House Committee on Human Services and Housing
February 11, 2013
Hearing on HB 2446 and 2447

Testimony from John VanLandingham
Lane County Legal Aid & Advocacy Center

1. Both HB 2446 and 2447 are tax expenditure bills which are intended to benefit residents of manufactured housing parks in Oregon.

* HB 2446 exempts from personal or corporate taxes the capital gains on parks sold by park owners to resident groups, nonprofits, or housing authorities.
* HB 2447 (and HB 2473, which is identical) provides a $5,000 refundable tax credit to residents who are displaced from their parks by a closure.

2. Both provisions have sunsets of 1/1/2014. These bills would extend the sunset to 2020.

3. Both were initially adopted by the legislature in 2005, just as the park closure crisis was beginning, in HB 2389, sponsored by Rep. Jerry Krummel. The bill was introduced very late in the session, and passed both Houses unanimously.

4. Both were significantly amended and extended by HB 2735 in 2007, a bill negotiated through the Manufactured Housing Landlord/Tenant Coalition. The bill contained a number of measures aimed at addressing the negative impacts of park closures, including requiring landlords to pay displaced residents $5,000, $7,000, or $9,000, depending on the size of the MH. (Prior law did not require landlords to pay the displaced residents anything, if the landlord gave at least one year's notice of the closure.)

5. Because these provisions have sunsets, they do not have ORS numbers.

* The text of the capital gains tax exemption is found following ORS 316.791 (personal income taxes) and 317.401 (corporate income taxes): "*Amounts received as a result of the sale of a manufactured dwelling park to a tenants' association, facility purchase association or tenants' association supported nonprofit organization as described in ORS 90.820, to a community development corporation as described in ORS 458.210 or to a housing authority as defined in ORS 456.005 are exempt from the tax imposed by this chapter*."
* The text of the tax credit for displaced residents is found following ORS 316.116. The relevant portion provides: "*A credit of $5,000 against the taxes*

otherwise due under this chapter is allowed to an individual who: (a) Rents space in a manufactured dwelling park for a manufactured dwelling that is owned and occupied by the individual as the individual's principal residence on the date that the landlord delivers notice that the park . . . is being closed . . . because of the exercise of eminent domain, by order of a federal, state or local agency or by the landlord; and (b) Ends tenancy at the manufactured dwelling park site in response to the delivered notice described in paragraph (a) of this subsection."

6. Both currently have minimal fiscal impact, though for different reasons:

* The capital gains tax exemption because we are only recently having success in encouraging sales by landlords to the authorized groups and because this concept likely does not work well with high end parks (where the tax revenue impact would be greater).

* The tax credit for displaced residents because the economic/housing crash has stopped park conversions into other uses; presumably the housing market will improve someday, but hopefully credit will not be as loose and developers as wild as in the mid-2000s so there will be fewer closures in the future.

7. Manufactured home parks are essentially residential subdivisions where the owners of manufactured homes rent a space to place the MH and live in it. In exchange for rent, the landlord provides land and the necessary utility hook-ups, and often amenities such as a clubhouse.

* Some describe MH parks as gated communities for low and moderate income people.

* There is a sense of community, with neighbors checking on each other.

* Although MH park residents rent the land for their homes, they are homeowners, and proud of it. 2006 study, using 2000 Census data, found that 82 percent of all manufactured homes on rented land in and out of parks are owner occupied.

* The cost to buy a MH in a park can range from $5,000 (used) to $200,000 (in a very nice park). Nationally, average market value is $25,000.

* Nationally, MH parks are considered to be the largest privately-developed and owned source of affordable housing.

* MHs in parks are often the preferred housing choice for starter families, low-income families, and seniors who value community and want not to be responsible for maintaining a large house and yard.

* That same 2006 study found that two-thirds of park residents had incomes less than $30,000 a year, over half were 55 years old or older, and over a quarter were women living alone.

* 2002 study: More seniors (65 and over) lived in MHs than in

subsidized housing.

8. There are currently 1,104 MH parks in Oregon, with 63,132 spaces.

9. The park closure crisis of the mid-2000s

* Despite the benefits of park living, MH park landlords can close their parks and residents can be evicted, even if they have long-term leases.

* MH parks were an attractive target for redevelopment as higher end residential housing in the go-go real estate days of the mid-2000s. They are typically large, flat, zoned for residential use, serviced with utilities, inside the UGB, and on the fringe of the city, with little permanent infrastructure. Developers were cold-calling park owners and offering them buckets of cash. Park closure and redevelopment was a national phenomena.

* In 2005 and 2006 Oregon lost 31 parks and 1,500 spaces to closure and redevelopment, mostly in the red-hot real estate markets of Metro Portland and Central Oregon.

* Manufactured homes are no longer mobile; most move only once in their lives, from the manufacturer or dealer to the MH park or site.

    * It costs between $15,000 and $25,000 to move a MH from one park to another site.

    * Many MHs cannot physically withstand the stresses of moving.

    * There are limited choices in terms of another park to move to, because many parks won't take older homes, and because during the real estate boom there were few vacancies to move to.

* As a result of closures, most MH homeowners lost their homes and their equity in those homes.

    * More importantly to many residents, they also lost their communities, their friends, their support networks.

10. MH park residents worry about three things: Poor park management, rent increases, and closures.

* Management: MH L/T Coalition bill in 2005 requires park managers to get continuing education; monitored by Oregon Housing & Community Services.

* Rent increases: Oregon law preempts local government rent control. Advocates have encouraged park purchases by resident groups, nonprofits, or housing authorities as the best alternative. The capital gains tax exemption plays a significant role in encouraging that.

* Closures: We cannot prevent closures. Our strategy has been to address some of the loss to residents with the $5/7/9k payments from landlords plus the $5k state tax credit. And, again, to encourage sales to residents, nonprofits, and

housing authorities, who won't close the park.

11. These bills have a subsequent referral, to the Tax Credit Committee. Your role is to review them for policy and public purpose.

* In addition, HB 2447 needs to be amended, to also change the 2014 sunset on two other statutes which refer to the displaced resident tax credit.

12. Oregon Housing & Community Service Department's role in this:

* OHCS has no role in administering the capital gains tax exemption; that falls to the Department of Revenue.

* OHCS does have a small role in the $5k displaced resident tax credit. While DOR manages the credit itself, ORS 90.645 and 90.650 require a closing park landlord to give notice of the closing to OHCS and to the residents; that notice must describe the tax credit, using a notice form jointly drafted by OHCS and DOR.

* OHCS has a large role in MH park issues generally. OHCS has a section called the Manufactured Communities Resource Center, formerly known as the MH park ombudsman, which assists residents and landlords with education and mediation of disputes, and helps residents deal with closures and displacement. See ORS 446.515 to .547. MCRC is funded by a $6 per year special assessment on MH park residents, as the residents agreed to tax themselves for this service.

John VanLandingham
Lane County Legal Aid & Advocacy Center
376 East 11th Ave.
Eugene, OR 97401
541-485-1017 x138; 541-285-8445 (cell)
johnvl@lclac.org
f/john/2013 MHLT.HB 2446 and 2447 testimony.021113.wpd