Date of Hearing: April 25, 2018

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
David Chiu, Chair
AB 2056 (Eduardo Garcia) – As Amended March 19, 2018

SUBJECT: Mobilehomes

SUMMARY: Requires Mobilehome Park Rehabilitation and Resident Ownership Program (MPRROP) Fund loans issued after January 1, 2019 to be structured as deferred repayment loans, and allows loan funds to be used for rehabilitation of mobilehome parks, among other things. Specifically, **this bill**:

1) Allows the Department of Housing and Community Development (HCD) to make loans from the MPRROP Fund to a qualified nonprofit housing sponsor or a local public entity to rehabilitate a mobilehome park, provided that no less than 30 percent of the residents at the time that the loan application is filed are low income.

2) Requires that MPRROP Fund loans under this section must support a park acquisition or rehabilitation that HCD determines will substantially benefit low- and moderate-income homeowners and that the nonprofit housing sponsor or local public entity agrees to maintain rents at levels affordable to lower income households.

3) Allows HCD to make grants to resident organizations or qualified nonprofit sponsors from the MPPROP Fund to assist lower income homeowners in making repairs or accessibility-related upgrades to their mobilehomes, or to replace their mobilehomes.

4) Requires, for MPRROP loans issued on and after January 1, 2019, the following:

    a) Loan repayments must be deferred for the full term of the loan, except for residual receipts payments;

    b) Residual receipts payments must be structured to avoid reducing the amount of payments on local public agency loans resulting solely from changes in the payment terms on HCD’s loan, and not resulting from fees or other payments to the borrower; and

    c) Residual receipt payments must also be consistent with HCD’s current Uniform Multifamily Regulations or successor regulations.

5) Allows HCD to charge a transaction fee to cover its costs for processing restructuring transactions, and to waive or defer some or all of the transaction fee if it determines the residents of the mobilehome park do not have the ability to make these payments.

6) Specifies that for MPRROP loans issued on and after January 1, 2019, principal and accumulated interest is due and payable upon completion of the term of the loan, and the loan will have an annual interest rate of 3% on the unpaid principal balance.

7) Requires HCD to collect annual loan payments in the minimum amount necessary to cover the costs of project monitoring.

8) Specifies that for the first 30 years of the loan term, the amount of the required loan payments may not exceed 0.42% per year.

EXISTING LAW:

1) Establishes the MPRROP Fund. HCD may make loans from the fund to individual low-income residents of mobilehome parks that have converted to resident ownership, or to resident organizations that have converted or plan to convert a mobilehome park to resident ownership. The purpose of providing loans from this fund is to reduce the monthly housing costs for low-income residents to an affordable level.

2) Permits HCD to lend MPRROP funds to individuals to repair their mobilehomes and to nonprofit sponsors or local public entities to acquire mobilehome parks. These loans must either:

    a) Cure significant outstanding violations of state law governing health and safety in mobilehome parks; or

    b) Support a park acquisition that HCD determines will substantially benefit low- and moderate-income homeowners, including maintaining affordable space level rent.

3) Authorizes HCD to contract directly with nonprofit corporations that have significant experience working with mobilehome park residents, or acquiring, rehabilitating, and preserving affordable housing, and have statewide or regional capacity to deliver technical assistance to mobilehome park residents or community-based nonprofit organizations to assist them in acquiring, financing, operating, and improving mobilehome parks occupied by low- and moderate-income households.

4) Prohibits funds provided for technical assistance from being used for the purposes of taking a mobilehome park by the state, county, or city by eminent domain.

FISCAL EFFECT: Unknown.

COMMENTS:

<u>Background</u>: The residents of California's nearly 5,000 mobilehome parks typically own their mobilehomes and rent the spaces in the mobilehome park in which the homes are placed. For various reasons, mobilehome park residents in some parks have decided to join together and buy the park or their individual spaces within it. This is referred to as a conversion to resident ownership.

