

HOUSE BILL REPORT

HB 1997

As Reported by House Committee On:
Housing, Community Development & Veterans
Appropriations

Title: An act relating to manufactured/mobile homes.

Brief Description: Concerning manufactured/mobile homes.

Sponsors: Representatives Ryu, Pollet, Dolan, Valdez, Macri, Stanford, Appleton, Santos and Doglio.

Brief History:

Committee Activity:

Housing, Community Development & Veterans: 2/15/19, 2/20/19 [DPS];
Appropriations: 3/14/19, 3/18/19 [DPS(HOUS)].

Brief Summary of Substitute Bill

- Modifies the fee on manufactured home transactions so that the fee is 0.25 percent of the sale price of the manufactured home, but in no case less than \$100 or greater than \$500.
- Creates the Relocation Coordination Program in the Department of Commerce for the purpose of assisting tenants of a mobile home park scheduled for closure or conversion to another use.
- Increases the Annual Registration Assessment a manufactured/mobile home park landlord is required to pay per manufactured/mobile home from \$10 to \$15 and requires that the additional \$5 be used only for the Relocation Coordination Program.
- Permanently reinstates the real estate excise tax exemption for certain sellers transferring a manufactured/mobile home community and provides an exemption from the automatic 10-year expiration and other requirements for new tax preferences.

HOUSE COMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT & VETERANS

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.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Ryu, Chair; Morgan, Vice Chair; Jenkin, Ranking Minority Member; Gildon, Assistant Ranking Minority Member; Barkis, Frame, Leavitt and Reeves.

Staff: Cassie Jones (786-7303).

Background:

Mobile Home Park Relocation Fund.

The Relocation Assistance Program, administered by the Office of Mobile/Manufactured Home Relocation Assistance, provides monetary assistance on a first-come, first-served basis to low-income persons owning mobile homes located in mobile home parks that are scheduled for closure or conversion to another use. The monetary assistance provided to such persons is drawn from the Mobile Home Park Relocation Fund (Fund) which is established in the custody of the State Treasurer.

Manufactured Home Transaction Fee.

The Department of Licensing must require an applicant for a certificate of title for a manufactured home transaction to pay a \$100 fee in addition to any other fees and taxes required by law if the manufactured home:

- is located in a mobile home park;
- is 1 year old or older;
- is new or ownership changes, excluding changes that involve addition or deleting spouse of domestic partner co-registered owners or legal owners; and
- sales price is \$5,000 or more.

The \$100 fee must be forwarded to the State Treasurer, who must deposit the fee into the Fund.

Annual Registration Assessment-Manufactured Homes.

Each manufactured/mobile home community landlord must pay to the Department of Revenue an Annual Registration Assessment (assessment) of \$10 for each manufactured/mobile home that is subject to Manufactured/Mobile Home Landlord-Tenant Act (MHLTA) within a manufactured/mobile home community. Landlords may charge a maximum of \$5 of the assessment to tenants. Money from the assessment must be deposited accordingly:

- \$9 of the assessment must be deposited into the Manufactured/Mobile Home Dispute Resolution Program Account to fund the costs associated with the Manufactured/Mobile Home Dispute Resolution Program. This program provides manufactured/mobile home community landlords and tenants with a process to resolve disputes regarding alleged violations of the MHLTA.
- \$1 must be deposited into the Business License Account. This account funds the Business Licensing Service Program, which administers a computerized one-stop business licensing system.

Real Estate Excise Tax.

Real estate excise tax (REET) is assessed on the sale of real estate. The REET is assessed on the selling price, including the amount of any liens, mortgages, or other debts. The REET is

typically paid by the seller of the property, although the buyer is liable if the REET is not paid. The REET also applies to transfers of controlling interest in entities that own property in the state. The state REET rate is 0.0128. City and county rates vary by location, ranging from 0.0025 to 0.015.

Certain types of real estate transactions are statutorily exempt from REET. For example, from June 12, 2008 to December 31, 2018, a qualified sale of a manufactured/mobile home community was exempt from the REET. A qualified sale was the sale of a manufactured/mobile home community that was transferred in a single purchase to a qualified tenant organization or to an eligible organization (local governments, housing authorities, nonprofit organizations, or federally recognized Indian tribes in Washington) for the purpose of preserving the property as a manufactured/mobile home community.

Tax Preferences.

All new tax preference legislation is required to include a tax preference performance statement. The performance statement must clearly specify the public policy objectives of the tax preference and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference. In addition, an automatic 10-year expiration date is applied to new tax preferences if an alternate expiration date is not provided in the new tax preference legislation.

