

Date of Hearing: March 27, 2019

**ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT**

David Chiu, Chair

AB 173 (Chau) – As Introduced January 8, 2019

**SUBJECT:** Mobilehomes: payments: nonpayment or late payments

**SUMMARY:** Extends, by three years, a tax abatement program, the “Register Your Mobilehome,” for mobilehome owners who cannot transfer title into their names due to delinquent taxes and fees that may have been incurred by prior owners. Specifically, **this bill:**

- 1) Deletes the sunset date for the Register Your Mobilehome tax abatement program and extends the program to December 31, 2022.
- 2) Provides that the Legislature finds and declares that the abatement of taxes, penalties, and interest incurred prior to the date of sale of a mobilehome or manufactured home to an applicant, as described in this act, serves a public purpose and does not constitute a gift of public funds within the meaning of Section 6 of Article XVI of the California Constitution.
- 3) Provides that if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.
- 4) Provides that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any property tax revenues lost by it pursuant to this act.

**EXISTING LAW:**

- 1) Subjects mobilehomes sold as new prior to July 1, 1980, to a vehicle license registration fee (VLF) and requires annual payment to the Department of Housing and Community Development (HCD) (Health and Safety Code Section 18115-18116).
- 2) Provides that nonpayment of VLF constitutes a lien on the mobilehome, and prohibits HCD from issuing a duplicate or new certificate of title or registration card or amending the permanent title record of the mobilehome that is the subject of that lien (Health and Safety Code Section 18116.1).
- 3) Provides that mobilehomes not subject to the VLF are subject to local property taxation (LPT), and requires HCD to withhold amending the title of any mobilehome subject to LPT until the applicant presents a tax clearance certificate (TCC) or conditional tax clearance certificate issued by the county tax collector (Health and Safety Code Section 18092.7).
- 4) Requires the county tax collector to issue a TCC to a mobilehome owner if specified requirements are met (Revenue and Taxation Code Section 5832).

- 5) If the taxes on any mobilehome are unpaid when any installment of taxes on the secured roll becomes delinquent, the tax collector may use the procedures applicable to the collection of delinquent taxes on the unsecured roll (Revenue and Taxation Code Section 5830).
- 6) Requires HCD to release liens, waive outstanding charges, and update all relevant documents accordingly, to mobilehome owners who apply to HCD for relief and meet the following requirements:
  - a) They are not the registered owner, but can prove ownership
  - b) They apply by December 31, 2019
  - c) They pay any charges assessed by the department during the period between the time the applicant took ownership interest or December 31, 2015, whichever is later, and the time they apply for relief pursuant to this subdivision.
  - d) They have not previously filed for relief pursuant to this subdivision (Health and Safety Code Section 18116.1(d))
- 7) Requires that the county tax collector shall issue a tax clearance certificate or a tax liability certificate to a mobilehome owner that receives a conditional transfer of title from HCD per Health and Safety Code Section 18116.1(d)(4)(A) and whom pays the taxes reasonably owed from the date of sale as shown on the conditional transfer of title, without penalties or interest, and not to exceed the amounts attributable one year prior to January 1, 2017 (Revenue and Taxation Code Section 5832(f)).
- 8) On and after January 1, 2020, it is unlawful for any person to use for occupancy any manufactured home or mobilehome, wherever the manufactured home or mobilehome is located, that does not conform to the registration requirements of HCD, provided that HCD has provided notice to the occupant of the registration requirements and any registration fees due (Health and Safety Code Section 18550.1).
- 9) Authorizes the management of a mobilehome park to terminate a tenancy for failure of the homeowner or resident to comply with a local ordinance or state law or regulation relating to mobilehomes within a reasonable time after the homeowner receives a notice of noncompliance from the appropriate governmental agency (Civil Code Section 798.56).
- 10) Prohibits any person to use or cause, or permit to be used for occupancy, a mobilehome that does not conform to HCD's registration requirements (Health and Safety Code Section 18550).

