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Testimony in Support of SB 322-1
Extension of the Sunset on the Manufactured Housing Park Closure Tax Credits

Tax Credit Committee Policy Questions

For Public Hearing and Possible Work Session
Friday, February 22, 2013

Chair Shields, Vice-Chair George, and members of the committee,

The Oregon Law Center has prepared the following responses to the Tax Credit Committee's policy questions about the **Manufactured Housing Park Closure Tax Credit.** We hope this is helpful to you as you consider the extension of the sunset of this tax credit to 2020. As members of the Manufactured Housing Landlord Tenant Coalition, we urge your support of SB 322-1, and passage out to the Joint Tax Credit Committee for further consideration.

Brief summary of SB 322-1:
Under current law, there is a $5,000 refundable tax credit to help offset costs to manufactured home park residents if they are displaced because the park is closed. That tax credit currently sunsets at the end of 2014. SB 322-1 would extend the tax credit through 2020.

1. What is the public policy purpose of this credit?
The objective of this tax credit is to provide financial assistance to displaced residents of closed manufactured home parks. Easing the transition for displaced residents from a closed park to their next housing option helps them avoid homelessness and preserves the stability of a vulnerable population.

The Legislature established this tax credit in 2007, as part of a Manufactured Home Park Landlord-Tenant Coalition bill that provided relief for the many Oregonians who were displaced by the then-rampant closure of manufactured home parks across the state. In the early 2000's, with skyrocketing land prices, many park owners chose to close and sell parks, putting residents at risk of losing their most valuable asset. Manufactured homes can rarely be moved from the park to a new location. If a home cannot be moved from a closed park, it becomes virtually worthless. If a home can be moved to another park, it is only at great expense.

Many park residents live on a fixed income. The cost and struggle of moving creates significant health, safety, and financial burdens for these residents. Financial assistance for residents at the closure of a park helps those who are displaced pay for moving costs, first and last months' rent and deposit, or a new home in a different park.

2. Who directly benefits from the credit?
The credit directly benefits residents of manufactured home parks who are forced to move because of the closure of the park. The credit is refundable, so it either comes as a credit against taxes owed, or as a direct payment to those who are low enough income that they do not owe taxes.

Residents of manufactured home parks tend to be low-income and elderly. A report created by the Manufactured Home Owners of Oregon in 2008 concluded that two thirds of households in mobile homes make less than $30,000 per year, 41% make less than $20,000 and 13% less than $10,000. 54% of the owners are 55 or older, 29% are 65 or older and 17% are 75 or older. More than a quarter of residents are senior women living alone.

The tax credit comes in conjunction with a payment required by park owners who are closing the park. Park owners must pay displaced residents a lump sum of $5,000, $7,000, or $9,000, depending on the size of the home. These two benefits together are a public and private partnership that results in a benefit of $10,000, $12,000, or $14,000 to displaced residents. This assistance makes a significant difference for displaced residents in easing the transition to a new home.

3. What is expected to happen if this credit fully sunsets?
If the credit fully sunsets, there would be a negative impact on the vulnerable population displaced by future park sales. Without the benefit of the tax credit, this population would struggle to manage the cost of moving and finding a new place to call home. Some low-income residents may suffer homelessness as a result.

4. Could adequate results be achieved with a scaled-down version of the credit?
No. The current tax credit is only a partial offset to the burden and cost imposed on park residents who are displaced by a park sale. The national average cost of a new manufactured home to replace one that cannot be moved is $25,000. The cost of moving a manufactured home, if it is possible to move the home, ranges from $15-25,000. A scaled-down version of the credit would exacerbate the housing instability imposed on displaced residents. This would negatively impact Oregon's most vulnerable populations.

5. What would be the effect of reducing the credit by 50 percent?
Reducing the credit by 50% would leave displaced residents on fixed incomes with fewer options, and make it harder for residents purchase or find suitable new housing.

6. What background information on the effectiveness of this type of credit is available from other states?
Many states have statutory protection for residents who are displaced by the closure of a park, including payments to park residents, but no state we are aware of provides this assistance through a public-private partnership of landlord payments and state tax credits. Oregon's protection is more robust, and therefore more effective, than protections in other states.

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7. Is use of a tax credit an effective and efficient way to achieve this policy goal?
Yes. The Department of Revenue administers this tax credit to eligible residents as part of their usual course of tax business. There is no fiscal impact to the Department as a result of administering this credit. LRO has projected the impact of the tax credit over the next three biennia at $0, $100k, and $100k, respectively. The Governor has projected it at less than $100k for the next two biennia each.

8. What other incentives (including state or local subsides, federal tax expenditures or subsidies) are available that attempt to achieve a similar policy goal?
There are a number of other provisions of state law that together work to achieve the policy goal of supporting residents who are at risk because of the sale or closure of a manufactured home park. Each provision is important in itself, and as a part of a web of protections for vulnerable Oregonians:

- SB 322-1 is a partner bill to HB 2446. The two incentives address the problem of park closures from both sides. HB 2446 extends the sunset on the Capital Gains Tax exemption for park owners who sell their parks to residents or non-profits, who will keep the park open and maintain affordable rent levels. HB 2446 incentivizes sales to residents or non-profits, and SB 322-1 helps residents who have to move if there is not a sale to the residents or to a non-profit that will keep the park open.
- Park owners are partners in this effort to help residents. If they sell and close the park, current state law requires that they make a payment to residents of $5,000, $7,000, or $9,000, depending on the size of the home. ORS 90.645(1)(b)
- Park owners must provide residents with at least a year's notice prior to closure. ORS 90.645(1)(a)
- Current law provides that displaced park residents may not be charged for abandoned homes that cannot be moved from the park. ORS 90.645(5)(b)

9. Could this credit be modified to make it more effective and/or efficient? If so, how?
The current tax credit structure is very efficient. It is administered during the Department of Revenue's normal course of business, and has no fiscal impact on the Department. The tax credit is available only to those residents who qualify, when they have been displaced by a park closure. When there is not a park closure, the tax credit costs nothing. When there is a closure, the tax credit is available. The credit is targeted, efficient, and effective.