Summary of Substitute Bill:

Manufactured Home Transaction Fee.

The Manufactured Home Transaction Fee is modified so that the fee is 0.25 percent of the sale price of the manufactured home. In no case may the fee be less than \$100, or greater than \$500.

Annual Registration Assessment-Manufactured Homes.

The assessment is increased from \$10 to \$15. The additional \$5 of the assessment must be deposited into the Fund.

Relocation Coordination Program.

The Relocation Coordination Program (Program) is created within the Department of Commerce (Commerce) for the purpose of assisting tenants of a mobile home park scheduled for closure or conversion to another use with the process of relocation. The Program may include, but is not limited to:

- performing casework on behalf of individual tenants, maintaining and distributing informational resources for tenants regarding the process for relocating and disposal of manufactured/mobile homes;
- researching and distributing current information regarding available locations for manufactured/mobile homes and other forms of available housing; and
- researching and distributing information regarding other sources of financial assistance that may be available to secure new housing.

Real Estate Excise Tax.

The REET exemption for certain sellers transferring a manufactured/mobile home community in a qualified sale is permanently reinstated. The automatic 10-year expiration and other requirements for new tax preferences do not apply to this REET exemption.

Substitute Bill Compared to Original Bill:

The substitute bill makes the following changes to the original bill:

- creates the Program in Commerce for the purpose of assisting tenants of a mobile home park scheduled for closure or conversion to another use;
- requires the \$5 increase in the assessment for manufactured home to be used only for the Program; and
- permanently reinstates the REET exemption for certain sellers transferring a manufactured/mobile home community and provides an exemption from the automatic 10-year expiration and other requirements for new tax preferences.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 21, 2019.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill came out of an agreement that was reached on another bill that dealt with dispersal of the Fund. That bill would increase the number of tenants who could draw from the Fund for relocation. Both landlords and tenants agreed that the amount of money in the Fund would need to be increased. This bill changes the \$100 flat fee and indexes it to the sale price of a home. This will replenish this Fund. Landlords also agreed to pay another \$5 per year per home. This will help tenants preserve their homes or seek other housing. One concern with the bill is defining what the additional \$5 will be used for. There will be a large amount of money going into the Fund and it should be clear that the extra \$5 is going to be on behalf of the landlords.

(Opposed) None.

(Other) There is support for the bill's concept, but there is concern that the \$5 is not defined for a specific purpose. It could go to support a relocation coordinator or to another fund within Commerce.

Persons Testifying: (In support) Representative Ryu, prime sponsor; and Judith White, Manufactured Home Owners of America and Legislative Action Team.

(Other) Craig Hillis, Manufactured Housing Communities of Washington

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Housing, Community Development & Veterans be substituted therefor and the substitute bill do pass. Signed by 22 members: Representatives Ormsby, Chair; Bergquist, 2nd Vice Chair; Robinson, 1st Vice Chair; Caldier, Cody, Dye, Fitzgibbon, Hansen, Hudgins, Jinkins, Macri, Pettigrew, Ryu, Schmick, Senn, Springer, Stanford, Steele, Sullivan, Tarleton, Tharinger and Ybarra.

Minority Report: Do not pass. Signed by 8 members: Representatives Stokesbary, Ranking Minority Member; Rude, Assistant Ranking Minority Member; Chandler, Hoff, Kraft, Mosbrucker, Sutherland and Volz.

Minority Report: Without recommendation. Signed by 1 member: Representative MacEwen, Assistant Ranking Minority Member.

Staff: Meghan Morris (786-7119).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Housing, Community Development & Veterans:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This is a good program. There has been a long and well-crafted stakeholder process to address the needs and the perspectives of owners, residents, and state agencies.

Some organizations rely on the real estate excise tax (REET) to preserve communities. The REET is not a significant portion of the sales price of a community, but it helps tenants buy communities while offsetting the perceived risk a seller may have when selling to the residents. The perceived risk for sellers is that any time you enter into a purchase contract, you disclose certain information about your financials. A seller may not want to negotiate a sale with the board of residents in the community they live in to avoid tension. This is not a disparate treatment between different buyers and sellers, but a way to make sure the potential seller can be compensated for the potential risk of exposing themselves when selling to residents.

The change in the amount paid into the Manufactured/Mobile Home Relocation Fund from \$100 to \$500 has not been updated for about 20 years. There is also a change for tenants to pay an additional \$5, which not all landlords love, but this is a good bill.

(Opposed) None.

Persons Testifying: Sam Green, Resident Owned Communities Northwest; and Craig Hillis, Manufactured Housing Communities of Washington.

Persons Signed In To Testify But Not Testifying: None.