

C A L I F O R N I A   L E G I S L A T U R E

SENATE SELECT COMMITTEE  
ON  
MOBILEHOMES

SENATOR WILLIAM A. CRAVEN  
CHAIR

HEARING ON  
RESIDENT-OWNED MOBILEHOME PARKS



MARCH 13, 1995

STATE CAPITOL  
SACRAMENTO, CALIFORNIA

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TRANSCRIPT OF HEARING ON

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MARCH 13, 1995

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## Senate Select Committee on Mobilehomes

SENATOR WILLIAM A. CRAVEN  
CHAIRMAN

### Reviewing 10 Years of Resident Owned Mobilehome Parks

BACKGROUND PAPER  
March 13, 1995  
HEARING

#### PURPOSE OF THE HEARING

The Legislature has been involved in issues relating to the conversion of rental mobilehome parks to resident ownership for over a decade.

The purpose of this hearing is primarily informational but will also provide a sounding board for the discussion of resident-owned park issues. The committee seeks to obtain information about the progress of the conversion of mobilehome parks to resident ownership over the past 10 years, the status of legislatively-created programs at HCD and CHFA to assist the funding of the conversion process, and current problems relating to resident park ownership.

The hearing is also designed to provide the committee with feedback on whether pending legislation is on the right track on resident ownership issues and what additional legislative efforts may need to be made.

#### INTRODUCTION

The conversion of rental mobilehome parks to resident ownership has gained in popularity among mobilehome owners over the past 10 years, with more than 100 rental parks converted to some form of resident ownership since 1984. Residents normally are interested in purchasing a park in order to avoid ever-increasing space rents, the closure of the park and the displacement of their homes, or to have better control over the rules, regulations and policies of the park. Ownership and control of the land gives mobilehome owners a greater share in the American dream of home ownership, which is missing in rental parks.

The conversion of a mobilehome park to resident ownership is not, however, 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 basis during the conversion process as well as qualifying individual residents for financing for the long term; and 4) obtaining approval by various governmental agencies at both the local and state levels. The conversion of a rental park to resident ownership is a lengthy and complicated real estate transaction requiring the cooperation and patience of all the persons and entities involved, especially the homeowners.

### TYPES OF OWNERSHIP

Residents can convert their parks to one of several types of ownership structures. The availability of financing, the needs of the park residents, the level of local governmental support, the size and age of the parks, the income level of the residents, and the conditions under which the park owner is willing to sell are all factors which may determine how a resident owned park should be set-up.

Subdivision or Condominium Ownership: each resident buys a specific space or airspace on which his or her mobilehome is located, along with a shared interest in the park's common areas which is operated and maintained by a park homeowners association. Normally it is easier to finance the purchase of specific deeded lots than other forms of resident ownership, but the conversion to subdivided interests takes longer and is more expensive because of local and state government subdivision approvals.

Corporate or Cooperative Ownership: residents buy stock or a membership in a corporation which owns and runs the park. Individual homeowners do not own the land under their homes but have certain rights, sometimes exclusive leases, to use the space which accompanies the stock or membership. The corporation obtains blanket financing for the park with the rest coming from the sale of memberships. Corporate conversions are quicker to set-up with less governmental involvement, an advantage when a selling park owner will not wait for the approval of a subdivision. But some lenders refuse to finance memberships or even the resale of mobilehomes in co-op or corporate parks.

Non-profit Corporation or Governmental Ownership: typically non-profit or government ownership is designed to preserve the mobilehome park as affordable housing. The park is operated on a nonprofit basis to maintain low rents. Residents usually pay little or no membership fee, and parks owned in this fashion often can

obtain federal tax exempt bond financing, and thus the rent structure can be pegged to suit lower income households. Although park residents may have some input concerning the park's management, they still have no control of the management and little chance for appreciation of membership investment.

#### STATE AGENCIES INVOLVED WITH PARK CONVERSIONS

In addition to review of the conversion of a mobilehome park to resident ownership by local government planning agencies in the case of subdivided parks, and funding available from some local housing and redevelopment agencies, a number of state agencies are involved with park conversions.

Department of Real Estate: The Department of Real Estate (DRE) is responsible for enforcing the Subdivided Lands Act. Since the early 1970's, the DRE has been the primary watchdog agency in subdivided land projects involving the division of land into more than five parcels. The 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.

Department of Corporations: By virtue of legislation passed in 1986 (AB 256 - Frazee), DRE's Public Report requirements are not applicable to the purchase of a mobilehome park by a nonprofit corporation where the majority of shareholders or members constitute a majority of the residents the park, a majority of the corporation's board of directors are residents of the park, and no shareholder will receive or be sold a separate subdivided park interest. In these cases 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 corporations which subdivide the park. Jurisdiction in those cases belongs to DRE. 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 corporation.

Department of Housing and Community Development: The role of the Department of Housing and Community Development (HCD) is a result of 1984 legislation, SB 2240 (Seymour), which created the Mobilehome Park Resident Ownership Program (MPROP), authorizing the department



to make loans to low-income residents of mobilehome parks to help them purchase a space or interest in their park. MPROP, formerly MPAP, began making loans in early 1986, but MPROP 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 the total conversion package viable. More than 40 park conversions have been partially funded through MPROP to date with another 7 or 8 now in process. Although the program remains popular with mobilehome residents, only limited funding is available from the \$2 million a year available to the program from the annual \$5 surcharge on mobilehome vehicle license fees (VLF), and approvals can often be complicated and lengthy.

California Housing Finance Agency: New to the scene of mobile park conversions is the California Housing Finance Agency (CHFA), which, pursuant to AB 1677 (Hauser) of 1993, was granted expanded authority in issuing tax-exempt revenue bonds to finance development and purchase, or guarantee loans to finance acquisition or development, of housing for low and moderate income persons, to include mobilehome parks. The CHFA program is scheduled for implementation later this year.

#### LEGISLATION

The proliferation of resident-owned mobilehome parks in the past 10 years has been accompanied by a host of legislation - in addition to the creation of state loan programs - to encourage conversion to resident ownership. These have included both new laws and failed attempts to speed up local and state government review of park conversions, provide tax breaks for converted parks, augment funding for state loan programs, provide for registration of park conversion consultants, encourage local government participation and funding in park conversions, and provide residents with the right of first refusal to buy a park, among others.

Input from mobilehome owners, park owners, attorneys, private conversion consultants, local and state government agencies, and others to the Select Committee has resulted in the following new bills introduced by Senator Craven in 1995:

#### SB 53 - Property Tax Reassessment of Converted Parks

This measure extends from 18 to 36 months the time period which a local agency or other intermediary, which has purchased a park from the park owner, has to sell the park to residents in order to qualify the park for the exclusion from property tax reassessment.

#### SB-110 - Mobilehome Residency Law in Resident Owned Parks

The Mobilehome Residency Law (MRL) spells out the rights and

obligations of parks owners and residents in a mobile park. This measure clarifies which MRL protections apply to whom, that the rental provisions of the MRL (Articles 1-8) apply to homeowners who rent a space in a resident owned park, while only Article 9 applies to homeowners who own their space or interest in the park. SB-110 also retains 7 specified MRL rental protections for space owners.

SB-310 - Streamlining the Process & Disclosing the Price

This measure would permit a commercial lender which has a security interest in a membership mobilehome park, to hold more than one membership, for purposes of resale within a year after foreclosure. The bill also requires that a subdivider of a park proposed to be converted to resident ownership disclose in writing to park residents a tentative price of the spaces prior to filing for review of the project by the the Department of Real Estate. Lastly, SB 310 would expand the standards now used by local governments to mitigate economic displacement of non-purchasing residents on the conversion of a park to a MPROP financed resident-owned subdivision or condo park, to include all resident-owned subdivisions or condo parks.

SB-360 - MPROP's 2/3rds Requirement Changed to 51%

This measure would provide that HCD shall require parks acquired after January 1, 1993 to have a simple majority, rather than 2/3rds, of the households residing in the park actually purchase, or open escrow to purchase, spaces or interests in the park as a condition of the release of MPROP funds to qualified households.

SB-502 - Revising MPROP Funding with Park Space Fees

This bill would repeal the \$5 surcharge on VLF mobilehomes to support the MPROP loan program. Instead, a new annual \$10 space fee for every mobilehome park space would be enacted, piggybacking on the existing annual permit to operate and space fees now paid by mobilehome park owners to HCD. The additional annual \$10 per space would be designated for the MPROP program and could be passed through to residents in the form of a \$10 rent increase. The measure is estimated to raise about \$3.5 million a year for MPROP.

More detailed analyses of these bills are available at the hearing as a separate packet.

TRANSCRIPT

A transcript of this hearing will be made available in about 6 to 8 weeks, upon request to the Select Committee at (916) 324-4282.



TRANSCRIPT OF TESTIMONY

MARCH 13, 1995



**HEARING OF THE SENATE SELECT COMMITTEE ON MOBILEHOMES**  
**RESIDENT-OWNED MOBILEHOME PARKS**  
**ROOM 112, STATE CAPITOL, SACRAMENTO**  
**MARCH 13, 1995**

**SENATOR AYALA:** I would like to call the Senate Select Committee on Mobilehomes to order. I want to say good afternoon to you, ladies and gentlemen, and welcome to the 28th hearing of the Senate Select Committee on Mobilehomes. I would like to start off by introducing the other member who is here from the Committee, Senator Dills, from the Gardena area. Others will be coming in and out on other business.

**SENATOR DILLS:** Ex-Gardena.

**SENATOR AYALA:** All right, Senator Dills formerly from Gardena and other areas to the northeast.

**SENATOR DILLS:** ...(inaudible)...

**SENATOR AYALA:** I'm Senator Ruben Ayala from the San Bernardino area, and Mr. John Tennyson remains and continues as our consultant.

With mobile and manufactured homes there are many issues to discuss. We are here today to focus on the subject of converting rental parks to resident ownership. For over ten years the Legislature has been involved in this area, and numerous bills have been introduced in the past decade which address some of the aspects of park conversion and resident ownership. Before 1980, the resident-owned parks were practically unheard of. Of course, there were a few mobilehome subdivisions that started out as resident-owned communities, but they really weren't mobilehome parks, per se. The trend really caught on in the early 1980's after a few pilot parks, such as the Oak Crest Mobilehome Park in San Diego County, were converted under HCD's old CHAP program. From our vantage point here today, we might ask what has happened over the last decade? What progress has been made in converting parks to resident ownership? What problems have we solved and what problems do we face today?

We are going to hear first from the representatives of the two state agencies that have programs designed to provide assistance to residents in converting their parks. CHFA and HCD will tell us what their programs do and will not do, where they see their programs going in the future.

Then, we will hear from homeowners, park conversion consultants, and others who will tell us about their concerns. When we are finished with the scheduled list of speakers, we will be happy to take more testimony from anyone in the audience on resident ownership issues. Please check with the Sergeant at Arms by giving him your name. For those of you who may have come in late, there is a background paper for this hearing and other resource material on the front table to your left. I will ask the speakers when they approach the table to identify themselves and the organization they represent for the record, as this hearing is being recorded for later transcription.

**SENATOR AYALA:** Now, let us begin with the representatives from the California Housing Finance Agency. Will you please come forward and identify yourselves. Let me ask first, Senator Dills, do you have any comments to make at this point?

**DICK SCHERMERHORN:** Thank you, Mr. Chairman. My name is Dick Schermerhorn. I am the Director of Programs at the California Housing Finance Agency.

**LINDA BRAUNSCHEWIGER:** And, I'm Linda Braunschweiger. I'm Director of Legislation for the California Housing Finance Agency.

**DICK SCHERMERHORN:** Mr. Chairman and members of the Committee, we appreciate this opportunity to be here today and identify for you a lending program that we have been able to put in place in support of mobilehome park conversions. As you know, the California Housing Finance Agency has been in business about 20 years now. It was originally created as an affordable housing lender to support single and multi-family affordable housing activity in the state. And a year or so ago, the Agency embarked on a five-year business plan process, and as part of that process, we solicited input from our lender associates throughout the state, and also, from interested parties who brought to our attention various and sundry affordable housing needs. We took all that under consideration and attempted to ascertain, given the resources that the Agency has to work with, how we could improve, strengthen and provide additional affordable housing finance programs.

One of them had to do with mobilehome parks. It was brought to our attention that it was getting increasingly difficult to do certain kinds of conversions. The Agency was, by this time, in a position to be financially supportive of such activity, and last year we created, and in December, made public announcement of, a mobilehome park tenant acquisition financing program. In essence, the program is designed as a partnership in its delivery with the Agency providing long-term, fixed-rate financing in conjunction with the Bank of America Community Development Bank as a financial partner in the transaction. They are, if you will, the front door for the program for us. Our strength is in being able to access tax-exempt financing to provide the long-term fixed rate financing for the conversion projects. The bank has extensive experience in doing credit assessment, and we have structured up a lending process and program that utilizes both entities' strengths at this point.

Our eligible borrowers in this program would be qualified tenant-controlled, 501(c)(3), not-for-profit organizations and/or public agencies. The loans would be funded from proceeds of tax-exempt bonds that we, CHFA, would issue. Also, from loans from the bank, depending upon the structure of the deals, there may be second loans from the Bank of America, and the funding process also would accommodate loans from such other sources as HCD's MPROP program, local redevelopment agencies or from HUD home funds. Any combination of those could go into mobilehome park conversion financing under

**DICK SCHERMERHORN:**

this program. The CHFA funding would be the first mortgage, or senior lien on the project. The bank funding would be a junior lien, and other loans would be subordinate.

We are anticipating that the financial structure on these loans will be 25 to 30 year fixed-rate transactions. The total transaction fees inclusive of origination fees, costs associated with the issuance of bonds, legal appraisal, environmental, title, and closing costs would be somewhere between 4% and 6%, depending upon the complexity of the transaction and the size of the transaction. The servicing of the loans will be done by the individual loan makers in the transaction. The first and second loans, the program arrangement that we have with Bank of America is that both their loan and ours, will be fixed-rate loans. There may be different maturities, but they will be fixed-rate loans, and they will be underwritten at the front end in such a fashion as to insure that that particular aggregate loan is economically viable over the long term.

The Agency will participate in the decision at the front end with the bank on applications to determine the acceptability of them. The bank will do the loan processing, and then it submits it to the Agency for final approval because we take all of our loans to our Board of Directors for final approval before bond finance issuance. A requirement in our program is that 51%, a minimum of 51% of the units in a park must be occupied by households at or below 120% of the area-wide median income, and 20% of these households have to be at or below 80% of the median income. These requirements are still subject to a final IRS determination regarding the certification of the 501(c)(3) corporations.

We have a handful of projects that are in the application stage through the process right now. We have... the program was announced in December... marketing materials that were distributed to interested parties. The early part of this year, according to our colleagues, there have been, on average, about three to five inquiries a week, and they've taken in a handful of applications to start the process. Our expectation is that somewhere in the next three to four months, we will be reaching conclusion on the first of this as a pilot program.

The Agency has targeted, in it's business plan, an initial allocation of 10 million dollars for mobilehome park conversion activity, and if successful, is in a position to make more monies available over the five-year plan that we have in mind. It is a pilot program at this point, and as such, our initial applications are being restricted to conversion of senior citizen projects, elderly mobilehome park conversions. Primarily, the conclusion reached there was that those were the parks that were in the most need at this point in time. There apparently were a number of them with affordability problems and they were looking to the Agency for some assurance of available funding to



**DICK SCHERMERHORN:**

make those projects viable and turn them into tenant ownership. That, in essence, is where we're at. As I said, it is a demonstration program. We're hopeful that it will be successful, and it will be able to continue. And I'll be glad to answer any questions you might have.

