

SENATE BILL REPORT

SB 6073

As Reported By Senate Committee On:
Consumer Protection & Housing, February 23, 2007

Title: An act relating to providing incentives for the preservation of manufactured/mobile home communities.

Brief Description: Creating incentives to encourage the preservation of manufactured/mobile home communities.

Sponsors: Senators Shin, Clements, Sheldon, Kauffman, Berkey, Jacobsen, and Rasmussen.

Brief History:

Committee Activity: Consumer Protection & Housing: 2/20/07, 2/23/07 [DPS-WM].

SENATE COMMITTEE ON CONSUMER PROTECTION & HOUSING

Majority Report: That Substitute Senate Bill No. 6073 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Weinstein, Chair; Kauffman, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Haugen, Jacobsen, Kilmer, McCaslin and Tom.

Staff: Vanessa Firnhaber-Baker (786-7471)

Background: Sixteen manufactured/mobile housing communities closed during 2006; these closures affected 715 households. Twenty more communities are scheduled to close during 2007, which will affect 627 households. The Department of Community, Trade, and Economic Development (CTED) estimates that 1,342 households will need to relocate from manufactured/mobile housing communities that are closing in the next year.

CTED administers the Mobile Home Relocation Reimbursement Program which provides relocation assistance to households displaced because of manufactured/mobile housing communities closure. The program pays \$7,500 for a single-wide home and \$12,000 for a double-wide home. Two hundred thirteen households are currently on the waiting list for relocation assistance with approved reimbursement receipts totaling just over \$1.8 million.

Housing Trust Fund: CTED finances housing for low-income households through its Housing Trust Fund (HTF) loan and grant program. The following activities are eligible for HTF financial assistance: new construction and rehabilitation, rent subsidies, housing-related social services, shelters, acquisition of low-income housing units, and down payment assistance. The purchase and preservation of manufactured/mobile housing communities are activities that are eligible for HTF assistance.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

There is an application process to obtain financial assistance from HTF. Currently, applications are accepted and evaluated for two 90 day periods each year. CTED may increase or decrease the number of 90 day periods that it reviews applications as it deems appropriate.

State General Obligation Bonds: Periodically, Washington issues general obligation bonds to finance projects authorized in the capital and transportation budgets. General obligation bonds pledge the full faith and credit and taxing power of the state towards payment of debt service. Legislation authorizing the issuance of bonds requires a 60 percent majority in both the House and the Senate.

The state also authorizes state authorities, including the Washington State Housing Finance Commission, to issue bonds that are not obligations of the state and are payable only from special revenues of those authorities.

Business and Occupation Tax: Washington imposes the business and occupation tax on the gross receipts of all business activities conducted within the state. Different tax rates are charged to different types of businesses. Financial institutions pay at the rate of 1.5 percent of their gross revenue.

Summary of Bill: Housing Trust Fund: In selecting recipients for financial assistance from HTF from the pool of applicants, CTED will give priority to applications which utilize existing privately-owned land or housing stock purchased by eligible organizations. This includes manufactured/mobile housing resident associations that have organized to purchase the manufactured/mobile housing community in which they reside.

CTED is required to accept applications for financial assistance for the preservation of affordable housing manufactured/mobile home communities on an on-going basis throughout the year. A manufactured/mobile home community is "affordable" if over 50 percent of the tenants are low income or over 60 years old. To be eligible, projects must demonstrate that the property will be preserved as an affordable housing manufactured/mobile home community for at least 25 years.

State Guarantee of Bonds issued for Manufactured/Mobile Home Communities: Bonds issued by the Housing Finance Commission (HFC) to provide loans for the purchase and preservation affordable housing manufactured/mobile home communities must state that they are a general obligation of the state of Washington. If a loan recipient defaults on such a loan, the state is obliged to pay the principal and the interest on the loan to the lender.

Business and Occupation Tax Credit: A business and occupation tax credit is available to any financial institution that provides financial assistance, either in the form of a below-market rate loan or the purchase of bonds issued by the HFC, for the purchase and preservation of an affordable housing manufactured/mobile housing community. The tax credit consists of 10 percent of the total financial assistance provided.

The Department of Revenue (DOR) must pre-approve final tax credit applications on a first-come basis. DOR may not allow more than \$10 million in tax credits for this purpose in any year.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Consumer Protection & Housing): The sections regarding changes to the

Housing Trust Fund and which created a special program to provide loans and grants for the purpose of manufactured/mobile home community preservation are removed.

The section that created a state guarantee for bonds issued by the Housing Finance Commission (HFC) for the purpose of preserving manufactured/mobile home communities is removed.

The responsibility to determine the definition of "market rate" and "below market rate" is vested solely in the HFC. The HFC is given the sole authority to pre-approve financial institutions for tax credits and issuing certifications regarding the eligibility of financial institutions to obtain tax credits.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The dwindling number of manufactured housing communities is a major problem throughout the state. Park owners' property rights put tenants in jeopardy. The financial assistance in this bill will allow preservation of manufactured housing communities without infringing on the community park owner's property rights. When these communities close, the residents have no where to go and have often invested their lifesavings into their manufactured home. Financial institutions utilize the bonds issued by the Housing Finance Commission; however, loans to tenants' organizations to preserve their parks are often risky so lenders need further incentives. The best way for tenants to purchase their communities is to organize themselves and get financing; this bill helps them do this.

OTHER: The section of the bill that makes the Housing Finance Commission bonds a general obligation of the state may be unworkable because it is prohibited under the state constitution.

Persons Testifying: PRO: Senator Shin, prime sponsor; Susan Doran, SOSH; Kim Herman, Housing Finance Commission; John Woodring, Manufactured Housing Communities of Washington.

OTHER: Kim Herman, Housing Finance Commission.