

ASSESSORS' HANDBOOK
SECTION 511

ASSESSMENT OF MANUFACTURED
HOMES AND PARKS

NOVEMBER 2001

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CALIFORNIA STATE BOARD OF EQUALIZATION

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FOREWORD

The taxation of mobilehomes and parks¹ is somewhat complex. Since the late 1970's, the law regarding the taxation of mobilehomes and parks has been modified many times to reflect the changing role of mobilehomes in our society from primarily vehicles to primarily stationary housing.

Prior to 1979, it was illegal to place a mobilehome on a permanent foundation, and mobilehomes were treated as vehicles for tax purposes. Thus, mobilehome owners paid an annual vehicle license fee (VLF) set at 2 percent of a value that was depreciated each year according to a statutory schedule to reflect the declining value of the vehicle. At that time, most of the VLF revenue was allocated to cities, counties, and schools by formula on the basis of population. Mobilehome owners renting spaces in parks were eligible for the Renters' Credit and Senior Citizens Renters' Assistance, but were not eligible for the homeowners' exemption or the Senior Citizens Property Tax Assistance and Postponement Programs.

After major mobilehome taxation legislation was enacted in 1979 and 1980, most existing mobilehomes continued to be taxed basically as they had been. For these homes, the VLF rate structure and depreciation schedules remain unchanged today.

However, mobilehomes purchased new on or after July 1, 1980 and occupied as residences are treated very much like conventional homes with respect to property tax liability. Over time, most mobilehomes occupied as residences will be subject to local property taxation rather than the VLF.

Today's mobilehomes are called manufactured homes, and they look more like site-built houses than their predecessors. These homes are not as *mobile* as their predecessors. It is estimated that 95 percent of manufactured homes never leave the spot where they are first placed.² Post-1976 manufactured homes are built to the federal Manufactured Home Construction and Safety Standards, which set standards for the home's design, construction, strength, durability, transportability, fire resistance, energy efficiency, heating, plumbing, air conditioning, and thermal and electrical systems.

In the 1960's and early 1970's, the demand for low-cost housing generated an unprecedented acceleration in construction and improvement of parks in California. The skyrocketing cost of conventional housing in the late 1970's and early 1980's brought additional pressure for more widespread acceptance of manufactured homes as residences and, thus, the need for more parks intensified. In recent years, the trend has been for residents of parks to purchase their park and maintain the park as a subdivision, cooperative, condominium, or nonprofit corporation, thereby taking control over escalating space rental fees.

¹ A *park* is any manufactured housing community, mobilehome park, or special occupancy park.

² <http://thewhiz.snap.com>.

This section of the Assessors' Handbook is provided by the State Board of Equalization to give property tax appraisers, auditor-appraisers, and other interested parties an informational resource, and it is intended to promote standardization of appraisal and assessment of manufactured homes and parks. This new handbook section revises and combines two former handbook sections: AH 511, *Assessment of Manufactured Homes*, and AH 512, *Assessment of Manufactured Home Parks*.

Section 15606, subdivision (c), of the Government Code directs the State Board of Equalization to prescribe rules and regulations governing county assessors in the performance of their duties, and subdivision (f) provides that the Board shall issue instructions, such as those set forth in this handbook section. While regulations adopted by the State Board of Equalization are binding as law, Board-adopted handbook sections are advisory only. Nevertheless, courts have held that they may be properly considered as evidence in the adjudicatory process.³

The citations and law references in this publication were current as of the writing of the handbook section. Board staff met with members of the California Assessors' Association, County Counsels' Association of California, and industry representatives to solicit input for this handbook section. The Board approved this handbook section on November 29, 2001.

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Deputy Director
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November 2001

³ *Coca-Cola Co. v. State Board of Equalization* (1945) 25 Cal.2d 918; *Prudential Ins. Co. v. City and County of San Francisco* (1987) 191 Cal.App.3d 1142; *Hunt-Wesson Foods, Inc. v. County of Alameda* (1974) 41 Cal.App.3d 163.

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CHAPTER 1: INTRODUCTION

Manufactured homes are generally subject to two major taxes: (1) sales tax or use tax at the time of sale or resale and (2) either the property tax or the vehicle license fee (VLF) annually. The State Board of Equalization administers the sales tax and use tax on manufactured homes, the county assessors administer property taxation of manufactured homes, and the Department of Housing and Community Development administers the VLF for manufactured homes. The Franchise Tax Board collects delinquent VLF.

The subsequent chapters of this handbook section provide guidelines for the appraisal and assessment of manufactured homes and parks for property taxation purposes. As background, the remainder of this chapter outlines the guidelines used when applying the sales tax or use tax to manufactured homes,⁴ for determining whether a manufactured home is subject to property tax or the VLF, and for determining whether manufactured home accessories are subject to property tax or the VLF.

Sales tax or use tax for new manufactured homes:

1. A new manufactured home sold on or after July 1, 1980 for use as a residence is subject to use tax on 75 percent of the dealer's cost, regardless of whether or not the manufactured home is installed on a permanent foundation.⁵
2. A new manufactured home sold for any nonresidential use is subject to sales tax on 100 percent of the sale price of the manufactured home.

Sales tax or use tax for used manufactured homes:

1. A used manufactured home that is subject to local property tax is exempt from sales tax or use tax when sold.
2. A used manufactured home that is subject to the VLF is subject to sales tax or use tax based on its current value, as determined by a recognized value guide, if the sale is (1) through a person licensed as a dealer and not on the dealer's own account; (2) through a licensed real estate broker; or (3) through a private party transaction.
 - For a used manufactured home, if the value guide does not include the age, model, and manufacturer of the particular manufactured home, or if the actual sale price is less than the value specified in the value guide, the sales tax or use tax is based on the actual sale price of the manufactured home.
 - A used manufactured home subject to the VLF is subject to sales tax or use tax based on the sale price of the manufactured home if it is sold by a dealer acting on his or her

⁴ State Board of Equalization Publication No. 47, *Mobilehomes and Factory-Built Housing, Sales and Use Taxes*, January 2001.

⁵ The use tax is imposed upon the dealer as the consumer. The dealer, therefore, does not separately state to its customer any reimbursement for the use tax.

own account and not as a broker. The sale price includes charges for awnings, skirting, and other property sold with the used manufactured home that is not directly affixed to real property. Separately stated charges for existing real property improvements (e.g., concrete, landscaping, or in-place location value) are not subject to sales tax or use tax.

The following guidelines are used when determining whether a manufactured home is subject to the property tax or the VLF.

1. New manufactured homes sold on or after July 1, 1980 are subject to local property taxation. If the home is placed on an approved permanent foundation, it is taxed in the same manner as conventional housing. All other manufactured homes are classified as personal property, but special provisions in the statutes essentially treat them as real property.⁶
2. New manufactured homes sold prior to July 1, 1980 are subject to the VLF with the following exceptions:
 - Owners of pre-July 1, 1980 manufactured homes subject to the VLF continue to be taxed that way, or the owner may voluntarily choose to transfer the manufactured home to the property tax roll.
 - Manufactured homes subject to the VLF on which the registration lapsed for 120 days or more between July 1, 1980 and October 1, 1984, and on which reinstatement to the VLF system was not applied for by December 31, 1986, were automatically placed on the property tax rolls.
3. Used manufactured homes that are sold are taxed under the tax system that applied to the home before the sale.

Manufactured home accessories are subject either to the property tax or the VLF (see Chapter 3).

- Accessories purchased as part of the manufactured home package prior to 1977 are rebuttably presumed to be subject to the VLF. Generally, accessories purchased on or after July 1, 1980 are subject to the property tax when they are affixed to a manufactured home placed on a permanent foundation or affixed directly to real property. Accessories purchased between 1977 and 1980 are subject to one or the other, but not both, of those two taxes.

⁶ Revenue and Taxation Code section 5800 et seq. All statutory section references are to the Revenue and Taxation Code unless otherwise designated.

CHAPTER 2: OVERVIEW OF LEGAL ISSUES

DEFINITIONS

Homes subject to taxation under The Manufactured Home Property Tax Law⁷ are referred to as manufactured homes and mobilehomes. The Manufactured Home Property Tax Law does not pertain to commercial coaches, factory-built housing, recreational vehicles, or park trailers. The following definitions are provided to aid in determining the appropriate category for a home.