**SENATOR AYALA:** It is a pilot program, as of now. How many are participating in it at this time, in this program?

**DICK SCHERMERHORN:** We have, as I indicated, we have... I believe there are five applications that are being looked at, at the moment. There are two that I know for sure are in process.

**SENATOR AYALA:** Other than the break that you mentioned a while ago as to senior citizens and certain income levels, what's the other criteria that you have for converting to resident ownership of a park? Do all the members have to participate? Is the loan given to the group as a whole? I don't quite understand how that works.

**DICK SCHERMERHORN:** The structure, in essence, is you would create...if you have a mobilehome park that wants to go to conversion, then a threshold...

**SENATOR AYALA:** Excuse me. First of all, who decides they want to convert?

**DICK SCHERMERHORN:** The mobilehome park. The residents in the mobilehome park.

**SENATOR AYALA:** The majority wants to own the park.

**DICK SCHERMERHORN:** Correct. And, our test would be, we would want a clear demonstration that at least 75% of the existing tenants in that particular park want to go forward with the conversion. They then need to create what amounts to an association.

**SENATOR AYALA:** So that if 75% of the owners wish to get involved in this kind of a program, and say there are a few that don't want to participate. Are they brought into the program if they like it or not?

**DICK SCHERMERHORN:** It would be our expectation that they would have, by the time they got to the conversion point and came to final financing, that there would be 100% participation in the park. It would have to be very close to that to be economically feasible because what we would look at is the income stream. Basically, we are going to be generating debt on the project to be able to buy out the existing owner. That debt's going to have to be serviced by, in effect, the rent payments. The payments made on the land.

**SENATOR AYALA:** The residents who are now involved in purchasing the park will underwrite the program. They will have to finance, they will pay for the bonds that you mentioned a while ago.

**DICK SCHERMERHORN:** That's correct, through forming this association. It's kind of the equivalent of a homeowners' association. They would be forming this association. They would all need to be members of the association. Their rent, what they're currently paying as rent for the pads, the spaces that they're on, would become, in effect, it may or may not be the same amount, but a rent would have to be established for their spaces, and those payments would go to pay off the debt that is incurred in our financing to purchase the park.

**SENATOR AYALA:** Are you familiar with the mobile park in Rialto called the Ramrod? Where, I think, the city, through redevelopment, purchased or developed this park, and the residents took over that park. They run it themselves as a commission, I guess, from within. They don't have to respond to an absentee landlord or to a manager who is not very interested, as we do today. They own the park, and if they don't like what's happening, can replace the board members that they have selected themselves. But, you're not familiar with that park at all?

**DICK SCHERMERHORN:** Not personally, no sir.

**SENATOR AYALA:** It's the only one in my district, and it's called the Ramrod, and it's working very well, by the way. Are there any other questions.

**SENATOR DILLS:** The question is would the park owner be willing to proceed with the the sale... This organization that is put together would be a non-profit corporation where they would have a right of eminent domain? In other words, to force the park owner to sell?

**DICK SCHERMERHORN:** No, it would have to be an agreed upon transaction between buyer and seller.

**SENATOR AYALA:** Mr. Tennyson, do you have any questions?

**JOHN TENNYSON:** Yes, Mr. Chairman, thank you. First of all, did I understand you to say that the Bank of America or some contracting financial institution will actually be handling the arrangements at the front end? In other words, the homeowners' association, which is established by home owners in a park, will have to approach one of your contracting agencies in order to become eligible or apply for this program? Is that how that's going to work?

**DICK SCHERMERHORN:** If they didn't go directly there, if they came directly to us, which is an avenue, we would put them in touch with the appropriate bank lending officer who would handle the mechanics of getting the loan structured and processed. We do participate. Any transaction coming in, the requirement of our program is before it goes forward the bank comes to us, and we sit down and review the initial application to make sure that it is going to be a transaction that is consistent with the program as we have devised it, and then, we give them the green light to go ahead and process the loan, consistent with the underwriting arrangement that we have. Then, at the conclusion of

**DICK SCHERMERHORN:**

getting all of the underwriting information together, which includes all of the market information and the appraisal and the other program requirements in place, they make a determination because in most instances it's our expectation that they'll be doing second loans. These deals will be structured with first and second loans minimally. So, they have a credit decision that they need to make about their loan and then they deliver that package to us for final decision by the Agency to accept it for first loan financing.

**JOHN TENNYSON:** Then is there a fee that the bank or financial institution charges your program, CHFA, for this service?

**DICK SCHERMERHORN:** Yes, I indicated that the fee structure would be...Our estimates between 4% and 6% covers all of the costs, should cover all the costs associated with the transaction. We are...that was a point of discussion with them. One of the reasons that we agreed to this particular arrangement is that Bank of America Community Development Bank is interested in supporting the program. Obviously, it's got to be of economic value to them, but they are also quite interested in keeping the costs down as much as possible so that these kinds of transactions will work. But, we are oversighting that, and we've reached agreement as to what is reasonable.

Our analysis of comparable conventional financing shows that the transaction costs definitely are comparable, and that the end-loan financing should approximate about 175 basis points below current conventional financing for a mobilehome park conversion, so that the financing that we are offering this way should produce a loan that would be one and three quarter points less per year over the term of the loan against conventional financing.

**JOHN TENNYSON:** Ok. You also mentioned that you had distributed information to interested parties. Can you tell us who those parties may be? Are these homeowners' associations or homeowner groups? It doesn't appear from people that we have talked to who have contacted the Committee, mostly homeowner groups or homeowners, that they are familiar with the program, at least yet. Can you tell me how you might get the word out, so to speak?

**DICK SCHERMERHORN:** We've been working on that process. The materials just got put together in January, and we got an initial announcement in limited distribution out to some of the communities where we knew that there was mobilehome park conversion interest. There is an effort between us and the bank, at this point, to broaden that list of interested parties and get the materials in their hand so that...We'll be glad to take any contacts from anybody. In the announcement that we put out we were trying to solicit anybody that needed the information to contact either us or B of A Community Development Bank, and we'll get the information in their hands.

**SENATOR AYALA:** Is there anything in current law that provides that a park owner who would like to sell his park give the residents first denial on the purchase of that park? Or are they out there with everybody else competing for the purchase of that park?

**DICK SCHERMERHORN:** I don't know for a fact. I believe it's the latter. I believe it is ...

**SENATOR AYALA:** The residents don't have any preference over other bidders for the purchase of the park. Is that correct, under current law?

**DICK SCHERMERHORN:** I believe that's the case.

**SENATOR AYALA:** Mr. Tennyson.

**JOHN TENNYSON:** I believe the answer to that question is that there is a provision in the Mobilehome Residency Law that provides that when a park owner is listing a park or is about to list a park with a broker, or sell the park himself or herself on the open market, that they have to give the residents a 30-day notice that the park is for sale. The intent of that legislation is to at least let the residents know that the park is going to be put up for sale and if they're in position to make an offer, then they have the opportunity to do so.

**SENATOR AYALA:** Linda, anything you'd like to add to that? Well, we thank you both for your testimony. Very encouraging, to say the least, how we are moving along on the conversion process here. Thank you very much.

**DICK SCHERMERHORN:** Thank you very much.

**SENATOR AYALA:** Ok. Is Paul Deiro here? Is he not here?

**JOHN TENNYSON:** He was with them, I think.

**SENATOR AYALA:** Oh, they were all three together. Ok. Mr. Nelson, Richard Nelson, Deputy Director, Community Affairs Division, Department of Housing and Community Development. Mr. Nelson.

**RICHARD NELSON:** Good afternoon. I have with me Allison Branscombe, who is a senior program manager for our MPROP program. I wish to thank you for the opportunity to present information regarding the history, status and future of the Mobilehome Park Resident Ownership Program. I have brought some information about California's first state-wide mobilehome park purchase program. A fact sheet on the program, a summary of our lending history, an article recently published in the Los Angeles Times about the program and the people who persist in their quest to own that park. I think that information has been distributed.

**THE HISTORY:** The Department began assisting the resident purchase of a mobilehome park in 1984 as a result of AB 1008 of 1983. This was a technical assistance program, only, with no authority or funding for

**RICHARD NELSON:**

financial assistance. With the Legislature's passage of SB 2240 in 1984, carried by Senator Seymour and Senator Craven and the writing of regulations in 1985, the Department began offering financial assistance in late 1985. SB 2240 also included in the program its first three million dollar appropriation. Also, in 1985, SB 484 gave the program its first ongoing funding source beginning in January, 1986, a five dollar per section annual registration surcharge on manufactured homes located in the park. This surcharge generates most of the program revenues. In addition, the program recycles its loan repayments back into the fund to be relent in future funding rounds. The four main purposes of the program were expressed by the Legislature, as follows:

- 1) to encourage and facilitate conversion of mobilehome parks to resident ownership,
- 2) to protect low-income mobilehome park residents from both physical and economic displacement,
- 3) to obtain a high-level of private and other public financing for mobilehome park conversion, and
- 4) to help establish acceptance for resident-owned mobilehome parks in the private market.

A major objective of the program is to keep housing costs affordable for the lower-income residents living in the park at the time of conversion. Lower-income residents are those households which earn less than 80% of the county's medium income, and whose primary residence is a mobilehome park. Affordable housing cost is defined in MPROP regulations with a goal of 30% of income being spent on housing costs. However, under certain circumstances, the lower-income resident can be allowed to pay 40% of income or the amount they were paying before the conversion, whichever is greater.

The types of resident ownership structures for park purchases vary considerably. MPROP has the flexibility to fund programs under many diverse resident ownership benefit corporations without the sale of shares, and limited equity cooperatives which are usually exempt from both DRE and DOC oversight are used as a source of low-interest, long-term park financing rent subsidy programs. This assistance is feasible due to the savings associated with MPROP loan repayment schedules and the low interest rate. By allowing MPROP loan payments to be graduated to full amortization during the middle years of a 30-year loan, rents can be gradually increased and the amount of rental assistance can be kept constant.

If you will look at the chart I provided summarizing our lending history, you will see that MPROP has provided financing or financing commitments to 46 resident-owned parks for a total of \$29 million in loans. This number includes the nine parks representing 250 households which staff is currently working on closing and which are in various stages of the funding process. These parks have about 7,775 total spaces in them. Approximately 1700 of these spaces are occupied by lower-income households who were or will be assisted with MPROP funds.

**RICHARD NELSON:** Of this number, 600 are in rental projects where MPROP funds are used to subsidize their space rents so that they can afford to stay in a converted park. Almost 1100 live in owner projects where the residents have purchased a part of the American dream by becoming homeowners. The \$29 million MPROP funds has leveraged an additional \$275 million in private financing and other public funds for mobilehome park conversion projects. This is a leveraging ratio of almost ten to one.

**CURRENT STATUS:** The program is busy closing loans from the six new awards made in 1994, as well as several older loans made prior to 1992, which have needed extra time to complete their conversion. Additionally, we will issue a new request for proposals for an estimated amount of \$2 to \$2.5 million in a funding round that will start in 1995, with awards to be made later this year, or perhaps early 1996. In conjunction with this funding round, we will be offering workshops in the north and south parts of the state to answer questions from those who might be interested in applying for MPROP funds.

**THE FUTURE:** With respect to the new effort between the California Housing Finance Agency and Bank of America Community Development Bank, we are looking forward to working with them in this venture. The CHFA/BofA proposal initially contemplates assisting only the senior rental parks. In MPROP's history, it has not financed very many of these types of parks. However, we understand there will be a major marketing effort in this program. MPROP funds can be used most efficiently to provide a rent subsidy for the lower-income seniors in the rental parks. Additionally, the MPROP program is looking forward to providing more technical assistance in order to help local resident organizations and local governments better understand the conversion process and the process of obtaining and closing MPROP loans. We'd be happy to answer any questions you might have.

**SENATOR AYALA:** Yes, Mr. Nelson, how many resident-owned mobile parks are there in California today?

**ALLISON BRANSCOMBE:** We estimate at least 150 to 175. We don't know of all of those since they don't all come through us, most of them don't come through us but at least...

**SENATOR AYALA:** You don't have that information. How many are owned by residents?

**ALLISON BRANSCOMBE:** We did a survey in conjunction with the Golden State Mobilehome Owners League a couple of years ago, and that hasn't been updated. At that time, I think there were about 150. So, I'm reasonably certain that there's more now.

**SENATOR AYALA:** Ok. Could you get that information for me? I would like to have that information.

**RICHARD NELSON:** We'll get that information back to you.

**SENATOR AYALA:** Senator Dills, any questions? Mr. Tennyson?

**JOHN TENNYSON:** Yes, sir. Did I understand you to say that you're expecting to have another open application period sometime in the next six, eight months? Something like that? Or did I misunderstand that?

**ALLISON BRANSCOMBE:** Yes, we anticipate sometime this summer issuing an RFP for somewhere around 2 to 2 and a half million dollars.

**JOHN TENNYSON:** I see, and can you explain how that works in terms of why there is a lag time between these? Your program doesn't operate like Cal-Vet or some of these other programs where you can walk in the front door, turn in your application, and then they process it on a one-by-one basis. Maybe you can explain how this request for proposal process works.

**ALLISON BRANSCOMBE:** I'd be happy to. First off, after we announce the funding that's available, we like to do workshops with parks and other parties interested in the process and answer their questions about how to put together an application. As you may be aware, our statute requires there be two applicants in the process. One is local government and one is the resident organization itself. Once..., in most of these, as you may be aware, they are put together by or with the help of a consultant. Once the application gets put together, then the application needs to be reviewed by the local government and the resident organization and they need to give us a resolution which for a local government needs to go before their City Council and meet public meeting law notice requirements.

So, generally, we have asked for between 2 and 3 months between the time we issue a request for proposals and the time that the applications themselves are due. After that, then we ask for some time to have staff be able to review the applications and analyze them and then we take to our Public Loan and Grant Committee the staff recommendations with our analysis. And, the Loan and Grant Committee hears those staff reports and makes a recommendation to the director who takes a look at what happened in the loan committee and then makes his own decision as to whether he wants to proceed.

**SENATOR AYALA:** Any questions? I would like to thank you both for your presentation, and I wonder, Mr. Nelson, if I could see you for just a moment.

**RICHARD NELSON:** Sure.

**SUE LOFTIN:** Good afternoon, and joining me is also the next speaker, Gerald Gibbs, who's also been involved in the conversions and we're going to share the topics. By way of background, I am an attorney from

**SUE LOFTIN:**

San Diego. I've been involved in 19 park conversions over the last 15 years for a total of approximately 2800 units. And, the topic today has been to review what's gone on for the last ten years, and before we get into that, maybe Jerry, you'd like to introduce yourself.

**GERALD GIBBS:** I'm Gerald Gibbs, Jerry, please, from San Clemente, Gibbs, Dunham & Gibbs. We've done 16 parks and have probably the same number in process. We started before there were any statutes involved so it was a little difficult, but the new statutes have helped us a great deal. We've been in business doing this for about 15 years, exactly, I guess, 15 years now, and we do work with cities, resident ownership groups and the park owners themselves. And, so, our process and our goal is to get out from under this dichotomy of land ownership on one hand and house ownership on the other which has turned out to be a pretty bad arrangement.

**SUE LOFTIN:** Resident ownership means a number of different things, and as we have gone through the years the definitions have become more critical. We're looking at a package of bills this year that contain changes to a number of different code sections, but the changes relate to different modes of ownership from a technical perspective. We've heard from CHFA and MPROP people prior to our speaking about their programs. CHFA is only for a 501(c)(3) senior property. That's one specific, narrow type of conversion, albeit the money is greatly appreciated for those, and MPROP has the ability for the broader range.

