

HOUSE BILL REPORT

ESB 5514

As Reported by House Committee On:
Local Government

Title: An act relating to utility rates and charges for vacant mobile home lots in manufactured housing communities.

Brief Description: Concerning utility rates and charges for vacant lots in manufactured housing communities.

Sponsors: Senators Roach and Benton.

Brief History:

Committee Activity:

Local Government: 2/24/14, 2/26/14 [DPA].

**Brief Summary of Engrossed Bill
(As Amended by Committee)**

- Prohibits rates, charges, noncapital fees, or other costs associated with water, light, power, heat, sewer, and drainages systems for any vacant lot in a manufactured housing community unless: (1) the lot individually receives these services; or (2) the landlord voluntarily elects to continue the rates, charges, noncapital fees, or other costs during the period the lot is vacant.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass as amended. Signed by 9 members: Representatives Takko, Chair; Gregerson, Vice Chair; Overstreet, Ranking Minority Member; Kochmar, Assistant Ranking Minority Member; Farrell, Fitzgibbon, Pike, Springer and Taylor.

Staff: Amanda Ondrick (786-7296) and Ethan Moreno (786-7386).

Background:

General purpose and selected special purpose local governments are authorized to provide water related utility services. This includes cities, towns, counties, metropolitan municipal corporations, water-sewer districts, and public utility districts.

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.

Cities, Towns, and Counties.

Cities and towns are granted broad powers with respect to municipal utilities. For example, cities and towns may establish, construct, and maintain systems of sewers, drains, and water supplies within and outside of their corporate limits. In exercising these powers, cities and towns have extensive powers to control, regulate, manage, and establish service prices related to these systems. Cities and towns have authority to control the rates and charges for water and sewers.

Similarly, counties may adopt, provide for, accept, establish, condemn, purchase, construct, add to, operate, and maintain sanitary and storm sewer systems and water supply systems within all or a portion of a county. In exercising these powers, counties may control, regulate, operate, and manage these systems. Counties have authority to fix rates and charges for storm water or surface water services, facilities, or systems.

Metropolitan Municipal Corporations, Water-Sewer Districts, Public Utility Districts.

Any area of the state containing two or more cities, of which at least one has a population of 10,000 or more, may create a metropolitan municipal corporation to perform one or more of the following functions: water pollution abatement, water supply, public transportation, garbage disposal, parks and parkways, and comprehensive planning. Metropolitan municipal corporations have the authority to fix rates and charges for water supplied by the metropolitan municipal corporation.

Water-sewer districts have specifically enumerated powers in statute, including the authority to purchase, construct, maintain, and supply waterworks to furnish water to inhabitants within and outside of the district. Water-sewer districts are also authorized to develop and operate systems of sewers and drainage, and may create facilities, systems, and programs for the collection, interception, treatment, disposal, and pollution control of wastewater. Water-sewer districts may exercise any of the powers granted to cities and counties with respect to the acquisition, construction, maintenance, operation of, and fixing rates and charges for waterworks and systems of sewerage and drainage.

Public utility districts are created by and for the communities they serve and may provide water, electricity, conservation, and telecommunications services. Public utility districts are authorized to establish rates and charges for providing electric energy, water, and sewer services.

Manufactured Homes.

"Manufactured home" means a single-family dwelling built according to the United States Department of Housing and Urban Development Manufacture Home Construction and Safety Standards Act. A manufactured home also: (1) includes plumbing, heating, air conditioning, and electrical systems; (2) is built on a permanent chassis; and (3) can be transported in one or more sections with each section at least eight feet wide and 40 feet long when transported, or when installed on the site is 320 square feet or greater.

Summary of Amended Bill:

Rates, charges, noncapital fees, or other costs associated with water, light, power, heat, sewer and drainage systems may not be charged for any vacant lot in a manufactured housing community unless: (1) the lot individually receives these services; or (2) the landlord voluntarily elects to continue the rates, charges, noncapital fees, or other costs during the period the lot is vacant.

Amended Bill Compared to Engrossed Bill:

Repetitive language reiterating that a lot must be vacant for no fees to be charged is removed from the bill.

Appropriation: None.

Fiscal Note: Available on original bill.

Effective Date of Amended 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 about fairness. There are lots where an owner owns the real estate and a renter of the real estate owns the home. Tenants leave, their home goes with them, and there is a vacant lot. This is not a good business model but it happens in the industry. It is not fair for the mobile park owner to pay a charge for vacant lots when no home is there. Currently, mobile park owners are still charged a service fee for vacant lots because the infrastructure of the mobile home park is looped together. With this bill, if there are vacancies in a mobile home park, an owner will not pay for services for unoccupied lots. This bill does not affect any capital expenses because capital and infrastructure fees will still be paid by the mobile park owner. A similar bill was passed in Spokane. It stated that mobile home parks not connected to the sewer system would not have to pay for sewer fees.