MANUFACTURED HOME

A *manufactured home* as used in The Manufactured Home Property Tax Law statutes is defined in section 5801, which reads in part:

. . . "manufactured home" means a manufactured home as defined in Section 18007 of the Health and Safety Code or a mobilehome as defined in Section 18008 of the Health and Safety Code which:

- (1) Was first sold new on or after July 1, 1980.
- (2) Was, at the request of the owner, and following his or her notification of the Department of Housing and Community Development and the assessor, made subject to taxation under this part.

Section 18007 of the Health and Safety Code defines *manufactured home* as:

"Manufactured home," for the purposes of this part, means a structure, transportable in one or more sections, which, in the traveling mode, is eight body feet or more in width, or 40 body feet or more in length, or, when erected on site, is 320 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained therein; . . .

MOBILEHOME

Section 18008 of the Health and Safety Code defines a *mobilehome* as:

"Mobilehome," for the purposes of this part, means a structure that meets the requirements of Section 18007. "Mobilehome" does not include a commercial coach, as defined in Section 18001.8, factory-built housing, as defined in Section 19971, or a recreational vehicle, as defined in Section 18010.

⁷ Revenue and Taxation Code, Part 13, section 5800 et seq.

COMMERCIAL COACH

A *commercial coach* is defined in section 18001.8 of the Health and Safety Code. A commercial coach is not a home that is subject to taxation under The Manufactured Home Property Tax Law. Section 18001.8 states:

"Commercial coach" means a structure transportable in one or more sections, designed and equipped for human occupancy for industrial, professional, or commercial purposes, which is required to be moved under permit, and shall include a trailer coach as defined in Section 635 of the Vehicle Code.

FACTORY-BUILT HOUSING

Factory-built housing is defined in section 19971 of the Health and Safety Code. Factory-built housing is not a home that is subject to taxation under The Manufactured Home Property Tax Law. Section 19971 states in relevant part:

"Factory-built housing" means a residential building, dwelling unit, or an individual dwelling room or combination of rooms thereof, or building component, assembly, or system manufactured in such a manner that all concealed parts or processes of manufacture cannot be inspected before installation at the building site without disassembly, damage, or destruction of the part, . . . which is either wholly manufactured or is in substantial part manufactured at an offsite location to be wholly or partially assembled onsite in accordance with building standards . . . Factory-built housing does not include a mobilehome . . . mobile accessory building or structure . . . a recreational vehicle . . . or a commercial coach

RECREATIONAL VEHICLE

A *recreational vehicle* is defined in section 18010 of the Health and Safety Code. A recreational vehicle is not a home that is subject to taxation under The Manufactured Home Property Tax Law. Section 18010 states in relevant part:

"Recreation vehicle" means both of the following: (a) A motor home, travel trailer, truck camper, or camping trailer, with or without motive power, designed for human habitation for recreational, emergency, or other occupancy, that meets all of the following criteria: . . . (b) A park trailer, as defined in Section 18009.3.

PARK TRAILER

Section 18009.3 of the Health and Safety Code defines a *park trailer*. Since it is possible that assessors may encounter these homes in manufactured home parks, the following definition is provided. A park trailer is not a home that is subject to taxation under The Manufactured Home Property Tax Law. Section 18009.3 provides:

"Park trailer" means a trailer designed for human habitation for recreational or seasonal use only, that meets all of the following requirements: (a) It contains 400

square feet or less of gross floor area. It may not exceed 14 feet in width at the maximum horizontal projection. (b) It is built upon a single chassis. (c) It may only be transported upon the public highways with a permit issued pursuant to Section 35780 of the Vehicle Code.

ACCESSORIES

Section 18008.5 of the Health and Safety Code defines *manufactured home or mobilehome accessory building or structure* and *manufactured home or mobilehome accessory* to include, but not be limited to:

. . . any awning, portable, demountable, or permanent cabana, ramada, storage cabinet, carport, skirting, heater, cooler, fence, windbreak, or porch or other equipment established for the use of the occupant of the manufactured home or mobilehome.

CLASSIFICATION

Classification of a manufactured home as real property or personal property is important because it:

- Affects the tax rate in areas where special assessments are levied on improvements.
- Affects taxability if the home is held for sale or lease by a dealer.⁸
- Affects taxability if the home is owned by a bank or financial corporation.⁹
- Affects taxability if the home is owned by an insurance company.¹⁰
- Affects taxability if the home is owned by a governmental agency but held by a person or taxable entity (possessory interest).¹¹
- Affects taxability when the home is owned by military personnel claiming out-of-state residency.¹²

Section 5801 governs the classification of manufactured homes. Subdivision (b) provides:

(1) "Manufactured home," as used in this part, does not include a manufactured home which has become real property by being affixed to land on a permanent foundation system pursuant to Section 18551 of the Health and Safety Code and is taxed as all other real property is taxed.

(2) Except as provided in paragraph (1), a manufactured home, otherwise subject to taxation pursuant to this part, shall not be classified as real property for

⁸ Section 5815.

⁹ Section 23182.

¹⁰ Section 28 of article XIII.

¹¹ Section 107.

¹² Soldiers' and Sailors' Civil Relief Act of 1940.

property taxation purposes that would be excluded from taxation pursuant to this part.

While the language of section 5801 may be subject to more than one interpretation, the intent of subdivision (b) is that all manufactured homes should not be classified as real property, except those affixed on permanent foundation systems pursuant to section 18551 of the Health and Safety Code. This interpretation is further substantiated by section 5810 which provides:

Except as otherwise provided in this part, manufactured homes shall be subject to property taxation in the same manner and to the same extent, and shall be subject to the other provisions of this division in the same manner and to the same extent as any other personal property on the roll as defined in Section 109.

Even when manufactured homes are classified as personal property, it is important to understand that many of the statutes relating to the taxation of personal property are not applicable to the taxation of manufactured homes. Instead, manufactured homes are subject to taxation pursuant to the specific provisions of The Manufactured Home Property Tax Law.¹³

The primary differences between the taxation of manufactured homes and the taxation of other items of personal property include, but are not limited to:

- The assessments of manufactured homes are entered on the secured roll.¹⁴
- The taxes on manufactured homes may be paid in two installments.¹⁵
- Base year values are determined for manufactured homes on the dates they change ownership or upon completion of new construction.¹⁶
- Base year values for manufactured homes are compounded annually by an inflation factor based on the California Consumer Price Index, not to exceed 2 percent of the prior year's value.¹⁷
- The taxable value of a manufactured home is the lesser of its factored base year value or its full cash value on the lien date, taking into account reductions in value due to any factor causing a decline in value (e.g., depreciation, damage, destruction, obsolescence, etc.).¹⁸
- A manufactured home which undergoes a change in ownership or new construction is subject to supplemental assessment(s).¹⁹
- A manufactured home qualifies as an original property for purposes of base year value transfers (Propositions 60/90/110).²⁰

¹³ Sections 5800 through 5842.

¹⁴ Section 5830.

¹⁵ Section 5830, subdivision (c).

¹⁶ Section 5802.

¹⁷ Section 5813.

¹⁸ *Ibid.*

¹⁹ Section 75.5.

²⁰ Section 69.5, subdivision (c)(2).

- A manufactured home may qualify for exclusion from change in ownership for certain interfamily transfers (Propositions 58/193).²¹

TAXABLE PROPERTY

Section 1 of article XIII of the California Constitution provides that all property is taxable unless specifically exempted. Following are examples of taxable property:

- Land
- Land improvements (landfills, landscaping, pavement, etc.)
- Improvements (structures, fencing, etc.)
- Manufactured homes
- Fixtures (decking, carports, etc.)

Section 5801 provides that manufactured homes are taxable on the local property tax roll if:

- Sold new on or after July 1, 1980; or
- So requested by the owner.

