

SENATE BILL REPORT

SB 5627

As Reported by Senate Committee On:
Financial Institutions & Insurance, January 18, 2018
Ways & Means, February 19, 2018

Title: An act relating to the sale of manufactured/mobile home communities.

Brief Description: Concerning the sale of manufactured/mobile home communities.

Sponsors: Senators Kuderer, Hunt, Saldaña and Keiser.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/16/18, 1/18/18 [DPS-WM, w/oRec].
Ways & Means: 2/15/18, 2/19/18 [DPS(FI)].

Brief Summary of First Substitute Bill

- Extends the state real estate excise tax (REET) exemption on a qualified sale of a manufactured/mobile home community from December 31, 2018 to December 31, 2026.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: That Substitute Senate Bill No. 5627 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Angel, Ranking Member; Fortunato, Hobbs and Kuderer.

Minority Report: That it be referred without recommendation.

Signed by Senator Baumgartner.

Staff: Jeff Olsen (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5627 as recommended by Committee on Financial Institutions & Insurance be substituted therefor, and the substitute bill do pass.

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.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair; Braun, Ranking Member; Honeyford, Assistant Ranking Member; Bailey, Billig, Brown, Carlyle, Conway, Darneille, Fain, Hasegawa, Hunt, Keiser, Mullet, Palumbo, Pedersen, Ranker, Rivers, Schoesler, Van De Wege, Wagoner and Warnick.

Staff: Alia Kennedy (786-7405)

Background: The Manufactured/Mobile Home Landlord Tenant Act (Act) regulates the relationship between the owner of a manufactured/mobile home community (landlord) and the owner of the manufactured or mobile home (tenant). The Act specifies what must be in the rental agreement before a tenant moves in, the responsibilities of the landlord and the tenant, and provides for a dispute resolution program through the attorney general's office.

The valid written rental agreement between the landlord and the tenant must include the terms of payment, rules of the park/community, service and fees, details regarding the deposit and property information, and a provision regarding a future sale of the park/community. Either the provision shall include a mandate of three years notice by the landlord to the tenant prior to change in ownership or that the park shall close after notification of the sale. A landlord must give 12-months notice for a change of land use of the mobile home park.

When an owner of a mobile home park/manufactured housing community is preparing to sell the property, the owner must deliver notice by certified mail or personal delivery to its tenants 14-days after the public notice announcing the sale. Besides tenants, a notice of sale by the property owner of the manufactured/mobile home communities must be delivered to:

- any officers of a tenant organization;
- the Office of Mobile/Manufactured Home Relocation Assistance;
- the local government and housing authority where the community is located; and
- the Washington State Housing Finance Commission.

A qualified tenant association is a formal organization of tenants within the mobile home/manufactured home community. An eligible organization includes local governments, housing authorities, nonprofit community or neighborhood organizations, federally recognized Indian tribes in the state of Washington, and regional or statewide nonprofit housing assistance organizations. A qualified tenant organization or another organization seeking to preserve the property as a mobile home/manufactured housing community is defined under state law as a qualified sale of a manufactured/mobile home community.

Every sale of real estate in the state of Washington is subject to the state REET of 1.28 percent unless specifically exempted in law. The term sale for the purpose of real estate excise tax does not include the qualified sale of a manufactured/mobile home community that has taken place on or after June 12, 2008, but before December 31, 2018.

Summary of Bill (First Substitute): The state REET exemption on the qualified sale of a manufactured/mobile home community by a qualified tenant association is extended from December 31, 2018, to December 31, 2026.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE (First Substitute):

- Removes requirements for a landlord to notify the Department of Commerce regarding offers to sell a mobile/manufactured home community and delay the closing for six months.
- Removes the extension of the change of use notice requirement from 18 months to 12 months.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Proposed Substitute (Financial Institutions & Insurance): *The committee recommended a different version of the bill than what was heard.* PRO: The current housing market is unaffordable for many consumers, and mobile home communities offer seniors and low-income tenants an affordable option. The current notice requirements could be improved to make organizations aware of opportunities to purchase a mobile home community and preserve its use. There is no requirement that the owners have to sell, only a notification process. The Housing Finance Commission has assisted in the purchase of several mobile home communities through loans to residents that form a cooperative to preserve the community. Allowing seniors to stay in their own homes is the most affordable option, improves health outcomes and prolongs lives.

CON: There is no need for additional notification requirements that are in the bill. The current process works fine, and information is available on the multiple listing service for real estate, where currently several communities are for sale. The delays in the bill mean purchasers will pay less for the property. By not allowing for fair market value there are parts of the bill that are unconstitutional. The real issue is the Growth Management Act requirements for urban density, which is driving the sale of mobile home communities to develop multi-family housing.

Persons Testifying (Financial Institutions & Insurance): PRO: Senator Kuderer; Kim Herman, Housing Finance Commission; Don Carlson, Association of Manufactured Home Owners; Kylin Parks, Association of Manufactured Home Owners; Joanna Crocker, AMHO.

CON: Beau Harer, Manufactured Housing Communities of Washington; Tony Branson, MHCW; Christy Mays, Detente; Craig Hillis, MHCW; Todd Fisher, Lake Bowman Mobile Home Park.

Persons Signed In To Testify But Not Testifying (Financial Institutions & Insurance): No one.

Staff Summary of Public Testimony (Ways & Means): PRO: This bill was part of a larger bill that has now been scaled down to include only the tax exemption component. There is an affordable housing crisis. It is important to preserve manufactured and mobile home communities.

Persons Testifying (Ways & Means): PRO: Senator Patty Kuderer, Prime Sponsor.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.