The idea that a mobile home park is different is not unique to the Legislature. Over the years, the Legislature has talked about mobile home parks as affordable housing. People who live in mobile parks should receive a bit of a break. Mobile park owners are trying to give affordable housing and the current law is making it almost impossible. This bill will be a cost saving for low-income people because increases in rent will not occur due to higher utility costs. The cost can be quite expensive to live in a mobile park, especially if you are on a fixed income. People should not be displaced from their homes due to rent increases. This bill benefits the mobile park owner, the mobile home renter, and keeps maintenance available.

As far as infrastructure, some mobile park owners install the infrastructure in the mobile home park and some do not. There are many potential problems with maintaining the water system. There is usually an entity that brings the water to the park and then the water is

distributed in the park. As far as a mark-ups or passing on utility costs, the Landlord Mobile Home Tenant Act prohibits mobile park owners from passing off that expense to tenants.

There are numerous cases regarding the cost of water that exemplify the unfairness to mobile park owners. For example, one small, low-income mobile home park has three vacancies out of 21 lots. The owner is paying \$64 per lot, per month while the lots are vacant. The owner spoke with the county about reducing the cost but the county refused. Unfortunately, the owner is billed for water at a flat rate so the owner pays a base charge and a water capital surcharge. If this bill passes, the water base charge would be adjusted for water usage and the owner would still pay for capital costs. In another mobile home park, when a lot is vacant, the owner shuts off all water usage to the lot. The owner has no access to the water yet the owner still pays \$44 a month for each vacant lot and there is a \$50 base water charge even when no water is being used. A different mobile home park has had a few vacancies over the last year and the owner still had to pay over \$5,000 even when no mobile home was on the lot. A startup water district was charging a mobile park owner over \$23,500 per year for water on vacant lots, which is a significant cost. It is unfair that the owners have to pay these charges.

(Opposed) This bill was in committee in the Senate last year and only one group expressed grave concerns with the bill. After that, the bill went promptly to the Senate x-file. This year the bill did not go through a Senate committee, but ended up on the Senate floor. Now the bill has landed within the House Local Government committee. The same concerns from last year are still present.

Once a certain rate or charge is prohibited from being collected, these costs are passed on to everyone else. If a bill mandates that a cost may not be recovered, it does not mean the cost does not exist. If a mobile home park is 15 percent vacant it does not mean that it became 15 percent less expensive to manage the water system. The costs are probably about the same and if those costs are not recovered, others will have to pay. If this bill were to pass, it would be a tremendous cost shift to other rate payers.

The argument would be different if this bill was only about consumption. Lots of utilities have provisions that suspend consumption charges for people while they are away for a period of months, when a lot is empty, or while a house is being sold. A number of utility entities have combined various water utility charges such as storm water costs into a water bill. For example, storm water still runs off lots and contributes to pollution even when a lot is empty. The bill does not make a distinction between operating costs and capital costs. This bill is lacking support due to how the bill is drafted and the unique nature of each mobile home park.

This bill intrudes on the rights of Public Utility Districts (PUDs) as individually elected bodies to set appropriate rates and charges. As the testimony indicates, each mobile park system is different, and many of the mobile home parks are old and their systems are old, and PUDs are called in not because they created the system but to help manage the system. The PUDs do so on a nonprofit basis. The PUD's do not make a profit from these systems but they have to recover all of their costs. Mobile home owners have the ability under the act to recover certain costs. The act may be the place to handle some of these issues if law prohibits mobile park owners from recovering costs they are entitled to.

When a mobile park owner creates a business plan, the owner should take tenant turn over into consideration. There is not an exception to paying water utilities or transportation for vacancies in strip malls, condos, or apartments. Mobile parks are a potential money maker for the owners and to give a discount for utilities creates inconsistencies with charging utility rates. If this were a nonprofit situation, it would be different.

Persons Testifying: (In support) Senator Roach, prime sponsor; John Woodring, Teresa Janzen, and Walt Olsen, Manufactured Housing Community of Washington; Debra Goethals, Remax; and Jamie Nowogroski, Alpine Pioneer Mobile Home Park.

(Opposed) Bill Clarke, Washington Public Utility Districts Association; and Steve Lindstrom, Sno-King Water District Coalition.

Persons Signed In To Testify But Not Testifying: None.