In addition, manufactured homes are subject to property tax if they were under the VLF system and the registration lapsed for 120 days or more between July 1, 1980 and October 1, 1984, and the owner did not apply for reinstatement to the VLF system prior to December 31, 1986.²²

EXCLUSIONS

FEDERAL ENCLAVES

Article I, section 8, clause 17 of the United States Constitution delegates to Congress exclusive jurisdiction over land within a state purchased by the consent of the Legislature of the state.²³ Prior to February 1, 1940, under federal law, the burden was on the state to reserve the state's jurisdiction to tax properties within a federal enclave. If the State Legislature did not reserve the power to tax property located on such land, it did not have the power. The State of California generally did not reserve such power prior to September 19, 1939.

Therefore, neither the State of California nor any of its counties have the power to tax property located on United States Government enclaves acquired by the United States prior to September 19, 1939. Consequently, manufactured homes located on these lands are exempt from property taxation.

²¹ Section 63.1.

²² Former section 5812, subdivision (b); amended Stats. 1984, Ch. 1760.

²³ *Humble Pipe Line Co. v. Waggoner* (1964) 376 U.S. 369.

When an assessor becomes aware of a manufactured home on a federal enclave, the assessor should periodically verify that the home has not been moved outside the federal enclave. If the manufactured home was first sold prior to July 1, 1980, it becomes subject to vehicle license and registration fees upon removal from the enclave. If the home was first sold on or after July 1, 1980, it is subject to property taxation upon removal from the enclave.

INDIAN RESERVATIONS

A manufactured home located within the boundaries of an Indian reservation and owned by a member of the governing tribe is exempt from property taxation.²⁴ Indian reservations are lands held in trust by the United States for the Indian tribes.²⁵

If a manufactured home located on an Indian reservation is sold to a non-tribal member, or if an Indian-owned manufactured home is removed from the reservation, the home becomes subject to taxation.²⁶ If the home was first sold before July 1, 1980, it would be subject to vehicle license and registration fees after removal from the reservation or sale to a person who is not a member of the governing tribe. If the home was first sold on or after July 1, 1980, it would be subject to property taxation after removal from the reservation or sale to a person who is not a member of the governing tribe.

SOLDIERS' AND SAILORS' CIVIL RELIEF ACT OF 1940

The Soldiers' and Sailors' Civil Relief Act of 1940 provides that a person on active duty in military service may declare the situs of his or her personal property to be his or her home state. This declaration renders the personal property immune from taxation in the state where the individual is stationed on active duty. The court in *U.S. v. Shelby County*²⁷ found mobilehomes, owned by nonresident military service personnel on active duty and present in the state solely by reason of compliance with naval or military orders, are personal property within the meaning of Soldiers' and Sailors' Civil Relief Act and thus immune from state taxation.

This Act does not provide for an exemption from personal property taxation. Instead, it establishes tax situs of the property and thus establishes an exception to the general rule that personal property has its tax situs at the place it is located. The taxing agency with jurisdiction as the military person's domicile may tax the property if the laws so provide. This rule of tax situs is applicable whether the military person's domicile is another county of California or elsewhere within the United States.

If a manufactured home is classified as personal property (not placed on a permanent foundation) and owned by a military person on active duty in California who claims residency in another state, then the home is immune from property taxation in California. However, if the manufactured home is classified as real property (placed on a permanent foundation), it is subject to property taxation regardless where residency is claimed.

²⁴ *McClanahan v. Arizona State Tax Commission* (1973) 411 U.S. 164.

²⁵ The Wheeler-Howard Act of Congress passed June 18, 1934, 25 U.S.C.A. 465.

²⁶ *Moe v. Confederated, Salish and Kootenai Tribes* (1976) 425 U.S. 463.

²⁷ *U.S. v. Shelby County* (1974) 385 F. Supp. 1187.

A military person who declares situs of his or her personal property to be located elsewhere must complete form BOE-261-D, *Soldiers' and Sailors' Civil Relief Act Declaration* (see Exhibit 2-1). The assessor should have a signed declaration on file for each military person who claims the exemption. The declaration may be filed at any time without penalty or interest.

If the military person is a resident of another county in California, a copy of the signed declaration should be sent to the assessor of the county of legal residence for appropriate assessment processing. If the military person claims residency in another state, a copy of the signed declaration should be sent to the county clerk or county assessor of the other state.

EXHIBIT 2-1

SOLDIERS' AND SAILORS' CIVIL RELIEF ACT DECLARATION

To _____
(ASSESSOR'S NAME)

Assessor of _____ County

(ASSESSOR'S OFFICE ADDRESS)

Name of Serviceman _____

Mailing Address _____

I hereby state:

1. I am a person in the Armed Forces of the United States within the meaning of the Soldiers' and Sailors' Civil Relief Act (50 Appendix U.S.C.A. Sections 510-590, as amended); my rank, serial number and organization are as follows:

RANK _____ SERIAL NO. _____ ORGANIZATION _____

2. I am not a resident of the State of California or County of _____ and I am in this State solely by reason of compliance with military or naval orders.

3. My residence is in the State of _____ at:

Street Address: _____ City or Town: _____

County: _____

4. I last registered to vote or voted in the year _____ in the City of _____

County of _____, State of _____

5. I am the registered owner of an automobile: Make _____

Model _____; License No. _____; registered in the

State of _____ for the year _____.

6. I will not claim the veterans' exemption on any property in California.

7. I am the legal owner of the following described personal property located in California:

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct and complete to the best of my knowledge and belief.

(SIGNATURE) (DATE)

BANKS AND FINANCIAL CORPORATIONS

A manufactured home may be owned on the lien date by a bank or financial corporation, usually as a result of repossession. Manufactured homes classified as personal property (not placed on a permanent foundation) owned by banks and financial corporations are exempt from property taxation by the in-lieu tax provisions. These businesses pay an in-lieu "franchise tax on net income" in lieu of all other taxes except taxes upon real property and vehicle registration and license fees.²⁸ A listing of qualified banks and financial corporations is distributed to assessors annually by the State Board of Equalization.

The lessee of tangible personal property owned by a bank or financial corporation is conclusively presumed to be the owner of that property for purposes of property taxation.²⁹ Therefore, a manufactured home owned by a bank or financial corporation (classified as personal property) is assessable to the lessee, regardless of whether the lessee is acquiring an equity interest in it.

LEASING CORPORATIONS

The in-lieu tax provisions applicable to banks and financial corporations do not apply to corporations whose principal activity consists of leasing tangible personal property, including wholly owned subsidiaries of banks or bank holding companies.³⁰

If a manufactured home owned by a leasing corporation is classified as personal property (not placed on a permanent foundation) and leased to a person or taxable entity, the assessor must determine whether the lessee is acquiring an equitable interest in the manufactured home. If the lease constitutes a purchase contract, then the manufactured home should be assessed to the lessee.

INSURANCE COMPANIES

Manufactured homes owned by insurance companies and classified as personal property are exempt from property taxation.³¹ However, manufactured homes on approved permanent foundations and classified as real property are subject to property taxation.

Conversely, personal property leased to insurance companies, including a manufactured home, remains assessable to the lessor unless the lessor is also exempt from property taxation.

WATER DISTRICTS

Sections 20220 and 72096.5 of the Water Code provide that ad valorem taxes may not be levied for debt service of a water district, or any improvement district therein, upon manufactured homes that occupy a rental space in a park. Manufactured home accessories, however, are not exempt from property taxation for debt service under these statutes.

²⁸ Article XIII, section 27, California Constitution; sections 23154 and 23182.

²⁹ Section 23183, subdivision (b).

³⁰ Section 235.

³¹ Article XIII, section 28, California Constitution.

Manufactured home accessories determined by the assessor to be improvements to the land are subject to property taxation and special assessments. Accessories determined to be personal property are subject to property taxes but are not subject to special assessments.

BUILDERS' EXCLUSION

If a manufactured home owned by a dealer is classified as real property (placed on a permanent foundation), it cannot be exempted as business inventory (see section following). It may, however, qualify for the construction for resale exclusion (commonly known as builders' exclusion) from supplemental assessment.

In order to qualify for the builders' exclusion, the manufactured home dealer must comply with the provisions of section 75.12. Subdivision (a)(1) of section 75.12 provides that new construction shall be deemed completed at:

The date upon which the new construction is available for use by the owner, unless the owner does not intend to occupy or use the property. The owner shall notify the assessor prior to, or within 30 days of, the date of commencement of construction that he or she does not intend to occupy or use the property. If the owner does not notify the assessor as provided in this subdivision, the date shall be conclusively presumed to be the date of completion.