**FISCAL EFFECT:** Unknown

**COMMENTS:**

*Purpose of the Bill:* This bill would extend the Register Your Mobilehome program created under AB 587 (Chau), Chapter 396, Statutes of 2016, by three years to December 31, 2022. According to the author, “The Register Your Mobilehome California program has been significantly successful. Despite the success, there are still tens of thousands of homeowners who have not been able to take advantage of the program. This bill adds a reasonable amount of time for individuals to be able to benefit from the program.”

*Background:* Mobilehomes are an important source of housing statewide – particularly, affordable housing. There are approximately 700,000 Californians living in about 400,000 mobilehomes dispersed over 4,100 mobilehome parks.

The Department of Housing and Community Development (HCD) is responsible for the titling and registration of mobilehomes. Homes that were purchased new prior to July 1, 1980 were treated as vehicles and not subject to local property taxation (LPT), but rather to an “in lieu” vehicle license fee (VLF) paid annually to HCD. Mobilehomes that were purchased after July 1, 1980 are generally subject to LPT. Prior to transferring title of a mobilehome, a buyer of a home on the LPT system must obtain a tax clearance certificate (TCC) from the county tax collector indicating that all property taxes have been paid. Similarly, if the mobilehome is on the VLF system, all past due fees and penalties must be paid to HCD prior to transfer of title, as well as a use tax.

*Mobilehome Titles and Registration:* It is estimated by HCD that up to half of the state’s mobilehomes lack proper registration. There are multiple, overlapping reasons for this. As personal property, mobilehomes are regularly sold on a somewhat informal basis, often in cash, therefore lacking a realtor and an escrow process that would trigger or at least inform the sellers and buyers of their requirements. Mobilehomes owners are often physically, economically, and/or socially marginalized, making it more difficult to connect to the larger system. The lack of regular communication and proximity between HCD and the homeowners makes communication and enforcement more difficult. Finally, due to the often informal nature of mobilehome sales, buyers, and sellers may not be aware of their delinquent taxes and fees, and that these delinquencies prevent title from transferring. Sellers may not even be aware that a delinquency exists because of, for example, limited notification requirements for VLF delinquencies, or outdated ownership information at the county or state level. In these situations, a buyer may only become aware of the delinquency when he or she tries to transfer title at HCD. If a seller does not pay the delinquent fees or taxes and associated penalties, and the buyer cannot pay them but has already purchased the mobilehome, they are left with few options other than to keep the home with an outdated title. In such instances, tax and fee delinquencies may accrue to the mobilehome owners over multiple years.

Regardless of whether a mobilehome is on the VLF or LPT system, delinquent fees or taxes prevent HCD from amending the title of that home. If a buyer cannot pay, and the seller will not pay or cannot be located, the buyer is left without legal proof of ownership of the home, and HCD, the county tax collector, and the county tax assessor may not have up-to-date ownership information for the home. Nonconformance with HCD’s titling requirements can cause a number of issues including eviction from a mobilehome park, as parks are prohibited from allowing homes that do not conform to HCD’s registration requirements in a park. Lack of registration

also prevents owners from legally making repairs to the home, insuring the home, and from transferring ownership of the home to another party.

*The “Register Your Mobilehome” Program:* AB 587 (Chau), Chapter 396, Statutes of 2016 addresses one aspect of this issue. The bill established a three-year (2017-2019) tax abatement program to help mobilehome owners who are unable to transfer title of their homes into their names due to tax delinquencies – including those that may have been incurred by prior owners. Applicants for the abatement program would first be required to prove ownership to the satisfaction of HCD and, upon payment of any reduced charges assessed by HCD, or entry into a payment plan, title would transfer for homes on the VLF system. For homes on the LPT system, HCD would issue an applicant a “conditional title” which the applicant would then bring to their local county tax collector. Once the applicant pays the reduced LPT due under the abatement program, the tax collector would update their property tax records and issue a tax liability certificate, which would perfect the transfer of title once filed with HCD. The abatement program does not relieve any owner other than the applicant from tax liability arising from nonpayment prior to the date of sale to the applicant, so a county tax collector would still have the ability to collect these amounts, including fees and penalties, from any owner other than the applicant. The current mobilehome owners would be responsible for paying their share of any fees and taxes accrued since they took ownership up to one year before the start date of the program.

