Date of Hearing: May 1, 2013

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Norma Torres, Chair
AB 692 (Torres) – As Amended: April 29, 2013

SUBJECT: Mobilehomes: loans.

SUMMARY: Expands the existing Mobilehome Park Resident Ownership Program (MPROP) to allow loans for the purchase and rehabilitation of a mobilehome park that has substantial health and safety issues without a conversion to resident ownership. Specifically, this bill:

1) Allows the Department of Housing and Community Development (HCD) to make loans under MPROP to a qualified nonprofit housing sponsor or a local government entity to purchase and rehabilitate a mobilehome park without converting the park to resident ownership for the purpose of bringing the park into compliance with all applicable health and safety standards and maintaining affordable rents for low-income residents.

2) Establishes the following terms for park purchase and rehabilitation loans:

   a) Requires that loans have a term of no more than 30 years and sets the interest rate at 3%, unless HCD finds that a lower interest rate is necessary and will not jeopardize the financial stability of the program;

   b) Allows HCD to establish flexible repayment terms if the terms are necessary to reduce rents for low-income residents to an affordable level and do not represent an unacceptable risk to the security of the fund;

   c) Limits loans to the minimum amount necessary to bring the park into compliance with all applicable health and safety standards and maintain rents for low-income residents at an affordable level;

   d) Prohibits the use of loans to reduce rents for residents who are not of low income, reduce rents for low-income residents to less than 30 percent of their monthly income, or facilitate the purchase of a park by a qualified nonprofit from a local public entity that had acquired the park prior to the commitment of the loan from the program; and

   e) Authorizes the use of loans to finance the cost of relocating a mobilehome park to a more suitable site within the same jurisdiction, if HCD determines that the cost of the relocation, including any and all relocation costs for affected households, is a more prudent expenditure than the costs of needed or repetitive repairs to the existing park.

3) Requires HCD to take into consideration the following factors in determining eligibility for and amount of park purchase and rehabilitation loans:

   a) The current health and safety conditions in the park and the likelihood that unsafe conditions would be remedied without a change in ownership;

   b) The percent of spaces in the park that are currently occupied by low-income residents, which must be at least 30 percent to be eligible for a loan;

   c) The reasonableness of the costs relating to the purchase of the park, repairs, rehabilitation, construction, or other costs;

   d) Any administrative and security factors affecting HCD's program operation and administration;

   e) Whether or not the project complements the implementation of a local housing program to preserve or increase the supply of housing for persons and families of low or moderate income; and

   f) Whether or not state funds are utilized in the most efficient and effective manner.

4) Requires HCD to approve all of the following before providing a loan:

   a) Verification that either no park residents will be displaced as a result of the park purchase or the impacts of the displacement will be mitigated as required under state and local law;

   b) Projected costs and sources of funds for all purchase and rehabilitation activities;

   c) Projected operating budget for the park after the purchase; and

   d) A management plan for the operation of the park.

EXISTING LAW

1) Establishes the Mobilehome Park Purchase Fund (fund) in the State Treasury (Health and Safety Code Section 50782).

2) Imposes an annual fee of $5 per transportable section of a manufactured home or mobilehome that is subject to annual registration, to be deposited in the fund (Health and Safety Code Section 18114.1).

3) Authorizes HCD to make loans from the fund to (1) individual low-income residents of mobilehome parks that have converted to resident ownership, (2) resident organizations that have converted or plan to convert a mobilehome park to resident ownership, or (3) qualified nonprofit housing sponsors or local public entities that plan to acquire a mobilehome park, provided that no less than 30 percent of the spaces in the park are for occupancy by manufactured homes owned by low-income residents (Health and Safety Code Section 50784).

4) Specifies that the purpose of providing these loans is to reduce the monthly housing costs for low-income residents to an affordable level (Health and Safety Code Section 50784).

5) Specifies that these loans must be for a term of no more than 30 years at an interest rate of three percent (Health and Safety Code Section 50784).

6) Authorizes HCD to offer an interest rate below 3% if necessary, as long as it will not jeopardize the financial stability of the fund.

7) Authorizes HCD to establish flexible repayment terms, such as graduated payment schedules with negative amortization, for these loans if the terms are necessary to reduce the monthly housing costs for low-income residents to an affordable level and do not represent an unacceptable risk to the security of the fund (Health and Safety Code Section 50784).

8) Authorizes HCD to make loans from the fund to resident organizations for the purpose of financing mobilehome park conversion costs for a term of no more than three years and at an interest rate of three percent (Health and Safety Code Section 50783).

9) Specifies that loans provided to resident organizations for the purpose of financing conversion costs shall be for the minimum amount necessary to enable a resident organization to acquire and convert the mobilehome park (Health and Safety Code Section 50783).

FISCAL EFFECT: None

COMMENTS:

The Mobilehome Park Resident Ownership Program (MPROP) was created in 1984 to provide low-interest loans to finance the conversion of mobilehome parks to resident ownership and ensure that low-income residents' housing costs remained at an affordable level after conversion. 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. There is currently about $23 million in the MPROP fund.

New loan activity under MPROP has been slow in recent years, with only a handful of loans made since 2007. The program had no successful applications in either 2010 or 2012. HCD points to the increasing cost and complexity of park conversions as two of the primary reasons for the reduction in the number of successful applications.

AB 692 expands the MPROP program to allow loans to non-profits and local governments to purchase and rehabilitate parks that have persistent health and safety problems without converting the parks to resident ownership. Loans would be subject to the same conditions that apply to conversion loans, including ensuring that rents remain affordable to low-income residents.

There are many mobilehome parks in the state, primarily serving low-income residents, that have persistent issues with substandard infrastructure and a long history of health and safety code violations. Currently, the only way to use MPROP funds to rehabilitate these parks to improve the living conditions is to also convert the park to resident ownership. However, the complexity and cost of the conversion step can render the project infeasible. In addition, there may not be support among residents for converting because the residents are not in a financial position to purchase their individual lots anyway. In these cases, MPROP can provide the funds necessary to get the park into the hands of an operator who will rehabilitate and maintain it while keeping rents affordable to low-income residents.

REGISTERED SUPPORT / OPPOSITION:

Support

Golden State Manufactured Home Owners League

Opposition

None on file

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