EXEMPTIONS AND ASSISTANCE PROGRAMS

BUSINESS INVENTORY EXEMPTION

If a manufactured home is classified as personal property and held for sale or lease in the ordinary course of business, it is exempt from property taxation as *business inventory*. However, the business inventory exemption is not applicable if the manufactured home:

- Is classified as real property.
- Is presently being used by the dealer or by any other person for purposes other than display.
- Has been used by the dealer and is being held for lease (not held for sale).

Further, section 5815 provides in relevant part:

. . . a manufactured home otherwise subject to taxation pursuant to this part, which has been removed from its situs and returned to a dealer's established place of business for purposes of resale, shall not be subject to property taxation during the period it is held in the dealer's inventory, provided it remains personal property.

Manufactured homes which have been used by the owners for any purpose not directly associated with their prospective sale or lease prior to the lien date, even though they are held for sale or lease on the lien date, are not eligible for the business inventory exemption.³²

HOMEOWNERS' EXEMPTION

The California Constitution³³ exempts from property taxation the first \$7,000 of the full value of a dwelling occupied as the owner's principal residence. To be eligible for the homeowners' exemption, a person must occupy on the January 1 lien date, as a principal place of residence, a dwelling that he or she owns.³⁴ This constitutional exemption applies to qualified manufactured homes assessed for property taxation purposes, and to land and accessories for manufactured homes subject to the VLF.

As many manufactured homes are subject to the VLF, the exemption could apply only to the land and/or to the accessories and other improvements owned by the claimant where the licensed manufactured home is located.

A person who owns a manufactured home subject to property tax on rented land is eligible for either the homeowners' exemption or the renters' credit, but not both. The prohibition against receiving both the homeowners' exemption and the renters' credit is contained in section 17053.5.

When an assessor becomes aware of (1) a newly purchased manufactured home, (2) a manufactured home that has changed ownership, or (3) a manufactured home that is no longer subject to the VLF, the assessor should mail a claim form³⁵ for the homeowners' exemption to the person owning or acquiring title to the manufactured home.³⁶

DISABLED VETERANS' EXEMPTION

The first \$100,000 or \$150,000 of a manufactured home's full value may be exempted from property taxation if the manufactured home is owned by a blind or disabled veteran, or the veteran's unmarried surviving spouse, with the exempt amount depending on the degree of disability and annual income of the veteran.³⁷

In addition, the first \$20,000 or \$30,000 of a manufactured home's market value may be exempted from the VLF if the manufactured home is owned by a blind or disabled veteran, or the veteran's unmarried surviving spouse, with the exempt amount depending on the degree of disability of the veteran.

³² Property Tax Rule 133, Title 18, California Code of Regulations.

³³ Article XIII, section 3(k).

³⁴ Section 218.

³⁵ Form BOE-266, *Claim for Homeowners' Property Tax Exemption*.

³⁶ See section 255.3.

³⁷ Section 205.5.

To be eligible for either exemption, the veteran, or the veteran's unmarried surviving spouse, must occupy as a principal place of residence a manufactured home that he or she owns.³⁸

PROPERTY TAX ASSISTANCE PROGRAM **FTB assistance program no longer funded by Legislature.**

The Homeowners Assistance Program was enacted in 1978 and provides property tax relief to low-income senior citizens, disabled persons, and blind persons by refunding a percentage of property taxes paid.³⁹ This relief may be claimed in addition to the homeowners' exemption and the Property Tax Postponement Program.

The assistance from this program is available to owners and renters of manufactured homes. Claimants must own/rent and occupy the manufactured home on December 31 of the fiscal year for which the relief is sought. Eligibility is based on the claimant's age, income, and/or disabilities. The Franchise Tax Board administers this program.

PROPERTY TAX POSTPONEMENT PROGRAM **Effective July 1, 2019, SB 1130 (Stats. 2018, ch. 896) reinstated this program for manufactured homes.**

The Property Tax Postponement Program for senior citizens and blind or disabled persons allows eligible homeowners to defer payment of all or a portion of the property taxes on their residences.⁴⁰ This postponement program is available to owners of manufactured homes subject to property taxation.

Eligibility for the postponement program is based on the claimant's age, income, and/or disabilities. Qualified claimants are issued two certificates of eligibility that may be submitted to the county tax collector as payment for their property taxes. The state then pays the county the amount of the deferred taxes on behalf of the taxpayer, and receives a recorded lien upon the real property and/or manufactured home for which property taxes have been postponed.⁴¹ This program is administered by the State Controller's Office.

TABLE OF EXEMPTIONS AND ASSISTANCE PROGRAMS

The following table shows the proper application of the homeowners' exemption, property tax assistance program, property tax postponement program, and disabled veterans' exemption. The table is provided as a general guide. Specific questions regarding the property tax assistance program should be directed to the Franchise Tax Board; questions regarding the property tax postponement program should be directed to the State Controller's Office; questions regarding the disabled veterans' exemption against the VLF should be directed to the Department of Housing and Community Development; and questions regarding the homeowners' exemption and the disabled veterans' exemption for property taxes should be directed to the State Board of Equalization.

³⁸ Section 10788.

³⁹ Section 20501 et seq.

⁴⁰ Section 20581 et seq.

⁴¹ Government Code section 16182.

TABLE 2-1
TABLE OF EXEMPTIONS AND ASSISTANCE PROGRAMS

Description of Manufactured Home	Homeowners' Exemption	Property Tax Assistance	Property Tax Postponement	Disabled Veterans' Exemption
VLF on rented land	Yes—On accessories only	Yes—Can claim as either renter or homeowner	No	Yes—Applies to VLF
VLF on owned land	Yes—On land and accessories only	Yes—Either on land or on VLF	Yes—Land only	Yes—Applies to VLF and property tax on land
Subject to property tax on rented land	Yes—On home only, if renters' credit is not received	Yes—On home only	Yes—On home only	Yes—Applies to property tax on home
Subject to property tax on owned land—not on permanent foundation	Yes—On land and home	Yes—On land and home	Yes	Yes—Applies to property tax on land and home
Subject to property tax on owned land—on a permanent foundation	Yes—On land and home	Yes—On land and home	Yes	Yes—Applies to property tax on land and home

DISASTER RELIEF

Following are various statutes and filing procedures applicable to manufactured homes that have been damaged or destroyed by a misfortune or calamity.

DISASTER RELIEF—REVENUE AND TAXATION CODE SECTION 69

Section 69 provides disaster relief for manufactured homes that have been damaged or destroyed by a Governor-declared disaster. Section 69, subdivision (a), provides in part:

. . . the base year value of property which is substantially damaged or destroyed by a disaster, as declared by the Governor, may be transferred to comparable property within the same county which is acquired or newly constructed within three years after the disaster, or five years in the case of the Northridge earthquake, as replacement for the substantially damaged or destroyed property.

A manufactured home must sustain physical damage amounting to more than 50 percent of its full cash value immediately prior to the disaster in order to qualify for relief under section 69. The replacement property is considered comparable to the damaged manufactured home if it is similar in size, utility, and function. Property is similar in size and utility only to the extent that

the replacement property is used in the same manner as the damaged manufactured home and its full cash value does not exceed 120 percent of the full cash value of the damaged manufactured home. Property is similar in function if the replacement property is subject to similar governmental restrictions, such as zoning.

A damaged manufactured home can be replaced with conventional housing and qualify for relief under section 69 if the replacement property meets the comparability test of size, utility, and function, and to the extent that it does not exceed the 120 percent value limitation.

The following procedures shall be used by the assessor in determining the appropriate base year value of comparable replacement property:

- If the full cash value of the replacement property does not exceed 120 percent of the full cash value of the manufactured home prior to damage, then the adjusted base year value of the manufactured home shall be transferred to the replacement property as its base year value.
- If the full cash value of the replacement property exceeds 120 percent of the full cash value of the manufactured home prior to damage, then the amount exceeding 120 percent shall be added to the adjusted base year value of the manufactured home. The sum of these amounts shall be transferred to the replacement property as its base year value.
- If the full cash value of the replacement property is less than the adjusted base year value of the manufactured home prior to damage, then that lower value shall be the base year value of the replacement property.

