
HOUSE BILL 1586

State of Washington

53rd Legislature

1993 Regular Session

By Representatives Ogden, Jacobsen, Leonard, Conway, Brough, G. Cole, Forner, Finkbeiner, Cothorn and L. Johnson

Read first time 02/03/93. Referred to Committee on Trade, Economic Development & Housing.

1 AN ACT Relating to the purchase of mobile home parks by tenant
2 organizations; amending RCW 59.22.020; adding a new chapter to Title 59
3 RCW; and adding new sections to chapter 59.22 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that mobile home parks
6 provide a significant source of homeownership for many Washington
7 residents, but increasing rents and low vacancy rates, as well as the
8 pressure to convert mobile home parks to other uses, increasingly make
9 mobile home park living unaffordable or unavailable. The legislature
10 also finds that many homeowners who reside in mobile home parks are
11 also those residents most in need of affordable housing. It is the
12 intent of the legislature to encourage and facilitate the conversion of
13 mobile home parks to resident ownership in the event of a voluntary
14 sale of the park.

15 NEW SECTION. **Sec. 2.** An obligation of good faith is imposed on
16 the parties in the conduct of transactions affected by this chapter.
17 Rights created by this chapter are forfeited by any party failing to

1 act in good faith. Further obligations under this chapter on other
2 parties are also discharged by a failure to act in good faith.

3 NEW SECTION. **Sec. 3.** If a qualified tenant organization gives
4 written notice to the mobile home park owner where the tenants reside
5 that they have a present and continuing desire to purchase the mobile
6 home park, the park may then be sold only according to this chapter.

7 "Notice" for the purposes of this section means a writing signed by
8 sixty percent of the tenants in the park indicating that they desire to
9 participate in the purchase of the park, and that they are
10 contractually bound to the other signators of the notice to participate
11 by purchasing an ownership interest that will entitle them to occupy a
12 mobile home space for the remainder of their life or for a term of at
13 least fifteen years.

14 NEW SECTION. **Sec. 4.** (1) "Mobile home park" means the same as
15 defined in RCW 59.20.030.

16 (2)(a) The terms "sold" or "sale" for the purposes of this chapter
17 have their ordinary meaning and include: (i) A conveyance, grant,
18 assignment, quitclaim, or transfer of ownership or title to real
19 property and improvements that comprise the mobile home park, or mobile
20 homes, for a valuable consideration; (ii) a contract for the
21 conveyance, grant, assignment, quitclaim, or transfer; (iii) a lease
22 with an option to purchase the real property and improvements, or
23 mobile home, or any estate or interest therein; or (iv) other contract
24 under which possession of the property is given to the purchaser, or
25 any other person by his or her direction, where title is retained by
26 the vendor as security for the payment of the purchase price. These
27 terms also include any other transfer of the beneficial or equitable
28 interest in the mobile home park such as a transfer of equity stock or
29 other security evidencing ownership that results in a change in
30 majority interest ownership.

31 (b) The terms "sale" or "sold" do not include: (i) A transfer by
32 gift, devise, or inheritance; (ii) a transfer of a leasehold interest
33 other than of the type described in this subsection; (iii) a
34 cancellation or forfeiture of a vendee's interest in a contract for the
35 sale of the mobile home park; (iv) a deed in lieu of foreclosure of a
36 mortgage; (v) the assumption by a grantee of the balance owing on an
37 obligation that is secured by a mortgage or deed in lieu of forfeiture

1 of the vendee's interest in a contract of sale where no consideration
2 passes otherwise; (vi) the partition of property by tenants in common
3 by agreement or as the result of a court decree; (vii) a transfer,
4 conveyance, or assignment of property or interest in property from one
5 spouse to the other in accordance with the terms of a decree of divorce
6 or dissolution or in fulfillment of a property settlement agreement
7 incident thereto; (viii) the assignment or other transfer of a vendor's
8 interest in a contract for the sale of real property, even though
9 accompanied by a conveyance of the vendor's interest in the real
10 property involved; (ix) transfers by appropriation or decree in
11 condemnation proceedings brought by the United States, the state or any
12 political subdivision thereof, or a municipal corporation; (x) a
13 mortgage or other transfer of an interest in real property or mobile
14 home merely to secure a debt, or the assignment thereof; (xi) a
15 transfer or conveyance made under an order of sale by the court in a
16 mortgage or lien foreclosure proceeding or upon execution of a
17 judgment; (xii) a deed in lieu of foreclosure to satisfy a mortgage;
18 (xiii) a conveyance to the federal housing administration or veteran's
19 administration by an authorized mortgagee made under a contract of
20 insurance or guarantee with the federal housing administration or
21 veteran's administration; (xiv) a transfer in compliance with the terms
22 of any lease or contract upon which notice has already been given under
23 this chapter, or where the lease or contract was entered into before
24 the effective date of this act; or (xv) a transfer to a corporation or
25 partnership the majority interest of which is wholly owned by the
26 transferor.