There are basically three types of conversions. There is a corporate purchase where the resident group forms a corporation, buys the park and then they own and operate the park, under the same rules or similar rules as a rental mobilehome park. The second type of ownership is a subdivision where the resident group may first purchase it as a co-op. Then, acting in the role as the developer, they go to the city and subdivide the property and pay off their corporate loans through refinancing their subdivided interest, or the city may purchase it and do that, or they may be able to negotiate with the park owner to subdivide and then pay the park owner through the sale of the spaces or lots. Then there are the permanent modes of ownership, either through the city or a 501(c)(3) which can be an independent housing group or it can be through the CHFA program, the resident group, itself.

As we go through the technical issues, what's occurred over the last ten years, and I think this has been the purpose of the legislation, has been a recognition that ownership is a means of resolving the economic conflict between the owners and the residents. However, we need to focus on what is going to solve the problem and what needs to be uniform throughout the state. We also need to differentiate problems between co-ops, parks and condos. The financing, I think, is one of the most important issues that we have to deal with, and we have some legislation this time, thanks to this Committee and to Mr. Craven.



**GERALD GIBBS:** One of the difficulties we find in the total prospect of ownership is we have this large group of individuals trying to buy from a single owner and the single owner sitting there saying, "Oh, my gosh, can I deal with all those people?" Then we have the same faces, all these people going to a financial institution and saying the same thing. And, the banker saying, "Oh, can I deal with all these people?" So, we act as kind of the interface there, but there's still the problem. And there's some education required. I think CHFA's entry is going to help that because that will be yet another resource for us. I think we need to be able to resolve how long it takes to get some of this financing done.

The MPROP program is just a great program. We've all been very, very pleased with the program. It, however, has expanded over the years and because it's run by HCD it kinda picks up momentum as it goes, but also picks up requirements. And, so, that program has spread from a point, I think you mentioned, that when you used to be able to go in and get a loan, basically, at will, now there's so much demand that you can't do that, and also the time to process once you've won an award, the time has increased because there are a number of things that have passed. We have environmental laws. We've got requirements imposed because of the government making the loan that have really increased the amount of time, and that's cost time and money. And, we need to worry about how we can expedite it and how we can expand the number of dollars.

Presently, there's SB 502 which is kind of a double-edged sword for the people, but it does, I think, represent the way to finance the MPROP program, the Mobilehome Park Resident Ownership program. It's a bill which adds some money to the fund, and I think it should be supported. One of the things that...

**SENATOR DILLS:** That's not a very good number, though, 502. (laughter)

**GERALD GIBBS:** They call that something else now, don't they? But, one of the things that... people have been worried about it, you know. How much is it going to harm the residents? How much is it going to harm the owners? We're finding more and more owners who are saying, "This is a good process. They're not taking my park, they're providing the best ownership available and the best market place for me." So, with the residents willing to put up some additional of their own money, I think this is a great help to us.

**SUE LOFTIN:** With regard to the technical issues, we've seen...I think a great deal has been accomplished legislatively over the last ten years. I know I got involved in a project where they wanted a full-blown environmental impact report. It was a park that had been existing for over 20 years. We were making no changes or off-site improvements. That process cost us almost 14 months before the Legislature changed the law, so we short cutted it. We were probably still looking at another year to finish it. Fourteen months is a lot of dollars when residents have an interim loan. A lot of accruing interest and fees. So, the timing has been shortened with those types of issues.

**SUE LOFTIN:** The one technical area from the local jurisdiction's perspective that we still need to focus on and we still have some difficulties with has to do with controlling the timing and controlling the regulations as we go through the local jurisdiction. I can be doing a park in one city and the adjacent city will interpret the state laws differently and in one park we'll have a "successful" conversion and in the other park we will be delayed for months, if not sometimes a couple of years, trying to work through the bureaucracy. Toward that end, we have requested some changes contained in SB 310 which would distinguish that a change of use is in fact what is occurring when you have a subdivision of a rental mobilehome park, but it is not the same as a change of use when you are asking or requiring the residents to move and in place of the mobilehome park you are going to be building a high-rise, a resort, or whatever it might be.

Additionally, in connection with the corporate purchases, we have requested changes in SB 310 pertaining to the lending community where currently they are unable to receive the share as security, and that is making conventional lenders uncomfortable because they have no security. Additionally, we have SB 53 which would provide that the 18 months in the Revenue and Taxation Code be extended to 36 months for accommodaters. I'm special counsel for the City of San Marcos which buys the mobilehome parks and works with the resident groups and their consultants to subdivide and convert. Due to the lending issues, the low-income issues, and the processing issues, we have been unable to complete it within the 18 months. And, that's a critical factor in the parks where there are significant numbers of low income people.

The last issue that I'd like to address is a much more general issue, and that is, that often times, as we are talking about the different modes of ownership all encapsulated under resident ownership, there are other groups who come in and say things like, "Mobilehome parks really aren't low income." I think I can speak for myself, and Jerry as well. I have not been involved in a park that did not have a significant percentage of 120% of median or lower income residents. That's been senior parks, family parks, parks in transition from family to senior. And anything that's done to make the program consistent throughout the state on a broad level, so that it applies to the appropriate mode of ownership, benefits the residents of this state by enabling them to have affordability and consistency in their housing and assists in terms of the financing issues. The governmental dollars then can be spread more cost effectively to those people with an ultimate goal of resident ownership. Joining the ownership of the home and the land gives you the long-term economic benefit and the highest use for those properties.

**GERALD GIBBS:** Just finally, I think some of the additional things we need to look at in the future would be "incentivising" owners in some way to sell to residents. We can't mandate that they sell to residents, but if we can provide an incentive, I think that's an important element. They're recognizing the market, but they still don't have a reason necessarily to do it, and sometimes parks have a history of litigation and other things, and we need a way to still make

**GERALD GIBBS:**

a very attractive process. I think Mr. Nelson mentioned the leveraging of money, that they have done in the past. And, if we could motivate in any way, shape or form, the local governments to put up more of their funds as this happens, I think that would assist us all. We can't mandate that because we've got some really poor counties around just like we have poor people around. But, wherever it can be done, I think that would be an appropriate thing, and if we can, perhaps, encourage a county that doesn't have a lot of money to use its money for this purpose and then get it doubled, tripled and quadrupled as the result of the MPROP or CHFA programs, that would help. Thank you.

**SENATOR AYALA:** Ok now, how many conversions have you been involved in altogether?

**SUE LOFTIN:** I've been involved in 19, and I believe Jerry has been involved in 16 completed, and we both have a number of them in process.

**GERALD GIBBS:** I have also been involved in other oddball things where I represented a park owner when he sold to the city, and Sue represented the city when they bought it, so there's another, maybe 10 parks or so where that sort of ....

**SENATOR AYALA:** Ok. And for the most part, how are they financed, these conversions?

**SUE LOFTIN:** They've been financed, at least the ones I've been involved in, have been financed a number of different ways. In the early years, it was the residents forming a non-profit corporation with a conventional loan as a First Trust Deed, and then as the Second Trust Deed, it was typically the state MPROP program. In a few instances, we had also some city money in there, and then the end loans were financed by First Interstate Bank, Bank of America, Security Pacific. Then, in each area there were local banks, as well. Since the kind of dollar crunch in MPROP, and we've not had the two to four rounds of funding a year. That process is not available because most cities don't have that ability to come in with a second, so their being financed through cities acquiring the parks through bond issues. In certain circumstances where the cities do have that money, they will loan it as a second. More typically, it's being negotiated with the park owners for a long-term escrow so that the park can be subdivided, which gives plenty of time to get the low-income financing in place with the end-loan monies. However, that process does, in my opinion, eliminate a number of parks that otherwise would be sold to the residents because most, or not most, but a number of park owners cannot wait one, two, three years till you get through the subdivision process, and get your money from the various governmental agencies for low-income financing. So, it does limit a number of the parks.

**GERALD GIBBS:** Recently, we have been able to get some financing through FHA Title 1 loans for the down payment. Previously, we were able to do conversions, and people would just take a loan on their homes. But, the home values have plummeted, for a lot of reasons they have plummeted, so they can't do that. And so, we need an outside

**GERALD GIBBS:**

source of money. One of the reasons we want SB310, the portion of SB310 about the corporations change, is it will allow the FHA Title 1 people to take a membership in the lease as a security. They don't want the home but very, very generous loans that are insured by the federal government. So, if we get that through then we'll be able to continue with those loans. That a good...

**SENATOR AYALA:** Is there any history where local governments have used redevelopment money to create a park?

**GERALD GIBBS:** I think both of us have used city monies ...

**SENATOR AYALA:** What city is that?

**SUE LOFTIN:** I've had redevelopment money in the City of San Marcos, Rancho Mirage, San Luis Obispo. I think those are the three.

**GERALD GIBBS:** Culver City has used \$750 plus some thousand in conjunction with MPROP. San Clemente used \$400,000 in conjunction with MPROP. So, there have been several cities.

**SENATOR AYALA:** You said something about the finance people aren't used to dealing with all these people, and they get a little bit frustrated. Well, don't they normally form a non-profit organization or a homeowners' and only deal with a few, not all the residents?

**GERALD GIBBS:** Yes, but there's this built-in bias that, "Gee whiz, I've got a hundred masters instead of one." So, it's a little bit of a psychological thing, and I think we can overcome that, and we have, but we had the Savings and Loans trained to do this. Now, they don't exist anymore. ...(laughter) So, we're back to retraining, if you will.

**SENATOR AYALA:** You also mentioned change of use when they go from a one owner to resident owned. Well, the use is the same, isn't it? It doesn't change that.

**GERALD GIBBS:** Technically, it's a change of use under the law, where it isn't a shut down, which is what Sue is saying.

**SUE LOFTIN:** Right, and that's exactly the question that residents ask when we try to explain to them why they have to do this, under the Subdivision Map Act, because it is changing the method by which the property is owned from a single owner to multiple owners. It's considered a change of use. Although, when you get done the same people still live there in the same homes that they already own and have paid for and so there is no change of use like we know it.

**SENATOR AYALA:** How does that differ from someone purchasing a market which is already there and continues to operate in the same fashion, only they change owners? It is not a change of use, it's just a change of ownership.

**SUE LOFTIN:** That's correct. That's the effect of it. Unfortunately, the way the Subdivision Map Act is written, it is considered a change of use.

**GERALD GIBBS:** And sometimes it's very difficult to get a local planning staff person to understand that, and your statement is very correct, it's a change of ownership. But, it takes a long time to convince some one whose ...

**SUE LOFTIN:** Just one last comment with regard to the redevelopment monies. With the changes in the redevelopment law it has been interpreted that using the money for mobilehome parks does not count as a creation of new affordable housing because they already are existing. So, anything that could be done in that regard, those funds that had been available in many instances are not now because, if they spend it on the mobilehome parks to preserve that housing and to assure affordability for the existing residents it does not count as part of their affordable housing.

**GERALD GIBBS:** A very important point.

**SENATOR AYALA:** Ok. Do we have any questions? One question.

**JOHN TENNYSON:** One quick question, if I may. The Committee gets a lot of comments concerning the people in these resident-owned parks, or rather rental parks that are in the process of converting who don't want to participate. Can you explain under state and local law, say it's a subdivision, what kind of protections these people have from allegedly being dislocated, shall we say? Now, we're not necessarily talking about the low-income people because often they have the loans that were spoken of earlier from these various agencies and from local governments to help those people stay in the park. What we're talking about are the people who, you might say, fall between the cracks, those who can neither afford a private loan or are eligible for low-income loans.

**SUE LOFTIN:** First of all, if I can make a comment on your last remark. At least in my experience, if someone wanted to buy, we've been able to come up with a loan program that meant affordability to them, but there are still people in every park--I'm aware of but two--that have selected not to purchase for whatever reason, and through the Subdivision Map Act, one of the documents that has to be filed when you file your application, is a tenant impact report. Some jurisdictions still require it to be called a displacement report and in one city, for example the City of Fresno, we had to file that, and it was designed to be for apartments and it talked about how the people could move and do all these things. That's not what occurs.

Under the Map Act, you file the tenant impact report, and the issue that they are looking at is whether there is actual eviction or whether there is economic eviction. Actual eviction, the tenant impact report should require a waiver, which we all, at least Jerry and I, do as a matter of course, of the right to terminate any tenancy due to a change of use.

**SUE LOFTIN:** There is a legal question with regard to how the Civil Code, the Mobilehome Residency Law, addresses the issue of change of use, and so we waive that as a matter of course. Then there is Section 66427.5 which defines how to deal with economic eviction in terms of the formulas. That becomes a deed restriction, or becomes a condition on the map and becomes a deed restriction so it does not matter who buys the park, the space, those protections are in place. So, in that regard, the residents who select not to purchase, whether they are in a rent-controlled jurisdiction or a non-controlled jurisdiction, are more protected than they are by rent control. Because, rent control can be amended, changed, modified, overturned. And, once these protections go in place, they stay there and they run with the land. And, that's how the issue is dealt with. Jerry?

**GERALD GIBBS:** I think that part of the perception, and Mr. Tennyson receives this everyday, I know, with telephone calls, a lot of the perception comes from the upfront, "I don't know what's going on and they're not telling me." They end up having this fear. The result is as Sue described it. But upfront there's a lot of confusion, and there's some training and some education required there to make sure they understand they will not be displaced. We had a meeting in the City of Escondido, just recently, and all of the publications went out, everything was there, black and white. The night of the meeting someone got up and said, "I don't want to have to move from my house." So, it's an education process as well, a process we have to take care of.

**SENATOR AYALA:** That's in most cases. ...(laughter)... Knowledge, information, education go a long way in stilling a lot of the arguments. We have no other questions, so we thank you very much for your testimony. This meeting is being tape recorded so that other members will have the opportunity to review it at some later date. So, don't feel like it's only myself here and the consultant. It's going to be heard by all members who wish to see it at some later date. Maurice Priest.

**MAURICE PRIEST:** Mr. Chairman and Members, Maurice Priest, representing Golden State Mobilehome Owners League. I'm pleased to be here today representing GSMOL and the next witness behind me on the agenda, Inge Swaggert, who is Vice President for Resident-Owned Parks is also here, and we decided to come up at the same time to respond to any questions you might have.

I was the legislative advocate for GSMOL a number of years ago when the first bills establishing the resident-purchase laws were addressed in the Legislature. GSMOL was pleased to support the concept and the ideas at that time and we still are. We think it's been a good program that at least as to those 150 or so parks that have been able to take advantage of it. It has been an excellent move. The reason why the Legislature addressed resident-owned parks at that time was because of the concern that we had then and that we still have about escalating rents in rental mobilehome parks. And, legislators from both sides of

**MAURICE PRIEST:**

the aisle believed, as did GSMOL, that wherever residents could collectively purchase the parks where they live, where they had previously rented, that that would represent one less mobilehome park that would have to request, or be interested or try to obtain, some type of mobilehome rent regulation and that it was an attractive business alternative that would be a reasonable solution for both the park owners who sold and the residents who were able to buy.

The incentive for resident ownership is as strong today as ever. We are very concerned about escalating rents, and as you may be aware, park owners have been able to qualify for the March 1996 ballot an initiative measure called "The Mobilehome Rental Assistance and Rent Restrictions Initiative" which would actually restrict existing local mobilehome rent ordinances that are in place now and have been adopted in some local jurisdictions, and would prohibit the adoption of similar ordinances in those local governments that don't currently have one. Given that prospect, there are more needs, you might say today, than there were ten years ago for this type of program. GSMOL does support the legislation that's been summarized, and I would like to state that we do support SB 53, SB 110, SB 310, SB 360 that are described in the summaries that have been distributed.