The manufactured home owner must apply to the assessor for relief.

DISASTER RELIEF—REVENUE AND TAXATION CODE SECTION 69.3

An owner of a manufactured home, under certain circumstances, may receive property tax relief under the provisions of section 69.3, provided the county board of supervisors has adopted an ordinance to implement those provisions.⁴² Section 69.3, subdivision (a), provides in part:

. . . a county board of supervisors . . . may adopt an ordinance that authorizes the transfer, subject to the conditions and limitations of this section, of the base year value of real property that is located within another county in this state and has been substantially damaged or destroyed by a disaster to comparable replacement property, including land, of equal or lesser value that is located within the adopting county and has been acquired or newly constructed as a replacement for the damaged or destroyed property within three years after the damage or destruction of the original property.

Subdivision (b)(2) of section 69.3 further specifies that the claimant must be an owner of *real property* in order to claim the property tax relief provided by the section. Thus, only a

⁴² As of January 2001, the Contra Costa, Los Angeles, Modoc, San Francisco, Solano, and Sutter County Boards of Supervisors had adopted ordinances pursuant to section 69.3.

manufactured home placed on a permanent foundation pursuant to Health and Safety Code section 18551 can qualify as the "original" property for purposes of section 69.3 relief. Relief under this section is limited to instances where the property is destroyed or has sustained physical damage amounting to more than 50 percent of its full cash value prior to the disaster and where the Governor has declared a state of disaster.

Subdivision (b)(11), however, specifies that the replacement property can be either real property or personal property. Therefore, an owner of real property may qualify for the section 69.3 property tax relief provisions if the replacement property (1) is a manufactured home classified as personal property, (2) is subject to property taxation, and (3) meets all the provisions of comparability specified in section 69.3.

The replacement property is considered "comparable" to the damaged or destroyed property when the full cash value of the replacement property does not exceed one of the following:

- One hundred five percent of the full cash value of the original property immediately prior to the disaster (including any inflation factor adjustments) if the replacement property is purchased or newly constructed within the first year following the date of the damage or destruction of the original property.
- One hundred ten percent of the full cash value of the original property immediately prior to the disaster (including any inflation factor adjustments) if the replacement property is purchased or newly constructed within the second year following the date of the damage or destruction of the original property.
- One hundred fifteen percent of the full cash value of the original property immediately prior to the disaster (including any inflation factor adjustments) if the replacement property is purchased or newly constructed within the third year following the date of the damage or destruction of the original property.

A manufactured home owner must apply to the assessor for relief under this section.⁴³

DISASTER RELIEF—REVENUE AND TAXATION CODE SECTION 170

If a home has been damaged or destroyed by a misfortune or calamity, the owner may request that the home be reassessed downward immediately to reflect its current value in the damaged condition. This immediate downward reassessment procedure is available only in counties that have adopted an authorizing ordinance pursuant to section 170.

These disaster relief provisions are available to all manufactured homes subject to property taxation, regardless of whether they are classified as personal property or real property (placed on a permanent foundation). Subdivision (a) of section 170 states in part:

. . . the board of supervisors may, by ordinance, provide that every assessee of *any taxable property*, or any person liable for the taxes thereon, whose property was

⁴³ Section 69.3, subdivision (e).

damaged or destroyed without his or her fault, may apply for reassessment of that property (Emphasis added.)

Assuming the board of supervisors has passed an ordinance, the provisions of section 170 allow relief for a damaged or destroyed manufactured home subject to property taxation even though the damage or destruction was not the result of a disaster declared by the Governor. In order to qualify for relief under section 170, the manufactured home must have sustained at least \$10,000 of market value damage.⁴⁴

The downward reassessment is accomplished by reducing the adjusted base year value in the same proportion as the decline in the fair market value of the manufactured home due to the damage. This downward assessment results in a reduction of property taxes for the current year, prorated to reflect the number of months remaining in the year after the damage occurred, including the month in which the damage occurred. The downward reassessment (plus annual inflation adjustment) is carried forward until such time as the damaged manufactured home is restored, repaired, reconstructed, or other reassessable event occurs. Any reduced taxes are refunded to the manufactured home owner.

If the damaged manufactured home is later restored, repaired, or reconstructed, it will be reassessed upward from the section 170 established value. The newly determined value cannot exceed its prior adjusted base year value, even though the fair market value may be higher. However, if the rebuilding of the property results in new construction as defined in Property Tax Rule 463 (exceeds substantially equivalent to the property prior to damage or destruction), a new base year value should be established for the newly constructed portion.⁴⁵

A manufactured home owner may apply to the assessor for relief. However, commencing in 2002, the county ordinance provisions may also provide that the assessor may initiate a reassessment without an application from the taxpayer. The application from the taxpayer for reassessment may be filed within the time specified in the county ordinance or within 12 months of the misfortune or calamity, whichever is later. If no application is made by the owner and the assessor determines that within the preceding 12 months the manufactured home has suffered damage caused by misfortune or calamity that may qualify the property owner for relief, the assessor shall provide the owner with an application for reassessment. The owner must file the completed application within 60 days of notification by the assessor, but in no case more than 12 months after the occurrence of the damage.⁴⁶

Further, subdivision (1) of section 170 provides in relevant part:

When the assessor does not have the general authority pursuant to subdivision (a) to initiate reassessments, if no application is made and the assessor determines that within the preceding 12 months a property has suffered damage caused by

⁴⁴ Section 170, subdivision (b), as amended by Senate Bill 1181, Ch. 407 Stats. of 2001, effective January 1, 2002.

⁴⁵ Section 70, subdivision (c).

⁴⁶ These provisions do not apply where the assessor initiates the reassessment.

misfortune or calamity, that may qualify the property owner for relief under an ordinance adopted under this section, the assessor may, with the approval of the board of supervisors, reassess the particular property for which approval was granted as provided in subdivision (b) and notify the last known owner of the property of the reassessment.

DISASTER RELIEF—REVENUE AND TAXATION CODE SECTIONS 172 AND 172.1

Sections 172 and 172.1 extend the disaster relief provisions of section 170 to manufactured homes. Section 172 states:

Whenever a mobilehome is destroyed on or after January 1, 1982, as the result of a disaster declared by the Governor, the owner shall be entitled to relief from local property taxation or vehicle license fees in accordance with the provisions of this chapter.

Section 172 restricts relief to damage resulting from a disaster declared by the Governor. Unlike section 170, the county board of supervisors does not need to adopt an ordinance to implement the provisions of sections 172 and 172.1.

In order to qualify, a manufactured home must be *destroyed* by a disaster, which for assessment purposes means damaged in excess of the economic cost to cure the damage; or the manufactured home must be declared a *total loss* for insurance purposes. There are no pro rata tax reduction provisions, and no relief is available where a manufactured home has only been partially damaged. The owner of a destroyed manufactured home is assured that, if he or she replaces the home with a comparable unit, the property taxes or annual VLF will not suddenly increase. The replacement home must be comparable in size, utility, and location as determined by the assessor.

The claimant whose replacement manufactured home is subject to local property taxation must apply to the assessor for relief. The assessor will enroll the replacement manufactured home at a taxable value calculated to produce either:

1. The same property tax amount as was last due for the destroyed manufactured home; or
2. The same amount as the vehicle license and registration fees due on the destroyed home for the year prior to its destruction.

If the assessor determines that the replacement home is not comparable, the assessor, in addition to number (1) or (2) above, shall enroll as new construction that portion of the reconstructed or replaced home that exceeds substantial equivalence to the destroyed manufactured home. The value calculated for the replacement home should be adjusted annually by the inflation factor.⁴⁷

⁴⁷ Accordingly, section 5813 applies.

If the replacement manufactured home is subject to the VLF, the Department of Housing and Community Development will handle the fee adjustments necessary to maintain equivalence to the prior license fee or local property tax.

