
Housing Committee

HB 1621

Brief Description: Preserving manufactured/mobile home communities.

Sponsors: Representatives B. Sullivan, Sells, Morrell, Lovick, Ormsby, Miloscia, Springer, McCoy, P. Sullivan, Hasegawa, O'Brien, Roberts, Conway, Wood, Haigh, Rolfes and Simpson.

Brief Summary of Bill

- Provides an exemption from the Real Estate Excise Tax if a landlord of a manufactured/mobile home community sells the community at fair market value to a tenant organization or to an organization representing the tenants.
- Mandates that within the first 90 days that a manufactured/mobile home community is for sale the landlord negotiate in good faith with a tenant organization expressing interest in purchasing the property.
- Mandates that a landlord of a manufactured/mobile home community for sale sell the community to a Housing Authority or Local Government if a Housing Authority or Local Government meets certain requirements.

Hearing Date: 1/29/07

Staff: Robyn Dupuis (786-7166).

Background:

Given increasing market demands for land in Washington, particularly in high growth areas, the state has noted a recent increase in the rate of manufactured/mobile home community closures. According to data provided by the Department of Community, Trade and Economic Development (DCTED), 16 manufactured/mobile communities closed during calendar year 2006, the closure of which affected 715 households, and 20 communities are in the process of closure and intend to be closed during calendar year 2007 which will affect 627 households.

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 a Mobile Home Relocation Reimbursement Program operated by the DCTED which provides relocation assistance of \$7,500 for a single wide home and \$12,000 for a double wide home. Given the known impending closures, the DCTED estimates that 1,342 households will need to relocate from closing parks in the coming year. There are 213 households in the process of relocation or who have already relocated on the waiting list for relocation assistance with approved reimbursement receipts totaling \$1,807,574.

Approximately 1,000 existing parks are located in urban growth areas and are considered likely threatened due to rising land values within those areas.

Manufactured/mobile home tenants express concern not only in regards to the cost of relocating their homes, but also in regard to the reported difficulty they experience in finding new communities in which to site those homes.

Right of First Refusal (Chapter 59.23)

A Washington law enacted in 1993 provided for a right of first refusal for a qualified tenant organization. Under that statute, a park owner was required to notify a qualified tenant organization of a pending sale of the park, and the qualified tenant organization would have 30 days after that notice was received to tender a fully executed purchase and sale agreement at least as favorable to the park owner as the original agreement.

This statute was declared invalid, however, in *Manufactured Housing Communities of Washington v. State*, 142 Wash.2d 347 (2000). The Washington Supreme Court held that the right of first refusal is a fundamental attribute of ownership and a valuable property right of mobile home park owners, and that the statutory forced transfer of this right constitutes a taking under the Washington Constitution.

Summary of Bill:

"Notice of Sale" Requirement

A landlord selling a community must file a notice of sale within 14 days of advertisement of the sale and 90 days before the sale occurs. The notice must include a fair market value assessment, disclosures, income and expenses of the park operation, and a description of an acceptable offer for which the landlord would sell the park or which the landlord has already received.

90 Day Requirement

Within the first 90 days after a notice of sale has been delivered, a landlord may only sell a community to:

1. A tenant organization or an organization representing the tenants through a qualified sale;
2. A tenant organization or an organization representing the tenants through good faith negotiations; or
3. A local government or housing authority which is exercising its right of first refusal.

1. Qualified Sale of a Manufactured/Mobile Home Community

Sales to a qualified tenant organization or an organization representing tenants at fair market value are called "qualified sales" and are exempt from the real estate excise tax (RCW 82.45).

At any point during ownership, landlords may file a "notice of intent to pursue a qualified sale" with the Office of Manufactured Housing (OMH) within the DCTED. They may also rescind that notice at any time before an actual "notice of sale" is filed.

Under a Qualified Sale:

Landlords must:

Offer the property to the tenant organization or organization representing tenants at fair market value for 90 days and allow that group 12 months to close the sale.

Tenants must:

Notify the landlord of their intent to purchase the property within the 90 day time period allowed.

2. Required Good Faith Negotiations

If a tenant organization or an organization representing the tenants notifies a landlord of its intent to purchase a community within the first 90 days after a notice of sale has been delivered, the landlord must negotiate with the organization in good faith.

3. Housing Authority/LG Right of First Refusal

A Housing Authority or a Local Government has the right to purchase a community if it:

1. Presents to the landlord an equivalent offer to the "acceptable offer" contained in notice of sale within 90 days after the delivery of the notice of sale;
2. Closes on the purchase within 180 days after the delivery of the notice of sale.

The Housing Authority and Local Government right of first refusal does not apply to property transferred by a qualified sale of a manufactured/mobile home community, a government taking by eminent domain, a forced sale due to foreclosure, or a sale to a partner in the operation or heir of the landlord.

Violation of chapter

A landlord who violates this chapter is liable to the tenants of the community for an amount equal to 10 percent of the gain realized from sale. Violation of the chapter is also a violation of the Consumer Protection Act.

Office of Manufactured Housing

The name of the "Office of Mobile Home Affairs" is changed to the "Office of Manufactured Housing". This office must:

- Create templates for all notices and forms.
- Receive and record all related documents.
- Produce an annual report on sales of communities including information on communities sold to tenants or representative organizations.

Severability Clause

If any provision of this act is held invalid, the remainder of the act is not affected.

Right of First Refusal (Chapter 59.23) is repealed.

Appropriation: None.

Fiscal Note: Requested on DATE.

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