We do have some concerns about SB 502 that I would like to state for you. SB 502, of course, would replace the \$5 per mobilehome annual tax and replace it with a flat \$10 per mobilehome space, which would be levied on park owners, per mobilehome spaces within those rental parks and be paid on an annual basis to the MPROP fund. And, that \$10 fee in the bill, of course, could be passed through to the residents of the park. Because of the increasing rents in many mobilehome parks and because of the prospect that we face of possible passage of this Mobilehome Rental Assistance and Rent Restrictions Initiative, we're very concerned about the impact that even a modest increase in this self tax would have on our members.

We were willing, several years ago, to tax ourselves, to create the MPROP fund so that mobilehome owners would be actually contributing to a fund, funds which some of them would be able to apply for when they collectively were attempting to purchase their park. We think the concept is good. We think the MPROP program is good. The question now becomes, if SB 502 becomes the law of the land, will it be inopportune timing for residents who might possibly be facing the end to local mobilehome rental assistance? So, we do have some concerns about SB 502.

With regard to the program, itself, I was pleased to hear the summary given by CHFA about the programs that they have in place in cooperation with Bank of America and also the references that have been made by HCD and by Sue Loftin and Gerald Gibbs.

**MAURICE PRIEST:** One observation that I would make is that there are far fewer lenders that are making any type of mobilehome or park loan today than there existed a few years ago. And, that's just something that..., complaints that come into my office that are brought to GSMOL's attention that, for some reason..., it could be the economy in general. I don't think it's just limited to the mobilehome area in particular, but the fact is, there are relatively few private lenders that are participating at all with regard to manufactured home loans or these resident purchase loans, and that would be something that GSMOL is very motivated to work with the Legislature and with other members of the industry, with HCD, with CHFA to try to involve more private lenders in the process.

With regard to HCD invitations for bids and with the proper publicizing of the programs available through CHFA, I would just like to say that any of the agencies or groups who have participated today or who may not be here but who hear this tape, GSMOL would be more than willing to help them publicize throughout the state through means of our monthly newspaper, bulletins or information that they have on funds, sources of funds that are available through those agencies so that we can help get the word out.

Mr. Gibbs mentioned the incentive program, or to adopt some type of incentive to encourage park owners to sell to residents, and I wholeheartedly agree with that. We did have a state law in place, that I believe has since sunsetted, that at least with regard to state income tax, there was a break given to park owners who would sell their existing rental mobilehome parks to the residents who live in those parks. But, as we all know, the real bite was at the federal level, on federal income tax, and not at the state level, so it was really a modest, if any type of benefit for park owners who were willing to sell and interested in selling to the residents.

I believe that one thing that the Senate Select Committee could do, or through its members could do, would be to pass at least a resolution which could be forwarded to Congress encouraging them to consider, as part of their budget package, a resolution that would encourage them to provide some type of capital gains tax incentive or tax break to park owners who do sell existing rental mobilehome parks to the residents in those parks. The park owners that I had an opportunity to interact with under the state law, basically, they were given a longer period of time to reinvest the funds that they obtained from the sale of the park, to reinvest in similar types of investments, not necessarily identical. It could be other forms of low-income housing. It didn't necessarily have to be to use those gains to develop another mobilehome park. They were interested in that, and they liked the wording that existed at the state level and if it would have been adopted, in some form at the federal level, then it would have been meaningful, and we would probably have gotten the attention of more park owners who would be interested in taking advantage of some federal tax break at that level.



**MAURICE PRIEST:** We look forward to continuing to work with you. I know that many Members of the Committee here, Senator Craven, Senator Ayala and Senator Dills have helped to support a number of laws that are on the books now that have helped to create and to strengthen the resident purchase program and will look forward to working with you to bolster the program by supporting many of the bills that are summarized for us. Thank you very much.

**SENATOR AYALA:** Ok. The resolution request will be passed on to Senator Craven, let him take a look at that, and see what he wishes to do with that.

**MAURICE PRIEST:** Thank you.

**SENATOR AYALA:** Senator Dills, any questions?

**SENATOR DILLS:** Sounds like a good idea.

**SENATOR AYALA:** Sounds like a good idea. Any questions, Mr. Tennyson?

**SENATOR DILLS:** I take it Congress is looking for some opportunity to help out those that have made a buck or two and so this might be right down their alley. Send it to Mr. Newt. ...(laughter)...

**SENATOR AYALA:** Thank you for your presentation.

**INGE SWAGGERT:** You're right, Senator Dills. The timing may be right. I'm Inge Swaggert, the Vice President for Resident-Owned Parks for GSMOL, and I'm very glad to be here to make a general overall statement, report, suggestions, maybe for some changes in the program because I'm the one that gets the individual residents and their problems and complaints and with the way everything is, there's not a thing that I can do about it, but empathize with them.

You asked specifically about some statistics which in January '94 I did run and at that time, there were 158 resident-controlled communities, and there's a difference between actual ownership and having control of your community. Some of those included planned-unit developments, which were done a long time ago, before the program was even started in, specifically, Riverside county, most of them. And there were pre-built subdivisions that are included in that figure, also. So, the actual conversions actually came down to about 82 that have been done since the beginning of the program.

Because I get to hear the concerns and questions, etc., I think we need to spell out specifically for this type of transaction, which is what it is, which is what I tell them when I give a speech to a park. At first, they have to think of...they are not just buying a loaf of bread from the corner grocery store, they are buying a multi-million dollar property for which they are assuming a responsibility which is something...Maybe it's easier to grab when you put it down to a loaf of bread than the multi-million dollar figure. Some of the loopholes that cause some of the complaints are, and I think this is what we need, a

**INGE SWAGGERT:**

seller's real property transfer disclosure statement that covers all the things that are in the normal real estate offer... responsibility of the seller for the deferred maintenance, a pre-purchase inspection, training and oversight for the resident homeowners' association. Quite a few of the problems that are called in to me are caused from discontent within that very homeowners association. And, the licensing or certification law similar to the appraiser bill that was passed, I believe in '89, that comes under the Business and Professions Code for those professionals that deal in specifically this type of a purchase. And, most recently, the utilized MPROP application package addressed some of these concerns.

And I would like to thank the staff, really, for rewriting the package and redoing the evaluation and ranking process, which needed redoing. However, some of the protections that are in the package for the application for MPROP are not always available to the homeowners that do not qualify either for MPROP or missed out on the last RFP process. We have numerous owner-originated sales that have been problematic, and I'll quote from one letter that I received. "I wish GSMOL would acknowledge that some of the agents hired by park owners to convert to condominiums or cooperatives are a disaster to residents. We will face a bleak future if (and I'm blanking out the company) succeeds for plans for this park." Now, that's just one example of a letter.

My question is, and it's a big question, could the existing implementing legislation and administrative regulations that effect this type of transaction be excerpted out of the law and collected in one body of law and placed under the jurisdiction and control of one specifically designated department from the inception--in other words, from when the park owner is first ready to sell to the close of escrow? I term it the Mobilehome Owners Community Purchase Protection Act. As Article I of this Act, I would like to suggest we make an adjustment, maybe, in the MPROP program because they already have conversion loans allowed within the program. Their conversion, their individual and their blanket loans are already in there, but the conversion loan is utilized differently than it is in one of our neighboring states.

One of our neighboring states implemented an exclusive conversion package. Such a program made available funds to qualified park associations for park purchases for the initial costs incurred prior to the purchase of the park. In other words, evaluating the project to see if it penciled out and to see if it was viable, to see if the property was safe, and all the other inspections that are necessary. The initial costs would include, but are not limited to, legal fees, appraisal fees, engineering costs, and other professional fees. Now, I've worked out a formula here as an example. The maximum amount that can be loaned to any one park purchase association--they have to form the association first--under this program, would be \$2,000. They are not given that as a lump sum. They are given that as they need it for the professional services.

**INGE SWAGGERT:** Now, the example is, if a 50-member association borrowed the full \$2,000 and paid it back over three years, and that's the same time limit as in the MPROP conversion loan now, at 4%--I believe the existing one is 3%--the maximum loan period is the 3 years and the interest rate allowed under the program, the monthly payment would be \$590.48 for the whole community, for the whole 50 members, or \$11.81 per household. This type of loan would really be a revolving loan and many more communities would be prepared when the opportunity presents itself to be in line and ready to purchase as per 798.80 which is the Code Section that says that the park owner, when he lists the community, would notify the owners and they have 30 days, but no more than a year, to get the package together.

My only comments on 502 are--who pays for the empty spaces? And, I think I'll conclude at that point. Maury has covered the legislation very well. That's his job.

**SENATOR AYALA:** Senator Dills, any questions? John?

**JOHN TENNYSON:** Yes, I'm not sure that, at least, I have a full understanding of your last comments concerning this neighboring state. What state are we talking about, first of all?

**INGE SWAGGERT:** I have the administrative thing with me if you would like a copy. Oregon.

**JOHN TENNYSON:** Oregon? Is this a...you're talking about a program which would loan money to homeowners' associations to do feasibility studies? Is that what you're talking about, basically?

**INGE SWAGGERT:** Basically.

**JOHN TENNYSON:** And then they pay that back?

**INGE SWAGGERT:** Yeah, and ...

**JOHN TENNYSON:** Can they do a feasibility study for \$2,000? Is that enough?

**INGE SWAGGERT:** Well, that depends. Maybe in California it might be more, but to me the problems I get when someone says, "We're trying to get our association together, and we're thinking about the buying of our park, but we don't have money for the appraisal fee; we don't have money for the engineering." You know. That is the problem, in some of those cases, and they don't want to get in any deeper, and I say, "Well, you're going to have to raise your own funds to do this." "Well, we don't have the money." So, just a suggestion.

**SENATOR AYALA:** Thank you very much for your testimony. The next witness is Mr. John DuPriest, the Trace Corporation/Park Conversion Consultant from Penryn. Mr. DuPriest.

**JOHN DUPRIEST:** Good afternoon, Senator Ayala, Senator Dills. I'm an independent park purchase consultant, recent arrival to the process. Not near the experience of Sue Loftin and Gerald Gibbs. I got involved in my first park in 1991, and there's been quite a lot of activity since. It's a very popular process. I'm the resident advocate for California Statewide Communities Development Agency, which was formed to educate and assist municipalities in purchasing these parks. One of the forms of ownership in your non-profit corporation and government ownership in your paper, John.

I'd like to echo some of things that have already been said here, I guess, about my perception of the difficulties encountered in resident purchases. The number one difficulty is first finding an owner that wants to sell at all. Those are rare because of the high profit potential of mobilehome parks. The Los Angeles Business Journal estimated a couple of years ago that it's on the order of 20% return the first five years. I suspect it may even be more than that. So, owners want to keep that cash cow. What they do is continue to raise the rents, and they either sell the park at a high profit or they refinance it several times, which has happened in many of the parks I've worked in.

And then, there's a reluctance even if you have an owner who's going to sell, a reluctance in selling to residents. They are usually skeptical that the residents can do it, number one, and they're very reluctant to reveal any of their financial numbers, any of the numbers in the park, to the residents, particularly in a rent-controlled community, because the residents frequently use those to justify either holding rents where they are or fighting rent increases. So that becomes a problem. In mostly the senior parks, the problem is that many of our residents don't want to reveal any information, any personal information on financing and while you may say, "What does that have to do with it?", it has a lot to do with it when they are applying for a loan, that they may want to participate in the purchase and they don't want to encumber any of their assets, which is usually the home they live in. Those are particular problems which we are running into right now in a park purchase right here in this city.

Another problem is the process, and Sue Loftin, I echo her comments as far as how long it takes to get these deals through. Especially when it involves government financing. It even takes a while in a straight conventional purchase, but government financing does take much longer, and it's difficult to find an owner willing to wait that length of time. Once he makes up his mind to sell his park, he wants his money and he wants to go, and he wants to move on down the road. And the worst thing you can do is get into a long, drawn-out affair for obtaining the financing, particularly the very attractive financing like the MPROP program.

We're even having problems with commercial lenders. Commercial lenders, to this day, still think that these homes are mobile, that a homeowner can throw a set of wheels on in the middle of the night and drag 'em out of the park. So, since that renter is security for that loan, the commercial lenders are somewhat reluctant to do that.

**JOHN DUPRIEST:** And, Inge Swaggert is absolutely correct. The residents have no money for up-front costs, at least very little. One of the things we find when we go, particularly into a share purchase, where in order to make a purchase utilizing the mutual benefit, non-profit corporation vehicle, you are actually issuing securities and that, of course, is tightly controlled and in doing that, there is a limit to the money you can raise up front. It takes some finagling even for a little bit of money. If you're talking about retaining attorneys to look into those portions that you need to explore, if you're talking about an appraisal, and that is sometimes the case, then raising the money up front becomes a problem.

One of the solutions in the last two or three years, actually three or four years, has been the other type of ownership, the non-profit corporation or government ownership. In the last three years, I've been involved in the purchase of six parks by three cities, and those have gone very well so far. We had some early problems in Southern California before the programs were refined, but in particularly two cities, Garden Grove and Lancaster, the people are extremely happy. The people running the programs in the cities, redevelopment directors. They're very happy with that program.

One good feature of that program is, if the city is willing to do that, they can do the park purchase by the city, and we can build into that at a later date, usually ten years down the line, which is not the best in the world, but we can build in a program whereby the residents can take the city out with a park purchase. As the rents increase, and they do, even under the city ownership, but at a much less rate, the income of the park is still going up slightly, with the value of the park going up, they can get loans down the line and help take the park out that way, for a new loan. Also, they can apply for some government money because they have a longer lead time to get it. The ownership is very stable.

I particularly like Maury Priest's idea of the capital gain situation for park owners. One of the features and one of the ways we're able to convince park owners to cooperate in a sale to the city is we do the friendly condemnation, the 1033, and that allows the park owner to receive his money, and he has something, and I forget the exact time, but I think on the order of three years to reinvest that money. So, he can take that pile of cash, go out and shop for another property. He's not under the constraints of the standard 1031 exchange. He can actually take the money and go bargain for another property. Since that's been an incentive, and it has pushed a couple of park owners over the line to sell into this program, I think the idea of some kind of a tax break would work as well.

I go back to the parks regardless of what kind of purchase it is. I go back to the parks every six months, at a minimum, and I talk to the residents and find out what some of the problems are. And in talking to a couple before I came here this week, I had one park give me input that I'd just like to mention to you. This is in the park, one of the park people's own words. "It is suggested that a seminar be held for

**JOHN DUPRIEST:**

the officers of ROP parks at least once a year. It's been the practice that once a park is converted, the park is left to fly by itself. These seminars may include persons from HCD, consultants, legislators, and, if possible, GSMOL. It may eliminate problems, such as disputes with renters, violation of permits that are required from HCD and so forth." The idea is that once the parks are purchased, there needs to be an ongoing, I guess we would call it a continuing education type thing, where the people in the parks, at least a network where they can exchange information with other resident-owned parks and see what some of the problems are and make you aware of some of those problems. I think that is an idea that deserves consideration.

I would like to compliment MPROP. I think the program's worked very well. There's not enough money. There never is in any of these programs, and it takes a lot of time. Actually it takes a lot more time than I had thought. I just did a study of every funding they've had since December of, I believe, '94. I'm sorry, '84 until the present time, and they did one back then for \$4 million. There was a request for \$1.7 million and they funded \$1.06. The time to fund was approximately 2.7 months. Their most recent funding, 10/15/93, they had \$4 million available. They had a request for \$7.5 million in requests and they funded \$3.6, and it took 8.8 months. The indication is that it's taking a little longer. If we can shorten that up, that would help. But, the overall indication that the MPROP people don't have a lot of control over is there's more requests for money as we well know. So, I think they're doing a great job. They're always responsive to my requests. I haven't been fortunate enough to have an MPROP loan yet, but I'm going to keep coming back.