Since the program commenced in 2017, approximately 1,900 mobilehome owners have taken advantage of it, which has resulted in mobilehome owners saving over \$1 million. This reflects approximately 1% of unregistered mobilehome owners, and approximately 10% of the applicants anticipated when the program was implemented. The program is on pace to save mobilehome owners \$2 million by the time it sunsets on December 31, 2019. HCD began implementing the program in late 2017, meaning at this time it has only truly been in effect for 18 months.

This bill would extend the Register Your Mobilehome Program by another three years.

*Arguments in Support:* The Golden State Mobilehome Owners League writes in support of this bill, “AB 173 extends the opportunity for a continued win-win – a win for mobile home residents who are trying to transfer title in their name and a win for the state and counties who can now update their records so uncollected taxes and fees can now be collected from the individuals who owe them. As seniors on fixed incomes, single parents, immigrants who may have limited English speaking or writing skills, and the working poor, it is devastating when residents discover that title cannot be transferred, especially when a mobilehome resident has paid off the home.”

*Arguments in Opposition:* The California Association of County Treasurers and Tax Collectors writes in opposition of this bill, “This program, despite substantial outreach, has yielded little result for individual homeowners who failed to execute the appropriate paperwork when purchasing the home some years ago. The program has cost the State more than the program has produced in bringing homes current, and AB 587 did not make any long-term reforms like annual or bi-annual registration stickers that would have fixed the underlying problem identified by park owners, which is that they do not have direct knowledge of the status of mobile homes’ taxes and registration.”

*Staff Comments:* The fact that up to half of the state's mobilehomes lack proper registration reflect that the current process is not working. The Register Your Mobilehome Program is intended to address one of the major hurdles to registration – back taxes and fees, often accumulated by prior owners. However, in three years this program has registered only 1% of non-registered mobilehome is reflective of the larger challenge at hand. To the degree that the challenge is one of outreach, the Committee may consider requiring that HCD prepare a one-sided notice summarizing the program and providing relevant contact information. The intent is that organizations conducting direct outreach to mobilehome owners could easily post and distribute this information.

Additionally, were the program to be extended by three years, it is possible that the Legislature will be asked to make a similar decision to extend the program again in 2022, in anticipation of it expiring at the end of that year. As such, the Committee may consider requiring HCD to publish an analysis of the program by March 1, 2022. The analysis should include the type of taxes and fees the unit is subject to (VLF or LPT), and the amount of units that request waivers for taxes accrued by the current homeowner.

*Committee Amendments:* To address the issues raised above, the Committee may wish to consider the following amendments:

- Requiring that HCD prepare a one-sided notice summarizing the Register Your Mobilehome Program and providing relevant contact information.
- Requiring HCD to publish an analysis of the program by March 1, 2022. The analysis should include the type of taxes and fees the unit is subject to (VLF or LPT), and the amount of units that request waivers for taxes accrued by the current homeowner.

*Previous Legislation:*

AB 587 (Chau), Chapter 396, Statutes of 2016: Creates a tax abatement program for mobilehome owners who cannot transfer title into their names due to delinquent taxes and fees that may have been incurred by prior owners.

AB 999 (Daly), Chapter 376, Statutes of 2015: Established due process requirements for mobilehome park owners (park management) seeking to dispose of an abandoned mobilehome without first being required to pay any unpaid property taxes on the mobilehome.

AB 1457 (Keeley), Chapter 772, Statutes of 2001: Relieved certain mobilehome park residents of additional property tax liability for escape assessments when the assessor failed to act. Forgives any outstanding tax bills, but prohibits refunds.

SB 415 (Craven), Chapter 506, Statutes of 1991: Among other things, provided that nonpayment of certain mobilehome fees to HCD would constitute a lien in favor of the state.

AB 2227 (Mays), Chapter 796, Statutes of 1991: Provided for a system of taxing all new and most used mobilehomes purchased on or after July 1, 1980 in a manner similar to conventional homes.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Golden State Manufactured-home Owners League (sponsor)

**Opposition**

California Association of County Treasurers and Tax Collectors (oppose unless amended)

**Analysis Prepared by:** Steve Wertheim / H. & C.D. / (916) 319-2085