Senate Committee on General Government, Consumer and
Small Business Protection
February 22, 2013
Hearing on SB 322

Testimony from John VanLandingham
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1. SB 322 is a tax expenditure bill regarding an existing program which is intended to benefit residents of manufactured housing parks in Oregon. It extends the 1/1/2014 sunset on an existing law that provides a $5,000 refundable tax credit to residents who are displaced from their manufactured home parks by a closure. It extends the sunset to 2020.

* HB 2447 and HB 2473 are identical to SB 322.

* HB 2447 was heard in the House Committee on Human Services and Housing on February 11. Also heard at that time was HB 2446, another tax expenditure bill extending the sunset on a provision benefitting MH park residents by providing a capital gains exemption for park landlords who choose to sell their parks to the residents, a nonprofit, or a housing authority. There is a work session on these bills this afternoon.

2. This tax credit was 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. The tax credit then was for $10,000, but was means-tested.

3. It was 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.) The tax credit was reduced from $10,000 to $5,000, but all displaced residents were made eligible.

4. Because this provision has a sunset, it does not have an ORS number. 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.*"

5. The tax credit for displaced residents has minimal fiscal impact on the State because the economic/housing crash has stopped park conversions into other uses. Presumably the housing market will improve someday, and park closures will resume, 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.

6. 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 (old and used) to $200,000 (in a very nice park). Nationally, average market value is $25,000.
* MH parks are considered to be the largest privately-developed and owned source of affordable housing in the country.
* 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.

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

8. The park closure crisis of the mid-2000s:

* 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. These sites are typically large, flat, zoned for residential use, serviced with utilities, inside the UGB, and on the fringe of the city, which has grown out to them, but with little permanent infrastructure. Developers were cold-calling park owners and offering them buckets of cash. Park closure and redevelopment were 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 a park to another site.
    * Many MHs cannot physically withstand the stress 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.
* When a park closes, most MH homeowners lose their homes and their equity in those homes.
    * More importantly to many residents, they also lose their communities, their friends, their support networks.

9. 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.

10. This bill has a subsequent referral, to the Tax Credit Committee. Your role is to review it for policy and public purpose.

* In addition, SB 322 needs to be amended, to also change the 2014 sunset on two other statutes which refer to the displaced resident tax credit.

11. Oregon Housing & Community Service Department has a small role in the displaced resident tax credit. While the Department of Revenue 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.

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