**SENATOR AYALA:** Yes, Mr. DuPriest, you mentioned that you've been involved with six park conversions?

**JOHN DUPRIEST:** These are six parks that were purchased by three cities, La Habre, Garden Grove and Lancaster. I was the resident advocate in those purchases.

**SENATOR AYALA:** In the case where the residents take control of the park, how do the payments in making the rent to the owner of the park compare to the payments they make after they become owners of the park?

**JOHN DUPRIEST:** After they own? I could give you a specific example of a park I did in 1991 if you'd like to know that.

**SENATOR AYALA:** Ok.

**JOHN DUPRIEST:** The park was Ponderosa Pines in Grass Valley. One hundred and thirty-nine spaces. We closed escrow in June '91. The price was \$4,525,000.00. These were fairly affluent seniors in that they had been working on this purchase for some four years and had their money lined up. They assumed a loan, an existing loan of \$2.4

**JOHN DUPRIEST:**

million. The ones who purchased, and there were 81 of them, bought their share for \$35,000. At the time that they bought that park, the average rents were \$323.00.

**SENATOR AYALA:** Three what?

**JOHN DUPRIEST:** \$323.00. That was the average rent per month. When we closed escrow, the people who paid \$35,000, their total monthly fee, in other words the amount that replaced their former rent, dropped to \$175.00.

**SENATOR AYALA:** Now, that's for those who had \$35,000 up front?

**JOHN DUPRIEST:** Correct.

**SENATOR AYALA:** And, if they didn't?

**JOHN DUPRIEST:** They continued on as renters. They honored the rental contract that they had. However, they were able to hold the rents down. The rate of rent increases were less after they purchased than they were under the old owner.

**SENATOR AYALA:** They now pay property tax, don't they?

**JOHN DUPRIEST:** Sir?

**SENATOR AYALA:** They now pay property tax, when they assume ...

**JOHN DUPRIEST:** We use that exemption that allows the property taxes to stay the same, but yes, they maintain, they assumed the same property tax and that goes up two percent a year. Now, let me tell you what it is today. I've checked with them in December of this year. When I originally made the 10-year pro forma for them, the rent that was \$323 was scheduled to go to about \$440 over the four years. They actually went to an average of \$414, and this year they have frozen the rents for the first six months. They're not going to have any rent increase. The membership fee went from the \$175 to where now it's \$150. That's been a smashing success. I hasten to add that these were people, again, who had money lined up and were able to make that \$35,000 payment.

**SENATOR AYALA:** Ok. I'll ask Senator Dills, do you have any questions? Mr. Tennyson?

**JOHN TENNYSON:** On your last example, does that \$175 include the fee for the homeowners' association?

**JOHN DUPRIEST:** Yes.

**JOHN TENNYSON:** The sinking fund for maintaining the clubhouse, and all the other maintenance schedules?

**JOHN DUPRIEST:** Everything.

**SENATOR AYALA:** Thank you, sir. I appreciate your testimony. Next witness is Jerry Rioux. Sorry, if I don't pronounce that correctly. Is that close enough? Mr. Rioux is with the Housing-Community Development Services, Park Conversion Consultant, Grass Valley.

**JERRY RIOUX:** Thank you very much, I'm Jerry Rioux, and I'm a park conversion consultant. I've been active in this field since 1981 and was the original manager for the MPROP program. I really want to thank the comments of the last speaker. It was a lot easier at the beginning because there wasn't a backlog of old loans that were still being processed. One of the problems that people have in a government agency like HCD is that new programs get added and new loans get added, but the staff doesn't get increased at the same time. So, there's a backlog of work that people have to work on in order to make the new loans.

Back in the early days of HCD, in the early '80's, HCD had a program called the Deferred Payment Rehabilitation Loan Program that I'd like to suggest that people look at as a model for restructuring how MPROP is operated. Under that program, instead of the state actually making loans to the individual homeowners, the state would lend money to the city or the county, who would in turn make the loans to the individuals. So, I think there may be some value to looking at restructuring MPROP so that HCD would award loans to cities and counties, housing authorities and redevelopment agencies and give them the money in a block with strings attached to it so that they could in turn lend the money to the parks that are being assisted. That would reduce the amount of staff time and oversight that HCD would have. The city or county would then repay HCD when the loans were made.

I would like to give an example for a park that I'm working on right now with a different HCD program. Back in July of last year, 1994, we applied for a million dollars under what's called the Home Program, which HCD operates. That program makes funding available each year. We received an award of funds in October, and this month we will be closing the loan. The money goes to the city, and the city is then lending it to the park. So, we're looking at a period of July through March to review the applications, award funds, make the funds available to the city and then the city will have loaned it to the park residents.

**SENATOR AYALA:** Could you give us the normal time that it takes with other programs that you might have ...

**JERRY RIOUX:** That's what people consider a quick program. Some of the projects take much, much longer. I was a loan officer at HCD on one of the very first mobilehome park conversions that received state funds. It took five years for that project to convert. But at that time, many of the laws that your Committee has helped to pass were not in existence so there were lots and lots of local requirements that had to



**JERRY RIOUX:**

be met that didn't make any sense for a mobilehome park conversion. Some of the points that Sue Loftin made earlier, and Jerry Gibbs as well. So, I'd like to suggest that you look at that as a way to streamline MPROP and allow the funds to go out more quickly.

I, also, have a suggestion for CHFA's new program. As it stands, the program is available to finance the purchase, construction or development of a mobilehome park. I'm working on...the project that I just mentioned to you is one of the projects that CHFA has been looking at. But, I didn't want to be the guinea pig to get the first loan for a new state program, and we have to buy the park because the owner won't let us wait any longer. We need to close escrow. If CHFA's authority could be modified, amended to allow the refinancing of parks as well as the financing of parks, that would make the program much more viable. What we need to do is be able to buy the parks as quickly as possible and then get that 501(c)(3) status that is required for CHFA funds and then receive the CHFA financing. Because, as it stands right now, you not only have to put together the full park purchase and the basic financing for it, but you also have to get that tax-exempt status. That status takes at least six months to secure. Very few park owners will wait as long as it takes to make a conversion like that work. So, if CHFA had authority to refinance then that would make their program work more easily.

I also have a suggestion that CHFA be given additional authority to provide financing for individual lots, mobilehomes and lots and resident-owned parks, and also for share financing. Jerry Gibbs mentioned the FHA Title 1 program which can provide loans for mobilehome park co-op shares, as well as homes and shares in resident-owned parks. There are very few lenders who will use that program, and actually the authority for that financing has been available on the federal level for at least ten years and it's only been used twice, I think, once in California and once back in New Hampshire. What would help that program would be if an agency like CHFA were to sell bonds to buy loans from banks and credit unions and savings and loans that made Title 1 loans, CHFA would then buy the loans from them after they're made and provide a source of funding so that the lenders would make those loans.

**SENATOR AYALA:** Are you talking about local governments, statewide bonding, what are you...?

**JERRY RIOUX:** Well, I was thinking of statewide bonding.

**SENATOR AYALA:** Statewide bonding.

**JERRY RIOUX:** CHFA issuing the bonds. They probably would be taxable bonds, but they would provide financing at a much better rate than is currently available. CHFA does something very similar with their first-time home buyer program. They sell bonds and lenders buy a portion of those bonds. They buy the right to sell a certain number of

**JERRY RIOUX:**

loans to CHFA at this interest rate. So, for example, if CHFA were to sell these bonds with an effective interest rate of 10 or 11 percent to the home buyers then the home buyers, or the residents, the homeowners who buy their share in a cooperative-type park, could then get a loan from their local credit union or savings and loan or bank and then the bank would have a place to sell those loans rather than have to keep them, because right now there is a limit on where those loans can be sold.

Another thing that I'd like to ask you to consider is changing the California low-income housing tax credit to allow mobilehome parks to receive tax credits. What tax credits do is provide a tax benefit to the developer or buyer of low-income housing projects. Currently, they are only available for apartments. In this case, the program could be restructured to allow the tax credit to be used for a mobilehome park using the mobilehome park's infrastructure as the basis for that tax credit. This would be a very important program that could help older parks where they have failing infrastructure. Many, many of the parks in California, in urban areas and in rural areas, have problems like inadequate water supply, inadequate waste water disposal systems, roads that are wearing out. And, this kind of a program, in conjunction with the city purchase, or a 501(c)(3) purchase, could be used to provide funds that would pay for those repairs and upgrades. So, that would be very helpful as well.

I want to thank you for this opportunity and for your on-going support. I know this Committee has been a crucial source of support for resident-owned mobilehome parks for a long time.

**SENATOR AYALA:** Let me ask you a fast question. All the parks you've been involved with, are any of them suffering any flooding this time of the year?

**JERRY RIOUX:** Not that I know of. I'm working with two parks on Clear Lake, and they're currently experiencing..., there's not flooding, but the waves are actually going up on to their property. A number of years ago, they could walk out..., they'd have to walk out quite a distance to get to the water. Now it's right up to the edge of their property.

**SENATOR AYALA:** Senator Dills, any questions? John, any questions? Thank you, sir, for your testimony here. Ok, the final witness on our agenda is Jack Mador with the J.M. Resources out of Sacramento.

**JACK MADOR:** Thank you, Senator. I always seem to come up last at these hearings, and I promise to be brief. My name, for the record, is Jack Mador, principal with the firm of J.M. Resources. We work exclusively in the area of cooperative mobilehome park developments and cooperative conversions. I also would like to add my thanks to the

**JACK MADOR:**

Committee for continuing to recognize the area of importance that we are working in and allowing myself and my distinguished colleagues to speak today. Also, I want to acknowledge the continuing dedication of Mr. Tennyson on these issues.

It seems like traveling the road of mobilehome park conversions, even though we all know these homes aren't mobile, is like commencing a trip from Sacramento down to Los Angeles except there's only one gas station in between, and we're never sure when they are going to have gas there. Even though MPROP does a great job with the funds that they have available, as has been pointed out, they simply don't have enough to go around on a planned and on-going basis, and I think that the efforts to shore up that supply of funding is one of the key things that we are all looking at.

I want to speak to a little different aspect of the issue today. I, as I said, work in the area of development of cooperatives and although CHFA's program speaks wonderfully to the development of new parks, we really have a problem of new parks being developed in California because of problems in the zoning and housing element area, and I'd like to kind of explore that for a couple of minutes with you today. I'm sure that many of you, all of you that are here today believe that mobilehome living is a lifestyle of preference for many people because of the safety and security that they have in a close-knit community, especially for our seniors. And, also, an economic necessity for many others. In either case, mobilehome parks continue to represent a key but eroding source of affordable housing in our state. Homeownership, as we all know, is still the number one dream of Americans and as reported in today's Sacramento Bee, low-income families desire this as much as anybody. It provides a road to pride, stability, and dignity within the community.

Therefore, I wanted to make a couple of suggestions for the Committee to consider this afternoon. The first area to look at is actually increasing the number of spaces of mobilehome parks in the state, in general, so that resident, municipal or privately-owned parks can be further developed. I'd love to have the idea of legislation that would only allow for the development of new resident-owned parks, but I don't think we would ever have a chance of getting that type of bill passed. I think the problem is that no matter how many parks we continue to convert to resident ownership under all the available programs, we have a growing demand for new spaces without seeing any new mobilehome parks developed in this state that is anywhere in proximity to city services and public utilities. This in itself creates a lot of pressure that we see on rent and eventual economic displacement. Simply the laws of supply and demand.

Manufactured housing is a recognized and key source of affordable housing that is more cost effective than conventional housing and yet the concept of NIMBYism for mobilehome parks is tenfold what we would tend to find when we create conventional affordable housing. In

**JACK MADOR:**

Sacramento County and City, for example, there has not been one mobilehome park proposed in the last five years. Although we may say that it is due to the economy in general, a more thoughtful examination would find there is no land that is currently zoned for this usage and few housing elements are charging our planners to develop or provide any available mobilehome-zoned land that is not subject to powerful neighborhood protests upon rezoning.

Mobilehome parks can be embraced as a wonderful addition to community housing plans. Efforts to require land set-asides for manufactured housing, mobilehome parks, similar to HCD's requirements for SROs and homeless shelters within housing elements would spur more development. Our current regulations relegate any new parks simply to outlying areas that in most cases are not attached to public utilities and only later, when growth surrounds these parks, that they are inadequately serviced developments and viewed with disdain and believed to be less than desirable housing mostly because they are not connected to services.

I believe that education and legislation in this area will help unfold a solution for California's affordable housing and mobilehome lifestyle that will take us into the beginning of the next century. I bring this suggestion to this Committee versus the other areas that would look at affordable housing or mobilehomes in particular because I don't think that there is a lot of sensitivity elsewhere and an understanding for what this type of lifestyle represents, why it is desirable for the housing element, and why it should be not only preserved and resident ownership encouraged, but more mobilehome spaces encouraged. And so, I bring this as a suggestion today that is something to look at and that if we really want to have some of CHFA's funds go for new development, I think that they will quickly find that it is tough to find places to put these parks where they can be developed.

Secondly, I would like to suggest that we need to find ways not only to increase the available source of public assistance, but leverage the assistance that we currently have. Many of our low and very low-income dwellers cannot qualify for financing on their own and require significant, if not 100% public funding to enable them to become owners, members or shareholders within their parks. If we are satisfied to leave these folks as renters in the current 66% or the proposed 51% of resident-owned parks then maybe we can consider our work done. However, I think that through innovative and proven mechanisms, such as cooperatives, land trust and mutual housing, we can take limited public dollars and provide ownership opportunities to a greater number of low-income households that may otherwise occur. We need to combine this with more flexible blanket-loan financing, such as that being anticipated from CHFA and more readily accessible sources of pre-development funds as has been mentioned previously that is desperately needed to get resident-owned projects off the ground. And to have this available from a state level since municipalities do not have consistent programs to provide this. I hope these suggestions may be helpful. I thank you for your time and have some literature on cooperative development.

SENATOR AYALA: Thank you very much.

JACK MADOR: Thank you, sir.

SENATOR AYALA: Well, I believe we're nearing the end of our scheduled closing time. Is there anyone in the audience who wishes to address the Committee at this time? If not, we'll wrap it up. I believe we had a good cross section of views on conversion and resident-ownership issues. I believe the input from those who spoke will be valuable to the Committee.

As I mentioned before, this hearing has been recorded, and you may order video tapes from the Senate Television Office by calling 916/445-4913. The Mobilehome Committee does not handle the video tapes, but the hearing will be transcribed and printed and the report will be made available in about 8-10 weeks by calling the Mobilehome Committee at 916/324-4282.

Again, for those of you with us today, I want to thank you for your participation and the good information we received. We appreciate it, and Senator Dills, I want to thank you for being with us here and joining us at this time and with that, this meeting is adjourned.

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A P P E N D I X

(Related Materials & Information)

MARCH 13, 1995



**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT****LEGISLATIVE UNIT**

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January 12, 1995

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

Dear Senator Craven:

Thank you for your recent letter requesting information on the status of the Mobilehome Park Resident Ownership Program (MPROP). In response to your questions, I have grouped the answers into larger categories.