27 (3) A "qualified tenant organization" means a formal organization
28 of tenants in the park in question, organized for the purpose of
29 purchasing the park, with membership made available to all tenants with
30 the only requirements for membership being: (a) Payment of reasonable
31 dues; and (b) being a tenant in the park.

32 NEW SECTION. **Sec. 5.** If notice of a desire to purchase has been
33 given under section 3 of this act, a park owner shall notify the
34 qualified tenant organization that an agreement to purchase and sell
35 has been reached, the terms of the agreement, including the
36 availability and terms of seller financing, before closing a sale with
37 any other person or entity. If, within ninety days after the actual
38 notice has been received, the qualified tenant organization tenders to

1 the park owner an amount equal to one percent of the agreed purchase
2 price, refundable only according to this chapter, together with a fully
3 executed purchase and sale agreement at least as favorable to the park
4 owner as the original agreement, the mobile home park owner must sell
5 the mobile home park to the qualified tenant organization. The
6 qualified tenant organization must perform under the agreement and
7 stand ready to close the sale within one hundred twenty days from the
8 date of execution of the purchase and sale agreement. This additional
9 one hundred twenty-day period may be extended by mutual agreement
10 between the park owner and qualified tenant organization. In the case
11 of seller financing, a mobile home park owner may decline to sell the
12 mobile home park to the qualified tenant organization if, based on
13 reasonable and objective evidence, to do so would present a greater
14 financial risk to the seller than would selling on the same terms to
15 the original offeror.

16 Failure to perform under the terms of the agreement on the part of
17 the qualified tenant organization shall result in the forfeiture of the
18 one percent deposit and void the purchase and sale agreement. The
19 mobile home park owner may then sell the mobile home park to any party
20 at any time on any terms without regard to this section.

21 The rights of the qualified tenant organization under the purchase
22 and sale agreement, including the deposit, are not forfeited if the
23 transaction fails to close within the additional one hundred twenty
24 days due to the failure of the park owner to perform or deliver good
25 and marketable title.

26 NEW SECTION. **Sec. 6.** Failure on the part of a mobile home park
27 owner to give notice as required by this chapter renders a sale of the
28 mobile home park that occurs within sixty days of the time the
29 qualified tenant organization knows or has reason to know that a
30 violation of the notice provisions of section 5 of this act has
31 occurred, voidable upon application to superior court after notice and
32 hearing. If the court determines that the notice provisions of this
33 chapter have been violated, the court shall issue an order setting
34 aside the improper sale. In an action brought under this section, the
35 court shall award the prevailing party attorneys' fees and costs. For
36 the purposes of this section, a "prevailing party" includes any third-
37 party purchaser who appears and successfully defends his or her
38 interest.

1 **Sec. 7.** RCW 59.22.020 and 1991 c 327 s 2 are each amended to read
2 as follows:

3 The following definitions shall apply throughout this chapter
4 unless the context clearly requires otherwise:

5 (1) "Account" means the mobile home affairs account created under
6 RCW 59.22.070.

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

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

14 (4) "Department" means the department of community development.

15 (5) "Fee" means the mobile home title transfer fee (~~created~~)
16 imposed under RCW (~~59.21.060~~) 59.22.080.

17 (6) "Fund" or "park purchase account" means the mobile home park
18 purchase (~~fund~~) account created pursuant to RCW 59.22.030.

19 (7) "Housing costs" means the total cost of owning, occupying, and
20 maintaining a mobile home and a lot or space in a mobile home park.

21 (8) "Individual interest in a mobile home park" means any interest
22 which is fee ownership or a lesser interest which entitles the holder
23 to occupy a lot or space in a mobile home park for a period of not less
24 than either fifteen years or the life of the holder. Individual
25 interests in a mobile home park include, but are not limited to, the
26 following:

27 (a) Ownership of a lot or space in a mobile home park or
28 subdivision;

29 (b) A membership or shares in a stock cooperative, or a limited
30 equity housing cooperative; or

31 (c) Membership in a nonprofit mutual benefit corporation which
32 owns, operates, or owns and operates the mobile home park.

33 (9) "Low-income resident" means an individual or household who
34 resided in the mobile home park prior to application for a loan
35 pursuant to this chapter and with an annual income at or below eighty
36 percent of the median income for the county of standard metropolitan
37 statistical area of residence. Net worth shall be considered in the
38 calculation of income with the exception of the resident's
39 mobile/manufactured home which is used as their primary residence.