Historically, when mobilehome parks have converted to resident ownership, the residents have initiated the process and enlisted the help of a nonprofit organization. The nonprofit organization typically buys the entire park and sells lots to individual owners. In 1984, the Legislature created what was then known as the "Mobilehome Park Purchase Fund" to encourage and facilitate this process for converting mobilehome parks to resident ownership through low-interest loans to resident organizations, individual residents, qualified nonprofit housing sponsors, or local governments. The program is funded through a $5 fee that certain mobilehome owners pay along with their annual registration fee, as well as through loan repayment. HCD administers the fund.

<u>MPRROP activity</u>: Between 1985 and 2001, MPRROP provided loans to assist with the conversion of 66 mobilehome parks statewide to resident ownership. Since 2002, however, new loan activity under the program has slowed and activity continues to decline. In 2014, AB 225 expanded MPRROP to provide HCD greater flexibility in its administration of the fund, including allowing HCD to lend these funds for individuals to repair their mobilehomes and for nonprofit sponsors or local public entities to acquire mobilehome parks. These loans must either: 1) cure significant outstanding violations of state law governing health and safety in mobilehome parks; or 2) support a park acquisition that in the HCD's determination will substantially benefit low- and moderate-income homeowners, including maintaining an affordable space rent level.

Despite these revisions, demand has continued to stagnate. HCD issued its most recent Notice of Funding Availability for the program in January 2016, but has not received a single application to date, despite extending the application deadline several times. The increasing cost and complexity of park conversions are two of the primary reasons for the reduction in the number of successful applications. Last year, SB 136 (Leyva), Chapter 766, Statutes of 2017 further modified the MPRROP program to allow nonprofit intermediaries to provide technical assistance with the complex park conversion process, including locating gap financing for conversions.

This bill will allow HCD to make MPRROP loans to nonprofit sponsors or local public entities to rehabilitate (rather than only acquire) mobilehome parks, if: 1) rehabilitation will cure significant outstanding violations of state law governing health and safety in mobilehome parks; or 2) HCD determines that rehabilitation will substantially benefit low- and moderate-income homeowners and the sponsors or entities agree to keep rents affordable.

This bill will also allow HCD to make grants (rather than only loans) from the MPRROP Fund to resident organizations or nonprofit sponsors to assist lower income homeowners in making repairs or accessibility-related upgrades to their mobilehomes, or to replace them.

Lastly, this bill modifies MPRROP loan repayment and interest provisions for loans issued starting January 1, 2019, by requiring deferred repayment and interest-only annual payments on the loan, similar to other affordable housing loan programs and consistent with HCD's Uniform Multifamily Regulations. This change in loan structure may improve usage of the fund by limiting annual payments that would otherwise be made via significant rent increases at parks.

<u>Need for the bill</u>: According to the author, "Mobilehome park acquisition and rehab can be expensive and complex. … One impediment is that in many parks in need of acquisition and rehab under this program, the lower-income residents are already paying significant portion of their income toward rent. Making one of these programs pencil is challenging because rents cannot support additional debt.

Another issue that stakeholders have identified is the MPRROP currently only funds rehabilitation of a park in conjunction with an acquisition. However, some resident-owned parks and some parks already owned by nonprofit entities are in need of rehab, and MPRROP is one of the few sources that can help rehab and preserve these parks."

<u>Related legislation:</u>

SB 136 (Leyva), Chapter 766, Statutes of 2017: Allowed HCD, as part of the MPRROP Fund, to contract directly with nonprofit corporations to deliver technical assistance to mobilehome park residents or community-based nonprofit corporations to assist mobilehome park residents in

acquiring, financing, operating, and improving mobilehome parks occupied by low- and moderate-income households.

AB 225 (Chau), Chapter 493, Statutes of 2014: Gave HCD greater flexibility in its administration of the MPRROP Fund, including allowing HCD to lend these funds for individuals to repair their mobilehomes and for nonprofit sponsors or local public entities to acquire mobilehome parks.

REGISTERED SUPPORT / OPPOSITION:

Support

California Coalition for Rural Housing (co-sponsor)
California Rural Legal Assistance Foundation (co-sponsor)
Non-Profit Housing Association of Northern California

Opposition

None on file

Analysis Prepared by: Nicole Restmeyer / H. & C.D. / (916) 319-2085