Fund Availability (your questions 1, 2, 7, and 9): The current balance in the MPROP fund as of September 30, 1994 was \$6,850,992. The following chart shows the amounts for loan commitments and program support costs encumbered against this amount. The remaining current balance available for new loans in the next Request for Proposals (RFP) is about \$534,000. At the current rate of about \$140,000 to \$150,000 per month in revenue collections (including the \$5 Park Purchase Fund fee and MPROP loan repayments), we anticipate having enough funds for a RFP of about \$2 million in the fall of 1995. Depending upon the rate of collections, this date may be adjusted.

Monies in MPROP Fund 530 (as of 9/30/94)	\$6,850,992
Encumbered against old contracts	-1,773,640
94-95 Support Balance (3/4 of \$547,000)	-385,633
95-96 Support Costs	-547,000
Encumbered against new 1994 contracts	<u>-3,610,761</u>
Balance available for new loans for next RFP:	\$533,958

Existing Loan Commitments (your questions 3, 4 and 5): The following chart shows the loan commitments which are encumbered against the available funds and the start and end dates of the contracts. The end date represents the best estimate of the time it will take to complete the projects and when the projects are scheduled to go to the Local Assistance Loan and Grant Committee for a new commitment or a loan extension.



The only conversion (bridge) loan we currently have, the Portola Palms Mobilehome Park project in Palm Desert, has been in escrow awaiting the roll over of funds to permanent loans. The disbursement of our funds is pending resolution of problems by the City with another lender.

The fund balance stated above includes three old commitments on projects for which no funds have been disbursed. Five of the six new loan commitments, made this summer are being prepared for loan closure. The Beachcomber Mobilehome Park just closed in December.

<u>Old Contract Commitments</u>	<u>Amount</u>	<u>Contract</u>		<u>Comments</u>
		<u>Start</u>	<u>End</u>	
Hidden Hills (San Luis Obispo)	\$ 754,840	07/92	03/95	In loan closing process.
Mountain Brook (Santa Cruz)	\$ 225,000	11/92	08/95	In loan closing process.
Highlands (Santee)	\$ 793,800	07/90	11/95	In litigation.
<b>TOTAL</b>	<b>\$1,773,640</b>			
 <u>New Contract Commitments, 6/94</u>				
				<u>Comments</u>
Beachcomber (Santa Cruz)	\$ 733,499	10/94	09/95	MPROP funded 12/23/94.
La Moree (San Diego)	\$ 500,000		NR 05/95	Doing family qualifying. Meeting loan requirements.
Rancho Adolfo (Camarillo)	\$ 477,917	10/94	05/95	Meeting loan requirements.
San Marcos View (San Diego)	\$ 997,997		NR 06/95	Doing family qualifying. Meeting loan requirements.
The Oaks (Ione, Amador County)	\$ 340,000		NR 05/95	Rent problems to be resolved in park.
Warner Springs (San Diego County)	\$ 561,348		NR 06/96	Needs to increase # of buyers.
<b>TOTAL</b>	<b>\$3,610,761</b>			

NR: Contract not yet returned by co-sponsors for execution by HCD.

Staffing Costs (your questions 6, 7, and 8): The budget for MPROP staff and administrative overhead for fiscal year 1993-94 was \$525,000, but \$439,000 were actually used. The unused amount is put back into the fund for loans. The amount set aside for fiscal year 1994-95 is \$547,000. The approved staffing level for MPROP is five personnel years. This includes the three loan officers for the program, plus the equivalent of two other people. This is the portion of time charged by the MPROP manager, clerical as well as the

management and staff in our Management and Monitoring Unit who are responsible for overseeing and servicing the existing portfolio of MPROP loans. As of June 30, 1994, there were 14 blanket loans and about 540 individual loans.

All staff are required to bill their time to the program in which they are working. No MPROP designated staff are working in other programs. (Of the three MPROP loan officer positions, there were several vacancies during the earlier and latter parts of this year; MPROP will be fully staffed as of January 3, 1995).

The staff are working to provide additional technical assistance documents and workshops for all participants to clarify MPROP requirements and provide direction in meeting loan closing requirements. We welcome any suggestions you may want us to consider for streamlining the program or answering the needs of mobilehome residents seeking to convert their parks to resident ownership.

Thank you for sharing your concerns. I hope this information is useful to you in answering constituents' questions. If I can provide additional information, please feel free to contact me at (916) 323-3177.

Sincerely,



Carolyn M. Badenhausen  
Assistant Director for Legislation

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

MOBILEHOME PARK RESIDENT OWNERSHIP PROGRAM

Current Pending Loan Commitments (Jan '95)

Old Contract Commitments

	<u>Amount</u>	<u>Contract</u> <u>Start</u> <u>End</u>	<u>Comments</u>
Hidden Hills (San Luis Obispo)	\$ 754,840	07/92 03/95	In loan closing process.
Mountain Brook (Santa Cruz)	\$ 225,000	11/92 08/95	In loan closing process.
Highlands (Santee)	\$ 793,800	07/90 11/95	In litigation.
<b>TOTAL</b>	<b>\$1,773,640</b>		

New Contract Commitments, 6/94

			<u>Comments</u>
Beachcomber (Santa Cruz)	\$ 733,499	10/94 09/95	MPROP funded 12/23/94. Doing family qualifying. Meeting loan requirements.
La Moree (San Diego)	\$ 500,000	NR 05/95	
Rancho Adolfo (Camarillo)	\$ 477,917	10/94 05/95	Meeting loan requirements.
San Marcos View (San Diego)	\$ 997,997	NR 06/95	Meeting loan requirements. Doing family qualifying.
The Oaks (Ione, Amador County)	\$ 340,000	NR 05/95	Meeting loan requirements. Rent problems to be resolved in park.
Warner Springs (San Diego County)	\$ 561,348	NR 06/96	Needs to increase # of buyers.
<b>TOTAL</b>	<b>\$3,610,761</b>		

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION OF COMMUNITY AFFAIRS  
HOME Program**

P. O. BOX 952054  
SACRAMENTO, CA 94252-2054  
(916) 322-0356  
FAX (916) 322-2904

**HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)****FINANCING THE PURCHASE OF MOBILEHOME PARKS****FACT SHEET****Introduction**

The California Department of Housing and Community Development (Department) makes funds available under the Home Investment Partnerships Program (HOME), with funding authorized by the Cranston-Gonzalez National Affordable Housing Act of 1990. The Department provides HOME funding from the Federal government through specified recipients to conduct the following activities: (1) New Construction; (2) Acquisition; (3) Rehabilitation; and (4) Tenant-based rental assistance. The resident purchase of a mobilehome park is eligible under some of these activities.

Cities and counties ("State recipients") may use HOME funds to provide direct loans or grants to persons or families of low income, or as blanket loans or grants to mobilehome park resident organizations. In either case the HOME funds must be used to assist persons or families of low income to achieve affordable housing costs. State recipients are encouraged to provide HOME assistance in the form of loans, which can then be repaid to the local jurisdiction to be recycled for future HOME projects. State recipients can enter into agreements with entities such as experienced nonprofit corporations, redevelopment agencies or housing authorities to carry out their HOME activities.

Up to five percent of the activity amounts may be requested to cover the costs of administering the local HOME Program. A minimum of 15 percent of the HOME funds is set aside for use by Community Housing Development Organizations (CHDOs); and 20 percent of the HOME funds is set aside for use in rural areas throughout the State.

Funds are made available through the publication of a Notification of Funding Availability (NOFA) on an annual basis. The timing of the NOFAs is determined by the availability of funds from the federal government. The next NOFA is expected to be published in July 1995. Assuming a July NOFA, applications would be due in September, and awards would be made in December. Funds would then be available in early 1996.

**Assistance Under Various Ownership Structures**

**Airspace condominium or planned unit developments:** Under this ownership structure, the State recipient could make direct loans to existing low-income manufactured homeowners for purchase of their airspaces (pads), and/or for rehabilitation of their homes. First-time homebuyers could also be assisted in purchasing pads and homes in such a park. All assisted households' homes would need to be placed on foundations which meet the requirements for permanent foundations under HUD Handbook 4930.3, *Permanent Foundations Guide for Manufactured Housing*. Park rehabilitation costs could be included in the sales prices of the pads. Any assistance to existing homeowners in the park does not require a particular term of affordability. Assistance to first-time homebuyers requires a term of affordability of five to 15 years, depending on the amount of HOME funds per unit.

Cooperatives: State recipients could assist existing homeowners to purchase memberships in cooperatives and/or to rehabilitate their manufactured homes. This assistance (to existing homeowners) would not require a particular period of affordability. Assistance could also be provided to the cooperative resident organization for park acquisition and/or rehabilitation. Such assistance would carry with it the requirement for the local jurisdiction to negotiate affordable monthly cooperative charges (rents) for the period of affordability of five to 15 years, depending on the amount of HOME funds per unit. The requirement to negotiate affordable rents may not be applicable in cooperatives which sell shares for a large proportion of space costs. Permanent foundations are not required in cooperatives because the pads are rented. Both limited equity housing cooperatives (LEHCs) and share corporations are included here as cooperatives.

Resident-owned Rental: A State recipient can provide HOME assistance to a resident organization for purchase and/or rehabilitation of a rental mobilehome park, to manufactured home owners for rehabilitation of homes, or to first-time homebuyers for purchase of manufactured homes in the rental park. The State recipient would be required to negotiate affordable rents for the assisted homeowners for five to 15 years, depending on the amount of HOME funds per unit.

Other Rental: State recipients can also use HOME funds to purchase and/or rehabilitate a mobilehome park, or to assist another entity to do so.

### **Application Procedures and Schedule**

The Program is subject to the following rules and regulations: State regulations at Title 25, California Code of Regulations, Section 8200 *et seq.* and Federal regulations at 24 CFR Part 92. For further information, contact the HOME Program at the following:

Department of Housing and Community Development  
P.O. Box 952054, MS 390-2B  
Sacramento, CA 94252-2054  
(916) 322-0356

### **Eligible Applicants for General HOME NOFAs are:**

- \* Cities and counties which have not been designated as participating jurisdictions by HUD;
- \* Cities which are not included as part of an urban county that has been designated as a participating jurisdiction by HUD;
- \* CHDOs which are proposing activities located in cities and counties which have not been designated as participating jurisdictions by HUD. CHDOs can apply to the Department only to undertake CHDO setaside activities. CHDO setaside activities do not include assistance to existing homeowners or tenant-based rental assistance; and
- \* CHDOs which are proposing CHDO setaside activities located in cities and counties which are not included as part of an urban county that has been designated as a participating jurisdiction by HUD.

## DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

## DIVISION OF COMMUNITY AFFAIRS

1800 THIRD STREET, SUITE 390-5D

SACRAMENTO, CA 95814

P.O. BOX 952054

SACRAMENTO, CA 94252-2054

(916) 445-0110 FAX (916) 323-6625

**MOBILEHOME PARK RESIDENT OWNERSHIP PROGRAM****FACT SHEET**

The Mobilehome Park Resident Ownership Program (MPROP) provides financial and technical assistance for mobilehome park residents who wish to purchase their mobilehome park and convert it to resident ownership. The program provides loans to mobilehome park resident organizations or individual park residents to finance their park purchases and ensure affordable housing costs for lower-income park residents.

Sources of Program Funds

MPROP was created as a result of SB 2240 (Seymour) of 1984 which appropriated \$3 million for a revolving loan fund. SB 484 (Craven) of 1985 provided approximately \$2 million annually for the program through a \$5 per section surcharge on annual mobilehome registrations for units first sold before June 30, 1980. SB 2192 of 1988 deleted the December 31, 1988 sunset for the \$5 fees. An additional \$2.5 million was appropriated for the program in the 1986-87 State Budget. Senator Craven's SB 525 in 1988 provided MPROP with an additional \$1 million from the Mobilehome-Manufactured Home Revolving Fund. The MPROP statute is contained in § 50780 et.seq. of the Health and Safety Code; the regulations are contained in Title 25, Part I, Chapter 7, Subchapter 13 of the California Code of Regulations, § 8000, et.seq.

Types of Loans and Loan Terms

The program provides the three types of loans described below. The amount of funds available under each type of loan is limited to 50 percent of the eligible costs. The Department may approve a loan of up to 95 percent of the value of the loan collateral, under limited conditions. All loans are three (3) percent simple interest per year.

- A. Conversion Loans provide interim financing to resident organizations for purchase and conversion costs such as: the acquisition of mobilehome parks; loan origination fees and other financing costs; legal and professional fees; and rehabilitation costs. Repayment is required upon completion of the conversion. Interest-only payments are made during the three-year loan term unless an alternative repayment schedule is approved by the Department.
- B. Blanket Loans provide long-term financing to resident organizations for the conversion costs attributable to low-income spaces. A program of assistance must be adopted to direct the benefits of the blanket loan to low-income residents. This may be accomplished through rent subsidy, internal loans or other means. Blanket loans have monthly payments amortized over 30 years unless an alternative repayment schedule is approved.
- C. Individual Loans provide long-term financing for low-income residents to purchase a lot or other individual interest in a mobilehome park. The loans have monthly payments amortized over 30 years unless an alternative repayment schedule is approved. An alternative repayment schedule may include interest-only payments or a deferral of all principal and interest payments for the full term of the loan. Loans to individuals are due upon sale, transfer, or non-occupancy by the owner.

Eligibility Requirements

- A. Eligible Projects. Projects must have at least one low-income household to be eligible, though most have more. The project must be converting to resident ownership or control and meet the minimum standards of the Mobilehome Parks Act upon conversion. The form of resident ownership may include a condominium, cooperative or mutual benefit nonprofit corporation. If the resident organization is purchasing a land lease, it must be a minimum of 15 years, and not less than the MPROP loan term, generally 30 years. The homes in the park may be mobilehomes, manufactured homes, recreational vehicles or factory-built housing.
- B. Eligible Applicants. Residents must form a resident organization and apply for MPROP funds as a co-applicant with a local public entity (e.g., a city, county, housing authority, redevelopment agency or community development commission). The resident organization must represent at least two-thirds of the households in the park and at least two-thirds of the residents must participate in the park purchase.
- C. Eligible Beneficiaries. As noted above, either resident organizations or individual park residents may receive MPROP loans. Individual borrowers must have incomes at or below 80 percent of the county median income, and must be unable to qualify for a conventional or other private sector mortgage loan in order to qualify for an MPROP loan. Rental assistance (to lower space rents) under a long term blanket loan is also limited to households at or below 80 percent of the county median income.

Available Funding

To date, 46 projects have been awarded approximately \$28.6 million. Loan commitments cannot exceed \$1,000,000 per project. To the extent feasible, 20 percent of the funds will be allocated to rural areas. Funding for new projects is subject to the availability of registration and titling revenues and loan repayments. A new funding round is expected to begin in the summer of 1995 beginning with a new Request for Proposals (RFP).

MPROP Application Process

Applications are accepted on a competitive basis after a Request For Proposals (RFP) is published. Applicants seeking loans must submit an MPROP application by the deadline specified in the RFP. Complete and eligible loan applications will be rated and ranked according to the criteria set forth in the RFP, and the funding recommendations carried to the Local Assistance Loan and Grant Committee. Loan Committee recommendations are forwarded to the Director for approval. After Director approval, a contract between the co-applicants (the resident organization and the local public entity) and HCD is prepared, which governs the terms and conditions of the funding award. Once the loan conditions are met, funds are requested. The time between execution of the HCD contract until funding availability varies widely. It ranges from three to eighteen months or longer, depending on factors such as how long it takes the park to meet the conditions, and how far along the park is in the process of getting its conversion approvals.

