior to the hearing so that we may investigate and be able to respond to them at the hearing. Our preliminary conversations with the consultant, Mr. John G. Tennyson, indicated that an organization called California Park Consultants representing Highlands Mobilehome Park contacted the Select Committee regarding the Department of Corporations. Our contact with Steve Harrington of California Park Consultants revealed that the guidance provided by the Department of Corporations relating to the availability of a securities law exemption solved their problem. I do not believe this contact with the department

January 27, 1988

qualifies as a complaint. If there are other complaints, I wish to know of them.

Moreover, a review of the Department's computer index for the last two years reveals that only seven resident mobilehome park purchase transaction applications were filed with this department; six of which received permits ranging in time from 14 days to 120 days after filing with us. (In the latter case, a permit was issued within 30 days after the completed application was filed.) Most applications were reviewed and approved within 30 days of filing. One application was withdrawn after it was filed because the securities were already sold and the Department of Corporations will not review and approve a past transaction.

Finally, the Select Committee should be aware that many of these transactions are not subject to the Department of Corporations' review and approval process under the California Securities Law because of an exemption afforded by Corporations Code Section 25100(f). This section provides an exemption from our review for those securities which meet the definition of a "subdivision" or "subdivided lands". As you know, a subdivision is subject to review and approval by the Department of Real Estate under the Subdivided Lands Act. Also, many "pre-subdivision" transactions may not be subject to Department of Corporations review because exempt under subdivisions (e), (f) or (h) of Corporations Code Section 25102. Those transactions that are not exempt from our review are processed expeditiously.

Very truly yours,

Christine W. Bender

CHRISTINE W. BENDER
Commissioner of Corporations

cc: John G. Tennyson, Consultant ← **COPY TO**
Senate Select Committee on Mobilehomes

William Kenefick
Assistant Commissioner

CWB:kw

Memorandum

ADULT ONLY ISSUE

To : Daniel Pennington

Date : March 31, 1988

Thru: Mary Ann Karrer



Albert H. Blum, Program Manager
Mobilehome Park Assistance Program (MPAP)
From : DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF COMMUNITY AFFAIRS

Subject: Adults-only Mobilehome Park Issue

In February of this year the Supreme Court of the State issued a ruling upholding the constitutionality of adults-only restrictions in mobilehome parks. These park restrictions limit occupancy to persons over the age of 18. (See attachment 1)

However, overriding this consideration, are Sections 11135 and 11139 of the State Government Code which prohibit State agency age discrimination when providing assistance and services; excepted are lawful programs which benefit the disabled, the aged, minorities and women. (See attachment 2).

For this overriding reason, MPAP assistance is limited to occupants of senior, family, and mixed mobilehome parks.

attachments

MPADLTIS.001

Div. 3 STATE AGENCIES—DISCRIMINATION § 11135

§ 11131. Use of facility allowing discrimination; state agency

No state agency shall conduct any meeting, conference, or other function in any facility that prohibits the admittance of any person, or persons, on the basis of race, religious creed, color, national origin, ancestry, or sex. As used in this section, "state agency" means and includes every state office, officer, department, division, bureau, board, council, commission, or other state agency.

(Added by Stats.1970, c. 383, p. 798, § 1.)

Article 9.5

DISCRIMINATION

Sec.

11135. Denial of benefits based on ethnic identification, religion, age, sex, color or disability; prohibition.

11136. Notice to contractor, grantee or local agency by state agency; probable cause to believe violation of statute or regulation; hearing.

11137. Action to curtail state funding upon determination of violation.

11138. Rules and regulations.

11139. Prohibitions and sanctions; construction of article.

11139.5. Standards and guidelines; establishment; assistance.

Article 9.5 was added by Stats.1977, c. 972, p. 2942,

§ 1.

§ 11135. Denial of benefits based on ethnic identification, religion, age, sex, color or disability; prohibition

No person in the State of California shall, on the basis of ethnic group identification, religion, age, sex, color, or physical or mental disability, be unlawfully denied the benefits of, or be unlawfully subjected to discrimination under, any program or activity that is funded directly by the state or receives any financial assistance from the state.

(Added by Stats.1977, c. 972, p. 2942, § 1.)

Library References

Civil Rights ⇐3.

C.J.S. Civil Rights §§ 5, 12 to 14, 16, 17.

§ 11136 EXECUTIVE DEPARTMENT Title 2

§ 11136. Notice to contractor, grantee or local agency by state agency; probable cause to believe violation of statute or regulation; hearing

Whenever a state agency that administers a program or activity that is funded directly by the state or receives any financial assistance from the state, has reasonable cause to believe that a contractor, grantee, or local agency has violated the provisions of Section 11135, or any regulation adopted to implement such section, the head of the state agency shall notify the contractor, grantee, or local agency of such violation and shall, after considering all relevant evidence, determine whether there is probable cause to believe that a violation of the provisions of Section 11135, or any regulation adopted to implement such section, has occurred. In the event that it is determined that there is probable cause to believe that the provisions of Section 11135, or any regulation adopted to implement such section, have been violated, the head of the state agency shall cause to be instituted a hearing conducted pursuant to the provisions of Chapter 5 (commencing with Section 11500) of this part to determine whether a violation has occurred.

(Added by Stats.1977, c. 972, p. 2942, § 1.)

Library References

Civil Rights ⇐43.

C.J.S. Civil Rights §§ 306, 310 to 312

§ 11137. Action to curtail state funding upon determination of violation

If it is determined that a contractor, grantee, or local agency has violated the provisions of this article, the state agency that administers the program or activity involved shall take action to curtail state funding in whole or in part to such contractor, grantee, or local agency.

(Added by Stats.1977, c. 972, p. 2942, § 1.)

§ 11138. Rules and regulations

Each state agency that administers a program or activity that is funded directly by the state or receives any financial assistance from the state and that enters into contracts for the performance of services to be provided to the public in an aggregate amount in excess of one hundred thousand dollars (\$100,000) per year shall, in accordance with the provisions of Chapter 4.5 (commencing with Section

Div. 3 STATE BOARDS AND COMMISSIONS § 11139.5

11371) of this part, adopt such rules and regulations as are necessary to carry out the purpose and provisions of this article.

(Added by Stats.1977, c. 972, p. 2942, § 1.)

Library References

Civil Rights ⇐61.

C.J.S. Civil Rights § 203 et seq.

§ 11139. Prohibitions and sanctions; construction of article.

The prohibitions and sanctions imposed by this article shall be in addition to any other prohibitions and sanctions imposed by law.

This article shall not be interpreted in such manner so as to frustrate its purpose.

This article shall not be interpreted in such a manner so as to adversely affect lawful programs which benefit the disabled, the aged, minorities and women.

(Added by Stats.1977, c. 972, p. 2942, § 1.)

§ 11139.5. Standards and guidelines; establishment; assistance

The Secretary of the Health and Welfare Agency, with the advice and concurrence of the Fair Employment Practices Commission, shall establish standards for determining which persons are protected by this article and guidelines for determining what practices are discriminatory. The secretary, with the cooperation of the Fair Employment Practices Commission, shall assist state agencies in coordinating their programs and activities and shall consult with such agencies, as necessary, so that consistent policies, practices, and procedures are adopted with respect to the enforcement of the provisions of the article.

(Added by Stats.1977, c. 972, p. 2942, § 1.)

Article 10

STATE BOARDS AND COMMISSIONS

Sec.

11140. Policy of state.

11141. Nomination for appointments; compliance with policy.

Article 10 was added by Stats.1975, c. 977, p. 2301,

§ 1.