DISASTER RELIEF—REVENUE AND TAXATION CODE SECTION 5825

An owner of a manufactured home may also receive property tax relief under the provisions of section 5825. Section 5825, subdivision (c), provides in part:

Notwithstanding subdivisions (a) and (b), if a manufactured home has been damaged or destroyed by misfortune or calamity, "newly constructed" and "new construction" does not mean any timely reconstruction or replacement of the manufactured home, or portion thereof, where the manufactured home after reconstruction or replacement is substantially equivalent to the manufactured home prior to damage or destruction. . .

If a manufactured home, subject to vehicle license and registration fees . . . is destroyed or damaged by misfortune or calamity and is replaced by a substantially equivalent manufactured home subject to local property taxation, the assessor shall determine a base year value for that replacement manufactured home so that the property taxes levied, after adjustment for any applicable exemption, shall be the same amount as the vehicle license and registration fees for the previous manufactured home for the year prior to its destruction or damage.

The provisions of section 5825 are available to all manufactured homes classified as personal property, but not to those classified as real property (placed on a permanent foundation).⁴⁸

The county board of supervisors does not need to adopt an ordinance to implement the section 5825 provisions, and there is no requirement that the manufactured home owner file a claim form in order to receive the benefits of the section.

LOW-VALUE ORDINANCE

Section 155.20 authorizes county boards of supervisors to enact ordinances exempting certain property from property taxation. In determining the level of exemption, the board of supervisors shall determine at what level of exemption costs exceed revenues, considering the total taxes, special assessments, and applicable subventions for the year of assessment only, or for the year of assessment and succeeding years where cumulative revenues will not exceed the cost of assessments and collections. Once a level of exemption is determined and an ordinance adopting this level is enacted, then all property with a taxable value below this level may be exempt from property taxation.

⁴⁸ Section 5801, subdivision (b)(1).

Accessory improvements associated with licensed manufactured homes often are within a value range that would be exempted under a low-value ordinance. However, the assessor cannot lawfully exempt qualifying manufactured home accessories unless the county board of supervisors has adopted a low-value ordinance. If the county does not have an ordinance in place, the assessor should review all licensed manufactured homes and assess all taxable accessory improvements.

BASE YEAR VALUE TRANSFERS

Since 1986, there have been three amendments to article XIII A affecting the transfers of base year values for senior citizens and disabled persons. The implementing statute for the three amendments is section 69.5, which is applicable to manufactured homes. A manufactured home owner must apply to the assessor to claim property tax relief under this statutory section.

Briefly, these amendments to article XIII A were as follows.

Proposition 60, passed in November 1986. This proposition allows persons over age 55, who sell their residence and buy or build a replacement residence of equal or lesser value in the same county within two years, to transfer the old residence's assessed value to the new residence.

Proposition 90, passed in November 1988. This proposition extends the relief allowed by Proposition 60 to replacement residences located in a different county from the original residence, if the county of the replacement residence has adopted an ordinance participating in the program.

Proposition 110, passed in June 1990. This proposition further extends the relief allowed by Propositions 60 and 90 to severely and permanently disabled persons, permitting them to transfer their base year values of their original residences to replacement residences of equal or lesser value under specified circumstances.

Section 69.5, subdivision (c), provides the guidelines for base year transfers for manufactured homes and states in relevant part:

The property tax relief provided by this section shall be available if the original property or the replacement dwelling, or both, of the claimant, includes, but is not limited to, either of the following: . . .

(2) A mobilehome or a mobilehome and any land owned by the claimant on which the mobilehome is situated. If the mobilehome or the mobilehome and the land on which it is situated constitutes the claimant's original property, the assessor shall transfer to the claimant's replacement dwelling either the base year value of the mobilehome or the base year value of the mobilehome and the land on which it is situated, as appropriate. No transfer of base year value shall be made by the assessor of that portion of land that does not constitute a part of the original property. . . If the mobilehome or the mobilehome and the land on which

it is situated constitutes the claimant's replacement dwelling, the assessor shall transfer the base year value of the claimant's original property either to the mobilehome or the mobilehome and the land on which it is situated, as appropriate. No transfer of base year value shall be made by the assessor to that portion of land that does not constitute a part of the replacement dwelling, . . .

There are various circumstances when an owner or purchaser of a manufactured home may qualify for the benefits under section 69.5. The following are examples of requests for the section 69.5 benefits that an assessor may receive that involve manufactured homes. In each of the examples, the following general provisions required under section 69.5 are assumed: (1) the taxpayer is over 55 years of age or severely and permanently disabled, (2) the original property and replacement property are eligible for the homeowners' or veterans' exemption, (3) the replacement property is purchased or newly constructed within two years of the sale of the original property, and (4) the market value of the replacement dwelling meets the equal to or less than value parameters of section 69.5.

Example 1

Taxpayer X purchases a lot and a licensed manufactured home as a replacement dwelling for a single-family residence. Since the manufactured home is not subject to local property taxation, no property tax base year value is transferable to the manufactured home. Although subdivision (c)(2) of section 69.5 does not specifically provide for transferring the base year value of a claimant's original property to the land portion only of a replacement dwelling, it does not preclude it. Subdivisions (b)(5) and (g)(3) emphasize that the purchase of a replacement dwelling, whether it is real or personal property, includes any land owned by the claimant on which that abode is situated. Therefore, because the licensed manufactured home constitutes a place of abode, the reasonable site (land) on which it is located may receive the benefits of section 69.5.

Consequently, taxpayer X could receive partial benefits confined only to the land and miscellaneous improvements portion of the replacement dwelling property. Transfer of the original property base year value could be made up to but not exceeding the market value of miscellaneous improvements and land of the replacement property. It would not be uncommon, however, that even though the taxpayer is found to be a qualified applicant under this scenario, the market value of the land only portion of the replacement dwelling may be lower than the base year value of the original property.

Example 2

Taxpayer Y purchases a single-family residence as a replacement dwelling for a licensed manufactured home on leased land. Since the original property⁴⁹ is not assessed on the local property tax roll, there is no transfer under section 69.5 because the licensed manufactured home has no real property base year value to transfer.

Example 3

Taxpayer Z purchases a manufactured home subject to local property taxation and a space in a resident-owned entity park⁵⁰ as a replacement for a single-family residence. Since the purchase of a share in a resident-owned entity park does not constitute a purchase of real property, only the manufactured home may receive the benefits of section 69.5. Transfer of the original property base year value should be made up to but not exceeding the market value of the replacement manufactured home. However, it may be that, even though the taxpayer is found to be a qualified applicant, he or she may not benefit from the section 69.5 provisions in this instance because the value of the manufactured home may be lower than the base year value of the original property.

INTRAFAMILY TRANSFERS

Sections 63 and 63.1 are the implementing statutes for two ballot propositions that amended article XIII A to exclude certain transfers from reappraisal following a change in ownership. The benefits provided in section 63.1 are available to eligible owners of manufactured homes.

Briefly, the two amendments to article XIII A were as follows.

Proposition 58, passed in November 1986. This proposition provides that a change in ownership will not include (1) the transfer of property between spouses and (2) the transfer of a principal residence and the first \$1 million of other real property between parents and children.

Proposition 193, passed in March 1996. This proposition excludes certain transfers of real property between grandparents and grandchildren from change in ownership if the parents of those grandchildren, who qualify as children of the grandparents, are deceased.⁵¹

A manufactured home owner must apply to the assessor to claim property tax relief under section 63.1.

⁴⁹ Section 69.5, subdivision (g)(4).

⁵⁰ Does not include a park that is organized where each tenant has a separate parcel number and receives a separate assessment from the assessor, e.g., a condominium park.

⁵¹ Section 63.1, subdivision (a)(3).

PERMANENT FOUNDATIONS

Since 1980, it has been statutorily provided that a manufactured home affixed to land by a permanent foundation system installed pursuant to Health and Safety Code section 18551 is real property. Section 18551 provides in part that:

. . . A manufactured home, mobilehome, or commercial coach may be installed on a foundation system as either a fixture or improvement to the real property, in accordance with subdivision (a), or a manufactured home or mobilehome may be installed on a foundation system as a chattel, in accordance with subdivision (b).

In addition, Revenue and Taxation Code section 5801, subdivision (b)(1), excludes from the definition of *manufactured home*, for purposes of The Manufactured Home Property Tax Law, a manufactured home which has become real property by being affixed to land on a permanent foundation system approved pursuant to section 18551 of the Health and Safety Code.