Interested parties may contact the program for a full information package, and current information on when the next RFP will be issued as follows:

MPROP Program Secretary  
Mobilehome Park Resident Ownership Program  
Department of Housing and Community Development  
P.O. Box 952054, MS 390-5D  
Sacramento, CA 94252-2054  
(916) 445-0110  
Fax (916) 445-0117

RECEIVED

DEC 4 3 25 PM '90

SECRETARY OF STATE

**CERTIFICATE AND ORDER  
FOR FILING  
PERMANENT  
ADMINISTRATIVE RULES WITH THE SECRETARY OF STATE**

I HEREBY CERTIFY that the attached copy is a true, full and correct copy of PERMANENT rule(s) adopted on November 15, 1990 (Date)

by Oregon Housing Agency (Department) Mobile Home Park Purchase Program (Division)

to become effective Upon Filing (Date)

The within matter having come before the Oregon Housing Agency, Mobile Home Park Purchase Program (Department) (Division)

procedures having been in the required form and conducted in accordance with applicable statutes and rules and being fully advised in the premises:

Notice of Intended Action published in Secretary of State's Bulletin: NO  YES  Date Published: November 01, 1990

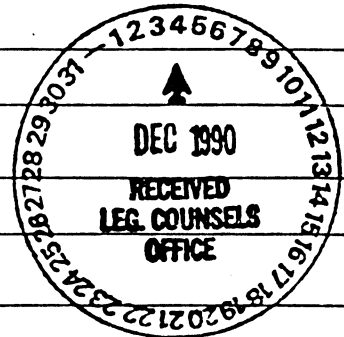
NOW THEREFORE, IT IS HEREBY ORDERED THAT the following action be taken: (List Rule Number(s) or Rule Title(s) on Appropriate Lines Below)

Numbered:  
(Total Rules)

OAR 813-09-001 through 813-09-020

Numbered:  
(Pending Rules)

Numbered:  
(Final Rules Only)



Administrative Rules of the Oregon Housing Agency (Department) Mobile Home Park Purchase Program (Division)

DATED this 28th day of November 19 90

By: [Signature] (Authorized Signer)

Title: Deputy Administrator

Statutory Authority: ORS 90.800 to 90.840 and 456.579 to 456.581, specifically 456.581 or

Chapter(s) \_\_\_\_\_ Oregon Laws 19 \_\_\_\_\_ or

House Bill(s) \_\_\_\_\_ 19 \_\_\_\_\_ Legislature; or Senate Bill(s) \_\_\_\_\_ 19 \_\_\_\_\_ Legislature

Subject Matter: Implementation of the Mobile Home Park Purchase (MHPP) program will make available to mobile home park tenants who form qualified Park Purchase Associations, in addition to other assistance, loans for initial costs associated with purchasing a mobile home park. Use of the Program will assist mobile home park tenants to gain control over rising rents through park ownership.



RE

STATEMENT OF NEED AND FISCAL IMPACT

OCT 4 3 30 PM '90

Before the Oregon Housing Agency  
of the State of Oregon

SECRETARY OF STATE

IN THE MATTER OF THE ADOPTION OF OAR )  
813-09-001 THROUGH 813-09-020 FOR THE )  
MOBILE HOME PARK PURCHASE PROGRAM )

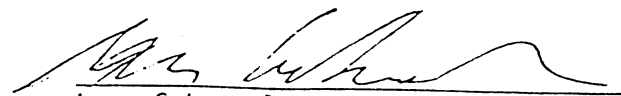
STATUTORY AUTHORITY,  
STATEMENT OF NEED,  
PRINCIPAL DOCUMENTS RELIED UPON  
AND STATEMENT OF FISCAL IMPACT

RECEIVED  
REG. DIVISION

1. Citation of Statutory Authority: ORS 90.800 through 90.840 and 456.579 through 456.581, specifically 456.581, authorizes the Oregon Housing Agency to adopt rules to carry out the provisions of the Mobile Home Park Purchase Act, Chapter 919, 1989 Oregon Laws (HB 3280), to make loans for initial costs associated with the purchase of a mobile home park.
2. Need for the Rule: The rules establish the procedures and requirements to make loans for initial costs under the Mobile Home Park Purchase Program.
3. Documents Relied Upon in Proposing the Rule Adopting: ORS 90.800 through 90.840 and 456.579 through 456.581 to carry out the provisions of the Mobile Home Park Purchase Program, Chapter 919, 1989 Oregon Laws (HB 3280). These documents are available for public inspection from 8:00 a.m. to 5:00 p.m., Monday through Friday, in the office of the Oregon Housing Agency at 1600 State Street, Suite 100, Salem, Oregon 97310.
4. Fiscal and Economic Impact: Implementation of the loan provision under the Mobile Home Park Purchase Program will make available funds to qualified park purchase associations for "initial costs" incurred prior to and during the purchase of a mobile home park. Initial costs would include but are not limited to legal fees, appraisal fees, engineering costs, and professional fees. The maximum amount that can be loaned to any one park purchase association under the Program is \$20,000. If a fifty-member association borrowed the full \$20,000 and paid it back over 3 years at 4%, the maximum loan period and interest rate allowed under the Program, the monthly payment would be \$590.48, or \$11.81 per member household.

The proposed rules allow the Agency to impose performance or reporting requirements for the loans provided under the MHPP Program. Although actual loan costs and these "costs of compliance" may vary for each park purchase association, participation in the Program is voluntary. In some cases associate purchase of a mobile home park may mean that initially higher monthly space costs; in others, costs may remain about the same. In the long term, however, the purchase of a park by the residents would provide them with more control over rising rents.

Dated: October 4, 1990

  
Lynn Schoessler  
Deputy Administrator

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DEC 4 3 29 PM '80

SECRETARY OF STATE

DIVISION 9  
MOBILE HOME PARK PURCHASE PROGRAM

Purpose and Objectives:

813-09-001 The rules of OAR Chapter 813, Division 9, are established to accomplish the general purpose of ORS 90.800 to 90.840 and ORS 456.579 to 456.581, which authorize the Agency to provide assistance to qualified tenants' associations to purchase their mobile home park. The Mobile Home Park Purchase Program's objective is to assist mobile home park tenants to gain control over rising rents and declining quality of living through the ownership of their park.

Definitions:

813-09-005 All words and terms are used in OAR Chapter 813, Division 9 as defined in the Act, and as provided in OAR 813-09-005 and herein. As used in these rules, unless the context indicates otherwise:

(1) "Act" means ORS 90.800 to 90.840 and ORS 456.579 through 456.581.

(2) "Park Purchase Association" means a group of three or more tenants who reside in a manufactured dwelling parks and have organized for the purpose of the eventual purchase of the manufactured dwelling or mobile home park.

(3) "Qualified Park Purchase Association" means a Park Purchase

Association that:

- a) Is established pursuant to ORS 90.815;
- b) Includes more than 50 percent of the tenants residing in the park;

and

- c) Shows, in the opinion of the Agency, that the purchase is economically feasible.

(4) "Initial Costs" means costs incurred in the purchase of the park by the residents. Such costs may include, but are not limited to:

- a) Legal fees;
- b) Appraisal fees;
- c) Engineering fees;
- d) Professional fees associated with park evaluation and management;

and,

- e) Other fees approved by the Housing Agency.

(1)

813-09-010 (1) A Qualified Park Purchase Association may submit to the Agency an application for a loan for Initial Costs for purchasing the mobile home park in which they reside.

(2) The Agency may provide funds from the Mobile Home Park Purchase Account for Initial Costs for purchasing a mobile home park.

(a) Loan amount limitations: Loan(s) to a Qualified Park Purchase Association shall not cumulatively exceed \$20,000. The Agency may elect to restrict the availability of Program funds and lend less than requested by a Qualified Park Purchase Association.

(3) All applications for assistance from the Mobile Home Park Purchase Account shall be in writing to the Agency, and shall contain at a minimum the following information:

a) A copy of the article of incorporation for the Qualified Park Purchase Association:

b) Name, address, and telephone number of the officers of the Qualified Park Purchase Association;

c) Documentation that the Qualified Park Purchase Association represents at least 50% of the residents; and,

d) A detailed projection of the anticipated expenditures.

#### Application Review

813-09-015 (1) The Agency shall acknowledge receipt of the application and request additional information on the application within 30 calendar days of receipt of the application.

2) The Agency shall advise the applicant in writing of the action taken within 60 calendar days of receipt of the application.

3) In reviewing the application for a loan, the Agency may consider the following:

a) The Qualified Park Purchase Association's percentage of representation of the residents in the park. Preference will be given to Qualified Park Purchase Association based on the percent of representation over the minimum 50 percent requirement.

b) Amount of funds available in the Park Purchase Account.

c) Availability of other sources of funds or assistance.

(2)

813-09-020 (1) The Agency shall confirm to the applicant in writing the amount of assistance, if any, to be provided from the Park Purchase Account. Assistance shall be in the form of a loan under contractual agreement.

2) The Agency shall establish loan terms; duration, interest rate and repayment schedule at the time of the loan.

(a) The duration of the loan shall not exceed 3 years.

(b) The interest rate on the loan shall not exceed 4%.

(c) The loan payment due dates shall be not less than quarterly.

3) The loan funds shall be disbursed to the Qualified Park Purchase Association upon presentation the bills for approved Initial Costs.

4) If the terms and conditions upon which the assistance was approved are not met, the Agency may, upon written notice in compliance with the agreement terms, revoke approval of the use of the Park Purchase Account funds and require repayment of any or all of the funds advanced.

RULES:24

(3)



WILLIAM A. CRAVEN  
CHAIRMAN  
RUBEN S. AYALA  
RALPH C. DILLS  
DAN MCCORQUODALE  
HENRY MELLO  
ROBERT PRESLEY



# California Legislature

COMMITTEE ADDRESS  
1020 N. STREET  
ROOM 520  
SACRAMENTO, CA 95814  
(916) 324-4282

Senate Select Committee

on

Mobilehomes

JOHN G. TENNYSON  
COMMITTEE CONSULTANT

SALLY RIDGEWAY  
COMMITTEE SECRETARY

SENATOR WILLIAM A. CRAVEN  
CHAIRMAN

PACKET OF PRELIMINARY ANALYSIS OF 1995  
BILLS RELATING TO RESIDENT OWNED PARKS

SB 53

SB 110

SB 310

SB 360

SB 502



Hearing: March 1, 1995

URGENCY

Fiscal: YES

SUBJECT: Property Tax: Mobilehome park change of ownership -  
extends period for intermediate owner to 36 months

**DIGEST -- WHAT THE BILL DOES**

EXISTING LAW (Proposition 13) requires that when real property on the local assessment roll changes ownership, the property be reappraised at its current market value. Current statute (RTC §62.1) provides that when a mobilehome park is sold to an entity owned by the mobilehome park residents, or is sold directly to the individual tenants of the mobilehome park spaces (provided the residents form a resident association to operate and maintain the park), then the transfer does not trigger a market-value reassessment, and the new owners retain the previous owner's Proposition 13 base year value.

Another provision (RTC §62.2) permits an entity which is not owned by the park residents to purchase and hold the mobilehome park for up to 18 months before it is transferred to the owners' association or to the individual tenants. Under this provision, the transfer does not trigger reappraisal of the park. This provision is sometimes used in cases where residents have difficulty in securing financing to acquire the park - the intermediate entity may be a city which wishes to facilitate transfer of the park to its residents.

THIS BILL would change from 18 months to 36 months the period during which an intermediate owner may hold the mobilehome park without triggering reappraisal.

**FISCAL EFFECT:**

Board of Equalization staff estimate a property tax loss of \$33,040 annually. Since the loss would be cumulative (as additional mobilehome parks are made eligible for non-reappraisal, based on the BOE's methodology, the first three years' property tax loss would be \$33,000 for 1995-96, \$66,000 for 1996-97 and \$99,000 for 1997-98.



**COMMENTS:****A. Purpose of the bill**

The bill is intended to assist in the process of transferring mobilehome from private ownership to tenant association ownership. In some cases there is a substantial delay between the decision by the tenants to acquire the park and the availability of necessary funds. This bill is sponsored by the City of San Marcos, which is acting as the intermediate owner for the tenants of the San Marcos View Estates mobilehome park. The current 18-month period is about to expire and funds are still not available (the sponsors blame the delay on the Department of Housing and Community Development). Proponents argue that extending the maximum holding period from 1 1/2 years to 3 years is necessary in order to provide enough time for tenants to obtain financing.

**B. Constitutional amendment necessary**

Since the Constitution itself requires that property be reappraised when there is a change of ownership, Legislative Counsel has raised the question as to whether RTC §§ 62.1 and 62.2 are constitutional. The issue has been raised on at least two occasions in this committee in the past with respect to these sections. Perhaps this bill should be linked to a constitutional amendment specifically permitting these changes of ownership to escape reassessment. Without constitutional backing, mobilehome park tenants who have acquired parks under these sections are at risk of having their parks substantially reassessed at some future time.

**Support and Opposition**

Support: City of San Marcos (Sponsor)  
American Capitol Management Corp.

-----  
Consultant: Martin Helmke  
February 24, 1995 1:24 PM

THIRD READING

**SENATE RULES COMMITTEE**

Office of  
Senate Floor Analyses  
1020 N Street, Suite 524  
445-6614

Bill No.: SB 110

Author: Craven (R)

Amended: As introduced

Vote: 21

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SENATE JUDICIARY COMMITTEE: 8-0, 2/21/95

AYES: Calderon, Campbell, Leslie, Lockyer, O'Connell, Petris, Solis, Wright

NOT VOTING: Marks

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SUBJECT: Mobilehomes: residency

SOURCE: Senate Select Committee on Mobilehomes

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DIGEST: This bill provides that resident-owners of resident-owned mobilehome parks have the rights enjoyed by homeowners of non-resident-owned parks relating to notice of amendments to park rules and regulations, to peaceful assembly and political activities, to overnight guests and caregivers, and to sale of their mobile home.

This bill also provides that mobilehome owners who live in a resident-owned mobilehome park but do not own a share of the park have the same rights and obligations as mobilehome owners who live in a park which is not resident-owned.

ANALYSIS: California's Mobilehome Residency Law enumerates the rights and obligations of mobilehome owners and mobilehome parkowners.

The typical situation in mobilehome parks is that residents own their own mobilehomes, but rent space in the park, which is owned by the parkowners. This bill relates to parks which do not follow this model, commonly called "resident-owned" parks. In this situation, the residents of the park own both their mobilehome and the park itself. There are many different variants of this arrangement, including cooperatives, condominiums, and subdivisions.

In the last decade, there have been a growing number of conversions, in which parks which were previously not resident-owned were bought by the residents. In these parks, there are often some mobilehome owners who remained in the park, but who did not participate in the purchase of the park.

There has been confusion among mobilehome owners and park managers concerning which portions of the Mobilehome Residency Law apply to residents of resident-owned parks, and as to whether any of these provisions conflict with the Davis-Stirling Act, which governs common interest developments (CID's). Many, if not all, resident-owned parks are CID's, and are therefore governed by Davis-Stirling.

The purpose of this bill is to clarify which of the rights of mobilehome owners under the Mobilehome Residency Law apply to resident-owners of resident-owned mobile home parks. It is also the purpose of the bill to clarify that

mobilehome owners who live in a resident-owned mobile home park but do not own a share of the park have the same rights and obligations as mobilehome owners who live in a park which is not resident-owned.