1 (10) "Low-income spaces" means those spaces in a mobile home park
2 operated by a resident organization which are occupied by low-income
3 residents.

4 (11) "Mobile home park" means a mobile home park, as defined in RCW
5 59.20.030(4), or a manufactured home park subdivision as defined by RCW
6 59.20.030(6) created by the conversion to resident ownership of a
7 mobile home park.

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

16 (13) "Resident ownership" means, depending on the context, either
17 the ownership, by a resident organization, as defined in this section,
18 of an interest in a mobile home park which entitles the resident
19 organization to control the operations of the mobile home park for a
20 term of no less than fifteen years, or the ownership of individual
21 interests in a mobile home park, or both.

22 (14) "Landlord" shall have the same meaning as it does in RCW
23 59.20.030.

24 (15) "Manufactured housing" means residences constructed on one or
25 more chassis for transportation, and which bear an insignia issued by
26 a state or federal regulatory agency indication compliance with all
27 applicable construction standards of the United States department of
28 housing and urban development.

29 (16) "Mobile home" shall have the same meaning as it does in RCW
30 46.04.302.

31 (17) "Mobile home lot" shall have the same meaning as it does in
32 RCW 59.20.030.

33 (18) "Tenant" means a person who rents a mobile home lot for a term
34 of one month or longer and owns the mobile home on the lot.

35 NEW SECTION. **Sec. 8.** (1) The department may make loans from the
36 fund to resident organizations for the purpose of financing mobile home
37 park conversion costs. The department may only make loans to resident

1 organizations of mobile home parks where a significant portion of the
2 residents are low-income or infirm.

3 (2) The department may make loans from the fund to low-income
4 residents of mobile home parks converted to resident ownership or which
5 plan to convert to resident ownership. The purpose of providing loans
6 under this subsection is to reduce the monthly housing costs for low-
7 income residents to an affordable level. The department may establish
8 flexible repayment terms for loans provided under this subsection if
9 the terms are necessary to reduce the monthly housing costs for low-
10 income residents to an affordable level, and do not represent an
11 unacceptable risk to the security of the fund. Flexible repayment
12 terms may include, but are not limited to, graduated payment schedules
13 with negative amortization.

14 NEW SECTION. **Sec. 9.** (1) Any loans granted under section 8 of
15 this act shall be for a term of no more than thirty years.

16 (2) The department shall establish the rate of interest to be
17 paid on loans made from the fund.

18 (3) The department shall obtain security for loans made under this
19 chapter. The security may be in the form of a note, deed of trust,
20 assignment of lease, or other form of security on real or personal
21 property which the department determines is adequate to protect the
22 security of the fund and the interests of the state. To the extent
23 applicable, the documents evidencing the security shall be recorded or
24 referenced in a recorded document in the office of the county auditor
25 of the county in which the mobile home park is located.

26 (4) The department may contract with private lenders, nonprofit
27 organizations, or units of local government to provide program
28 administration and to service loans made under this chapter.

29 NEW SECTION. **Sec. 10.** Before providing financing under this
30 chapter, the department shall require:

31 (1) Verification that at least two-thirds of the households
32 residing in the mobile home park support the plan for acquisition and
33 conversion of the park;

34 (2) Verification that either no park residents will be
35 involuntarily displaced as a result of the park conversion, or the
36 impacts of displacement will be mitigated so as not to impose a
37 hardship on the displaced resident;

- 1 (3) Projected costs and sources of funds for conversion activities;
- 2 (4) A projected operating budget for the park during and after
- 3 conversion; and
- 4 (5) A management plan for the conversion and operation of the park.

5 NEW SECTION. **Sec. 11.** The department shall consider the following
6 factors in determining the eligibility for, and the amount, of loans
7 made under this chapter:

8 (1) The reasonableness of the conversion costs relating to repairs,
9 rehabilitation, construction, or other costs;

10 (2) The number of available and affordable mobile home park spaces
11 in the general area;

12 (3) The adequacy of the management plan for the conversion and
13 operation of the park; and

14 (4) Other factors established by the department by rule.

15 NEW SECTION. **Sec. 12.** The department may provide technical
16 assistance to resident organizations who wish to convert the mobile
17 home park in which they reside to resident ownership. Technical
18 assistance does not include details connected with the sale or
19 conversion of a mobile home park which would require the department to
20 act in a representative capacity, or the drafting of documents
21 affecting legal or property rights of the parties by the department.

22 NEW SECTION. **Sec. 13.** Sections 1 through 6 of this act shall
23 constitute a new chapter in Title 59 RCW. Sections 8 through 12 of
24 this act are each added to chapter 59.22 RCW.

--- END ---