Health and Safety Code section 18551, subdivision (a), sets forth the conditions to be followed when a manufactured home is installed on a permanent foundation; these conditions are applicable throughout the state. The conditions are:

1. The foundation system must be of a design approved by the Department of Housing and Community Development. According to that department,⁵² the foundation system and the connection of the manufactured home to the foundation system shall be designed to withstand the vertical and lateral forces due to dead load, roof and floor live loads, wind, and seismic loads in accordance with the provisions of Chapter 29, Uniform Building Code, 1982 edition, and local soil conditions. The roof live load, wind, and seismic loads as established for permanent buildings within specific local areas shall also apply.
2. Prior to installation, the manufactured home owner or licensed contractor must obtain a building permit from the local agency. When the local agency issues an installation permit for a new manufactured home, a copy of the permit should be delivered to the assessor of the county where the home is to be installed.⁵³ To obtain a permit, the owner or contractor must provide the following:
 - Written evidence that the manufactured home owner owns, holds title to, or is purchasing the real property where the home is to be installed on a foundation system; or
 - Written evidence of a lease, that is transferable, held by the manufactured home owner for a term of 35 years or more for the exclusive use of the real property where the manufactured home is to be installed on a foundation system; or
 - Written evidence of a lease for a term of less than 35 years that is not revocable at the discretion of the lessor, except for cause (section 1161 of the Code of Civil

⁵² Regulation 1333, Title 25, California Code of Regulations.

⁵³ Section 18613.2, Health and Safety Code.

- Procedure), for exclusive use of the real property where the manufactured home is to be installed on a foundation system; and
- Written evidence that the manufactured home owner owns or holds title to the manufactured home that is to be installed on a foundation system.
3. On the same day that the certificate of occupancy is issued, the issuing local enforcement agency shall record with the county recorder a document that provides a statement that the manufactured home has been installed on a foundation system that meets the specifications in section 18551 of the Health and Safety Code and that identifies the owner of the real property. This form is HCD Form 433(A) (see Exhibit 2-2). The manufactured home owner is required to complete and submit HCD Form 433(B) to the assessor (see Exhibit 2-3).⁵⁴

Obtaining the certificate of occupancy and having the appropriate document recorded are integral and necessary parts to affixing a manufactured home to land on a permanent foundation. If these integral and necessary steps are not taken, the manufactured home has not been so affixed and is not considered real property. In that event, section 5801 requires that the manufactured home be classified as personal property, regardless of outward appearances.

ASSESSMENT APPEALS

Manufactured homes are governed by the same statutes and regulations for the assessment appeals process as all other property use types that are subject to local property taxation.⁵⁵ Manufactured home owners must file an *Application for Changed Assessment* form⁵⁶ with the local board of equalization or assessment appeals board, within the appropriate statutory timeframes,⁵⁷ to initiate the equalization process.

Specific procedures and guidelines for the local assessment appeals process are contained in the *Assessment Appeals Manual* published by the State Board of Equalization.

SPECIAL ASSESSMENTS

Certain special assessments are not imposed on items of personal property. Any manufactured home not installed on a section 18551, subdivision (a), approved permanent foundation system must be classified as personal property, as the classification may affect the levy of certain special assessments. The assessor should review existing manufactured home files to ensure that all homes are properly classified. The county auditor must be notified of any classification changes to ensure that proper special assessments are levied.

⁵⁴ The assessor's office should request that the recorder's office provide the assessor with all documents pertinent to the recordation of a manufactured home on a permanent foundation.

⁵⁵ Section 1601 et seq.; Property Tax Rules 301 through 326.

⁵⁶ Form BOE 305-AH.

⁵⁷ Sections 170, 1603, and 1605.

EXHIBIT 2-2

**NOTICE OF MANUFACTURED HOME (MOBILEHOME) OR COMMERCIAL COACH,
INSTALLATION ON A FOUNDATION SYSTEM**

RECORDING REQUESTED BY:

AND WHEN RECORDED MAIL TO:

NAME
STREET
ADDRESS
CITY,
STATE
and ZIP

SPACE ABOVE THIS LINE FOR RECORDER USE ONLY

**NOTICE OF MANUFACTURED HOME (MOBILEHOME) OR COMMERCIAL COACH,
INSTALLATION ON A FOUNDATION SYSTEM**

Recording of this document at the request of the local agency indicated is in accordance with California Health and Safety Code Section 18551. This document is evidence that such local agency has issued a certificate of occupancy for installation of the unit described hereon, upon the real property described with certainty below, as of the date of recording. When recorded, this document shall be indexed by the county recorder to the named owner of the real property and shall be deemed to give constructive notice as to its contents to all persons thereafter dealing with the real property.

REAL PROPERTY OWNER/LESSOR	LOCAL AGENCY ISSUING PERMIT and CERTIFICATE OF OCCUPANCY
MAILING ADDRESS	MAILING ADDRESS
CITY COUNTY STATE ZIP	CITY COUNTY STATE ZIP
INSTALLATION MAILING ADDRESS, IF DIFFERENT	BUILDING PERMIT NO TELEPHONE NUMBER
CITY COUNTY STATE ZIP	SIGNATURE OF LOCAL AGENCY OFFICIAL DATE
UNIT OWNER (If also property owner, write "SAME")	DEALER NAME (If not a dealer sale, write "NONE")
MAILING ADDRESS	DEALER LICENSE NO.
CITY COUNTY STATE ZIP	

UNIT DESCRIPTION

MANUFACTURER'S NAME	DATE OF MANUFACTURE	MODEL NAME/NUMBER
SERIAL NUMBER(S)	LENGTH X WIDTH	INS. ONIA LABEL NUMBER(S)
REAL PROPERTY LEGAL DESCRIPTION	ASSESSOR'S PARCEL NUMBER	



HCD FORM 433(A) Rev. 8/91

WHITE - County Recorder CANARY - HCD PINK - Appl. cam GOLDENROD - Building Dept

EXHIBIT 2-3

NOTICE TO ASSESSOR

**NOTICE TO ASSESSOR
HCD 433(B) 4/86**

THIS FORM MUST BE COMPLETED BY THE OWNER OF A MANUFACTURED HOME MOBILEHOME OR COMMERCIAL COACH AND FORWARDED TO THE COUNTY ASSESSOR UPON COMPLETION OF THE INSTALLATION OF THE UNIT ON A FOUNDATION SYSTEM PURSUANT TO SECTION 18551 HEALTH AND SAFETY CODE.

ORIGINAL PURCHASE PRICE FOR:

1. The Basic Unit	\$ _____	Type of Exterior Wall Covering: _____ (Metal, Wood, etc.)
2. Optional Equipment & Upgrades	\$ _____	Type of Roof Covering _____ (Metal, Wood, Composition, etc.)
3. Subtotal	\$ _____	Heating Type: <input type="checkbox"/> Forced Air <input type="checkbox"/> Floor or Wall
4. Accessories & Accessory Structures	\$ _____	
5. Other (Specify) _____	\$ _____	
6. Delivery & Installation	\$ _____	Air Conditioning: <input type="checkbox"/> YES <input type="checkbox"/> NO Tons _____
7. TOTAL SALES PRICE	\$ _____	Evaporative Cooler: <input type="checkbox"/> YES <input type="checkbox"/> NO

DOES THE BASIC PRICE INCLUDE:

The Towbar(s)	<input type="checkbox"/> YES	<input type="checkbox"/> NO	
Tires & Wheels	<input type="checkbox"/> YES	<input type="checkbox"/> NO	
Wheelhubs & Axles	<input type="checkbox"/> YES	<input type="checkbox"/> NO	

LIST NUMBER OF ROOMS:

Bedrooms _____	Dining Room _____	Carport: <input type="checkbox"/> YES <input type="checkbox"/> NO	(LENGTH X WIDTH)
Baths _____	Family Room _____	Awning: <input type="checkbox"/> YES <input type="checkbox"/> NO	_____ X _____
Kitchen _____	Utility Room _____	Porch: <input type="checkbox"/> YES <input type="checkbox"/> NO	_____ X _____
Living Room _____	Other Rooms _____	Garage: <input type="checkbox"/> YES <input type="checkbox"/> NO	_____ X _____
		Storage Shed: <input type="checkbox"/> YES <input type="checkbox"/> NO	_____ X _____
		Skirting: <input type="checkbox"/> YES <input type="checkbox"/> NO	_____ X _____
			LINEAL FEET

The sales price as shown does not include any amount for any in-place location.