Specifically, this bill clarifies that resident-owners have the following rights presently enjoyed by mobilehome owners of non-resident-owned parks:

1. The right in existing law to have park management meet and consult with them before amending the park's rules, regulations and restrictions. The right granted to resident-homeowners under this bill is less expansive than the right under existing law because it does not require a six-month delay before implementing a new restriction to which the homeowner does not consent.
2. The provision making any rule, regulation or restriction which denies the right to a trial by jury or mandates binding arbitration without the homeowner's consent void and unenforceable.
3. The right to peaceably assemble in the park, to invite public officials to meet with homeowners, and to canvass and petition for non-commercial purposes, and the right to obtain injunctive relief to enforce these particular rights.
4. The right to be able to have overnight guests without being charged a fee and for a resident over the age of 55 to share his or her mobilehome with a live-in caregiver.
5. The right to place a certain-sized sale notice sign on one's mobile home.
6. The right to sell a mobilehome if the owner of the home dies.
7. The right to use whomever the homeowner wishes as his or her agent when selling the mobilehome.

Related Pending Legislation

AB 46 (Hauser), in Assembly Housing and Community Development Committee.

FISCAL EFFECT: Appropriation: No Fiscal Committee: No Local: No

SUPPORT: (Verified 2/22/95)

Golden State Mobilehome Owners League

RJG:ctl 2/23/95 Senate Floor Analyses

Senate Select Committee on Mobilehomes  
Bill Analysis

**Senate Bill 310 (Craven)**  
as introduced February 10, 1995

**General Subject: Conversion of Mobile Parks to Resident Ownership**

**Background:** The conversion of rental mobilehome parks to resident ownership has gained in popularity over the past 10 years, with approximately 130 rental parks converted to some form of resident ownership since 1984. Residents normally are interested in purchasing a park in order to avoid ever-increasing space rents, the closure of the park and the displacement of their homes, or to have better control over the rules, regulations and policies of the park.

Residents can own their parks through a variety of ownership structures. The availability of financing, the needs of the park residents, the level of local government support, the size and age of the parks, the income level of the residents, and the conditions under which the park owner is willing to sell are all factors which may determine how a resident owned park should be set-up.

Subdivision or Condominium Ownership - each resident buys a specific space or airspace on which his or her mobilehome is located, along with a shared interest in the park's common areas which is operated and maintained by a park homeowners association. Normally it is easier to finance the purchase of specific deeded lots than other forms of resident ownership, but the conversion to subdivided interests takes longer and is more expensive because of local and state government subdivision approvals, which may discourage both the park owner from selling and the residents from buying.

Corporate or Cooperative Ownership - residents buy stock or a membership in a corporation which owns and runs the park. Individual homeowners do not own the land under their homes but have certain rights, sometimes exclusive leases, to use the space which accompanies the stock or membership. The corporation obtains blanket financing for the park with the rest coming from the sale of memberships. In addition to the initial membership fee, residents pay a monthly fee to cover payment on the blanket financing and their share of the park operating expenses. These kind of conversions are quicker to set-up, with less governmental involvement, an advantage when a selling park owner will not wait for the approval of a subdivision. But membership financing is difficult to obtain upon initial purchase of the membership or resale of the home. Some lenders refuse to finance mobilehomes in co-op or corporate parks.

Non-Profit Corporation or Government Ownership - typically non-profit or government ownership is designed to preserve the

mobilehome park as affordable housing. The park is operated on a nonprofit basis to maintain a high level of service with low rents. Residents usually pay little or no membership fee, and parks owned in this fashion often can obtain federal tax exempt bond financing, and thus the rent structure can often be pegged to suit lower income households. Although park residents may have some greater input concerning the park's management than in a privately-owned rental park, they still have no control of the management and little chance for appreciation of any membership investment. In some cases, upon a resale, residents must sell to another low income person, and they are limited in the amount of equity which they can cash in on at resale by the terms of their original agreement with the non-profit ownership.

**Proposed Bill:**

SB 310 has three major provisions:

1) Non-Profit Corporations: Currently, to establish a corporation to operate a resident-owned mobilehome park requires approval of the Department of Corporations. Generally, with the exception of a few narrow circumstances, a person may not hold more than one membership in a corporation (Corps Code Sec. 7312). SB 310 would amend this section to permit a commercial lender (bank, S&L, etc.), which has a security interest in a membership acquisition corporation in a mobilehome park, to hold more than one membership, if, pursuant to foreclosure or repossession, the lender is actively trying to resell the membership to a prospective resident of the park. If the lender cannot sell the membership within one year, the membership reverts to the corporation.

2) Subdivided Lands Law: Currently, the Subdivided Lands Law (B & P Code Sec. 11,000 et.seq.) requires the subdivider or converter of a mobilehome park converted to resident ownership to obtain approval of the project from the State Department of Real Estate (DRE), which after a 4-6 month review, issues a "public report" making various disclosures concerning the project. The converter may not contract to sell spaces until after the public report has been issued. Some subdividers have construed these requirements to mean that they cannot give residents any information concerning the price of the park or park spaces until after DRE has issued the report. Park residents complain that they have no idea whether to support or oppose a proposed conversion if, at the front end, before DRE or local government approval, a price for the spaces cannot be disclosed to them.

SB 310 would add a new section to require that a subdivider of a park proposed to be converted to resident ownership disclose in writing to park residents a tentative price of the spaces prior to filing a notice of intention with DRE for a review of the project.

3) Subdivision Map Act: Gov. Code Sec. 66427.4 was created in 1981 (SB 1722-Craven (1980)) to require a local government entity to require the converter of a mobilehome park to a subdivision to render an impact report on the effect of the conversion on the ability of displaced mobilehome owners to relocate their homes, mandates a 15 day notice of a hearing at which the impact report will be considered by the local agency, and authorizes the local agency to mitigate displacement caused by the conversion as a condition of approving the subdivision map for the project. Current law also provides that this is a minimum standard for local regulation park conversions and does not preclude a local agency from enacting more stringent requirements.

In the case of parks converted to resident ownership which are financed through the State Department of Housing's Mobilehome Park Resident Ownership Program (MPROP), a new section, Gov Code Sec. 66427.5, became effective in 1992 (AB 1863-Hauser (1991)) to piggyback on the above requirements by providing the converter can avoid economic displacement of nonpurchasing residents by continuing to rent spaces to them, with rents determined by formulas based upon whether such residents are defined as low-income. Non-low income households can have their rents raised to market levels in equal annual increases over 4 years. Low-income households can have their rents raised annually by the average rent increase over the past 4 years, but in any event no greater than the monthly increase in the Consumer Price Index for the most recent period.

SB 310 would establish the 1992 section, apart from conversion of the park to other types of subdivided uses, as the sole means for local government to determine mitigation requirements for all conversions of parks to resident-owned subdivided interests, not just those financed by MPROP. The impact report, 15 day notice and hearing requirements are carried over from Sec. 66427.4, but mitigation would be changed to the extent that 5 years would be plugged into the above-mentioned formulas, rather than 4 years. Additionally, Sec 66427.5 would not specifically permit local governments to establish more stringent standards for the mitigation of displacement as is the case with Sec. 66427.4, relating to conversion of parks to other subdivided interests, but if the subdivider does not offer existing tenants the option to purchase a subdivided interest in the converted park, economic displacement shall be mitigated in accordance with Sec. 66427.4.

**Support:** Sue Loftin, San Diego attorney and park conversion consultant

**Supporters' Arguments:** SB 310 makes modest changes in existing law to make the subdivision process for the conversion of parks to

resident ownership and mitigation for economic displacement of residents in such cases more uniform statewide, while requiring disclosure of a price to the residents at the front end of the process, as a means of providing more information and protection to residents. The bill also encourages a bank or lending institution to finance corporate park memberships by permitting them to own more than one membership for purposes of resale where the financial institution falls heir to the membership through foreclosure or repossession and actively seeks to resell the membership to a prospective resident within a one year time frame.

**Opposition:** None known as of March 1, 1995

3/1/95 JGT  
PH: 916-324-4282

Senate Select Committee on Mobilehomes  
Bill Analysis

**Senate Bill 360 (Craven)**  
as introduced February 10, 1995

**General Subject: Conversion of Mobile Parks to Resident Ownership**

**Background:** The conversion of rental mobilehome parks to resident ownership has gained in popularity over the past 10 years, with approximately 130 rental parks converted to some form of resident ownership since 1984. Residents normally are interested in purchasing a park in order to avoid ever-increasing space rents, the closure of the park and the displacement of their homes, or to have better control over the rules, regulations and policies of the park.

SB 2240 (Seymour) of 1984, created the Mobilehome Park Resident Ownership Program (MPROP), operated by the Department of Housing and Community Development. MPROP makes loans to low-income residents of mobilehome parks to help them purchase a space or interest in their park. MPROP began making loans in early 1986, but MPROP 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, as HCD is limited to a loan if not more than \$1 million to any one park. There have been some 42 park conversions partially funded through MPROP to date with several additional park conversions now in process.

Because MPROP loans must be supplemented by private loans or other programs, approval times for applications can often be lengthy and complicated, and escrows up to 2 years have not been unusual.

Current law (Government Code Sec. 50786) requires that HCD verify that at least 2/3rds of the households residing in the park support plans for acquisition and conversion of the park. HCD officials have interpreted this to mean that 2/3rds of the resident households must be qualified and committed to purchase the park before MPROP will disburse any loan funds to qualified MPROP loan recipients. In a 100 space park, this means 67 households must buy. If 30 are qualified for MPROP funding, 37 additional residents must qualify and commit to purchase their spaces through private financing or other means as a condition precedent to the release of the MPROP monies to the first 30.

**Proposed Bill:** SB 360 would provide, notwithstanding the current 2/3rds support requirement, that HCD shall not require parks acquired after January 1, 1993 to have more than a simple majority of households residing in the park actually purchase, or open escrow to purchase, spaces or interests in the park as a condition of the release of MPROP funds to qualified households.



Senate Select Committee on Mobilhomes  
SB 360 (2/10/95) Analysis  
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**Support:** Sue Loftin, San Diego attorney and park conversion consultant (source).

**Supporters' Arguments:** Proponents contend that the current statutory 2/3rds requirement was intended by the Legislature to require, at the time the conversion process begins, that an initial 2/3rds of the residents show support for the conversion. HCD's interpretation that 2/3rds of the residents need to show support by committing to purchase, as a condition of the release of MPROP funding to those who are qualified for those loans, creates lengthy delays and other problems in closing escrow on MPROP-funded parks.

**Opposition:** None known as of March 3, 1995

**Note:** SB 360 is similar to SB 634 (Craven) of 1993, which was later amended to limit its effect to parks acquired by a local government agency between January 1, 1989 and January 1, 1993, a provision which affected a mobilehome park owned by the City of Escondido. SB 634 passed the Senate but died in the Assembly Housing Committee. Provisions of SB 634 were later amended into AB 765 (Goldsmith), which was signed into law as Chapter 126 of the Statutes of 1993.

3/3/95 JGT  
PH: 916-324-4282

Senate Select Committee on Mobilehomes  
Bill Analysis

**Senate Bill 502 (Craven)**  
as introduced February 17, 1995

**General Subject: Conversion of Mobile Parks to Resident Ownership**

**Background:** The conversion of rental mobilehome parks to resident ownership has gained in popularity over the past 10 years, with approximately 130 rental parks converted to some form of resident ownership since 1984. Residents normally are interested in purchasing a park in order to avoid ever-increasing space rents, the closure of the park and the displacement of their homes, or to have better control over the rules, regulations and policies of the park.

SB 2240 (Seymour) of 1984, created the Mobilehome Park Resident Ownership Program (MPROP), operated by the Department of Housing and Community Development. MPROP makes loans to low-income residents of mobilehome parks to help them purchase a space or interest in their park. MPROP began making loans in early 1986, but MPROP 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, as HCD is limited to a loan of not more than \$1 million to any one park. There have been more than 40 park conversions partially funded through MPROP to date with several additional park conversions now in process.

As a pilot program, the original MPROP program, known as MPAP, was financed with a one-time \$1 million appropriation from a reserve in the Mobilehome-Manufactured Fund. Subsequently, the Legislature approved a temporary annual \$5 surcharge on mobilehome vehicle license fees (VLF) - which raised about \$2 1/2 million a year for the program. In 1989, the sunset provision on the MPAP program and the \$5 VLF surcharge to support it were eliminated, making the later renamed MPROP and the \$5 fee permanent.

Over the past five years, during open application (RFP) periods when HCD accepts requests for proposals, there have been more applications for park conversion funding than the MPROP program has had the funding to fulfill. As such, awards of funding have been made on a ranking basis, with the losers having to reapply at the next open period. Mobilehome owners and park conversion consultants who specialize in converting parks would like to see more state low-interest money made available so more parks can be converted.

Several legislative attempts have been made in the last few legislative sessions:

SB 501 (Craven) of 1991-92 would have provided \$40 in revenue bonds to finance MPROP park conversion loans for non-profit parks up to 30 years. The measure, opposed by HCD, passed the Legislature but was vetoed by the Governor.

AB 732 (Hauser) of 1991 would have increased the current \$5 MPROP surcharge on mobilehome vehicle license fees (VLF) to \$25 a year, exempting low-income homeowners, who would have continued to pay the \$5, from the increase. An estimated \$10 million would have been raised from this bill. GSMOL opposed the bill, and it never left the Assembly Housing Committee.

SB 110 (Craven) of 1993-94 would have imposed a \$75 transfer fee on the sale of used mobilehomes, located on rented or leased land, to supplement the MPROP program. An estimated \$3 million a year would have been raised from this bill. Opposed by the California Association of Realtors and HCD, the bill died on the Senate floor, where the language was gutted, and the bill used for another purpose.

Currently, the MPROP program is in the process of wrapping up contract commitments to 5 parks which were approved for funding in the Fall, 1993 application period, along with 3 parks which are still pending from older contracts. About \$534,000 remains in the fund for new loans at this time. \$140,000 - \$150,000 in new monthly revenue is accruing from the \$5 surcharge and loan repayments.

Pursuant to legislative action, new mobilehomes sold on or after July 1, 1981 became subject to local property taxation. The majority of the older, pre-July, 1981 homes remain on the VLF. But over the years, the number of VLF homes is declining, just as the number of new manufactured homes on property taxes is increasing. Older VLF homes pay the \$5 surcharge, but mobilehomes located in rental parks subject to property taxes pay no fee to MPROP. Hence, monthly revenue from the \$5 surcharge is slowly diminishing over time as the number of VLF mobilehomes decreases.

**Proposed Bill:** SB 502 would repeal the \$5 surcharge on VLF mobilehomes. In its place, the bill would enact a new annual \$10 space fee for every mobilehome park space in the state, piggybacking on the existing annual permit to operate and \$6 space fees now paid by mobilehome park owners annually to HCD or local government, depending on which has jurisdiction to license and inspect mobile parks in a particular area. The additional annual \$10 per space would be designated for the MPROP program and could be passed through to residents in the form of a \$10 rent increase by park owners, including parks located in rent control jurisdictions. The bill does not include Special Occupancy Parks (RV parks which do not have mobilehomes and are not considered permanent residency parks). The measure is estimated to raise about \$3.5 million a year for MPROP.

**Support:** Author

**Supporters' Arguments:** Although SB 502 does not increase funding for MPROP dramatically, the measure does stabilize funding for the program, which in future years will decline as the number of VLF mobilehomes which support the fee are scrapped or moved out of state. Moreover, the measure is a fairer method of funding MPROP than the VLF surcharge. Currently, newer, more expensive mobile and manufactured

homes on property taxes are not subject to the MPROP surcharge, yet many of the homeowners living in rental parks who benefit from park conversions live in the newer homes. Shouldn't every mobilehome owner living in a park share the burden of a program which may benefit them when and if their park is converted with MPROP funds? The bill would use the existing mechanism for collecting the annual permit to operate and space fees paid by park owners, by adding the additional \$10 to these existing fees.

Opposition: None known at this date

3/8/95 JGT  
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