The Assessor's Parcel Number of the installation site is _____

(Signature)

Address

Telephone

CHAPTER 3: OVERVIEW OF APPRAISAL ISSUES

The valuation and assessment statutes for manufactured homes are contained in sections 5800 through 5842 and are known as The Manufactured Home Property Tax Law. Manufactured homes are not subject to the provisions of article XIII A of the California Constitution (Proposition 13). However, the Manufactured Home Property Tax Law includes many of the basic principles of Proposition 13.

FULL CASH VALUE

Section 5803 contains the provisions for determining the *full cash value* for manufactured homes. Section 5803, subdivision (a), provides in part:

"Full cash value" means the "full cash value" or the "fair market value," as determined pursuant to Section 110, of a manufactured home similarly equipped and installed, including any value attributable to a manufactured home accessory building or structure as defined in Section 18008.5 of the Health and Safety Code which is sold along with the manufactured home, . . .

Typically, current law provides that when establishing full cash value upon a change in ownership, the assessor should assume that the sale price represents fair market value, unless there is evidence that the property would not have transferred for that price in an open market transaction.⁵⁸ If the assessor believes the property's fair market value is different from the sale price, the assessor must demonstrate why he or she used another value.

However, because owners of manufactured homes subject to property taxation on rented or leased land do not own the land on which the manufactured home is located, full cash value, as defined in section 5803, does not include any site value. Subdivision (b) of section 5803 states that full cash value does not include any value attributable to the particular site where the manufactured home is located that would make the sale price of the manufactured home at that location different from some other location on rented or leased land.

Accordingly, the assessor shall consider, among other relevant factors, sale prices listed in recognized value guides for manufactured homes to verify the sale price of a manufactured home and to determine whether any market value is attributable to the particular site where the manufactured home is located.⁵⁹

⁵⁸ Section 110; Property Tax Rule 2.

⁵⁹ Section 5803.

BASE YEAR VALUE

Section 5802 defines *base year value* as applicable to manufactured homes as follows:

(a) . . . "base year value" as used in this part means the full cash value of a manufactured home on the date the manufactured home is purchased or changes ownership. If the manufactured home undergoes any new construction after it is purchased or changes ownership, the base year value of the new construction is its full cash value on the date on which the new construction is completed, and if uncompleted, on the lien date.

Similarly, sections 5812 and 5825 provide for enrolling base year values for manufactured homes. These provisions are the same as for property classified as real property under article XIII A. Section 5812 provides:

The base year value of a manufactured home which is purchased or which changed ownership shall be entered on the roll for the lien date succeeding the date of the purchase or change in ownership. The value of any new construction shall be entered on the roll for the lien date next succeeding the date of completion of the new construction. The value of new construction in progress on the lien date shall be entered on the roll as of the lien date.⁶⁰

Section 5825, subdivision (e), provides:

The assessor shall determine the new base year value for the portion of any manufactured home which has been newly constructed. The base year value of the remainder of the manufactured home assessed, which did not undergo new construction, shall not be changed. New construction in progress on the lien date shall be appraised at its full value on such date and each lien date thereafter until the date of completion at which time the entire portion of the manufactured home which is newly constructed shall be reappraised at its full value.

Section 5802, subdivision (c), provides:

The base year value of a manufactured home converted pursuant to Section 18119 of the Health and Safety Code . . . to taxation under this part shall be its full cash value on the lien date for the fiscal year in which that manufactured home is first enrolled.

⁶⁰ The second sentence of section 5812, which was enacted prior to the enactment of the legislation creating supplemental assessments, is inconsistent with subdivision (a) of section 5802, with subdivision (e) of section 5825, and with section 75.10, which are consistent with each other in requiring that new construction be assessed as of the date of completion. We believe the inconsistent provision in section 5812 is an uncorrected legislative oversight, and that sections 5802, 5825, and 75.10 correctly state the current law.

TAXABLE VALUE

Section 5804 contains the provisions for determining the *taxable value* of a manufactured home and provides:

As used in this part, "taxable value of a manufactured home" means the base year value, or the base year value as adjusted pursuant to Section 5813, plus the value of any new construction as determined pursuant to Section 5825.

Section 5813 contains the provisions for determining the adjusted base year value for a manufactured home. These provisions are the same as for property classified as real property under article XIII A. Section 5813 states in part:

For each lien date after the lien date for which the base year value is determined, the taxable value of a manufactured home shall be the lesser of:

- (a) Its base year value, compounded annually since the base year by an inflation factor . . .
- (b) Its full cash value . . . as of the lien date, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, or other factors causing a decline in value; or
- (c) If the manufactured home is damaged or destroyed by disaster, misfortune, or calamity, its value determined pursuant to (b) shall be its base year value until the manufactured home is restored, repaired or reconstructed or other provisions of law require establishment of a new base year value.

APPROACHES TO VALUE

The value indicator derived from a recognized value guide should be compared with the indicated values derived from other valuation approaches to ensure that the value indicated by the value guide is within the market range and vice versa. Following is a discussion of each approach to value, including using a recognized value guide as directed by section 5803.

COST APPROACH

The cost approach is probably the most utilized approach in the appraisal of manufactured homes for property taxation purposes. It is the one approach to value that can be applied to all manufactured homes. It is particularly useful in valuing comparatively new manufactured homes and for valuing manufactured homes sited on lands owned by others. The cost approach is not the exclusive approach, but even when the comparative sales or income approaches are used, the cost approach should also be considered.

The preferred method to be used in the cost approach is the replacement cost rather than the reproduction cost. Reproduction cost is the outlay required as of a certain date to replace an

existing manufactured home with an exact replica. Practically speaking, it would be difficult, if not impossible, to estimate the cost of an exact replica of some older manufactured homes. In addition, certain structural and design features found in older manufactured homes are obsolete and would not be replaced or desired in a substitute home. These factors render the reproduction cost less reliable as an indicator of market value, since the cost approach is based upon the principle of substitution.

Replacement cost is the cost as of a particular date of replacing the existing manufactured home with a similar one having equivalent utility. A manufactured home of equivalent utility is one that will offer comparable shelter and amenities to a consumer. The replacement cost approach is the more meaningful one as far as the principle of substitution is concerned and, consequently, has the closer relationship to market value.

There are several sources of cost information for manufactured homes available to county assessors (see section on Value Guides). Included in these sources are the:

- Kelley Blue Book, Official Manufactured Housing Guide
- N.A.D.A., Manufactured Housing Appraisal Guide
- State Board of Equalization, Assessors' Handbook Section 531, *Residential Building Costs*⁶¹
- Marshall and Swift Publishing Company, *Marshall Valuation Service*

The data are presented differently in each of the above sources, so it is important that the directions provided in each value guide be followed when using and applying the arrayed information. For example, some cost services may include park location and manufactured home depreciation in the value estimate; in others, these influences require separate adjustments.

Use of the Assessors' Handbook costs may be preferred because the costs are designed and presented in a manner familiar to most California property tax appraisers. The same format is used for manufactured homes that is used for conventional residential improvements.

The cost approach for manufactured homes is not the traditional "cost approach" used for conventional residences, since the cost factors contained in the value guides are not derived from the cost of building a new manufactured home, but from actual retail sales of manufactured homes. However, since the manufactured home data are processed into a value estimate in the same manner as the traditional cost approach data, the appraisal process for manufactured homes is simply referred to as a cost approach. The cost approach for manufactured homes may be accomplished by the depreciated *replacement cost* method or the *replacement cost new less depreciation* method.

The depreciated *replacement cost* method is an estimate of the value of a manufactured home that can be determined by locating the indicated value for the identical manufactured home in a

⁶¹ Section AH 531.35.

recognized value guide such as N.A.D.A. or Kelley Blue Book. These value guides contain an estimated value for most manufactured homes. The values are developed from analyzing the sales of **used** manufactured homes in the United States. Since sales data exist for most models, makes, sizes, and ages of manufactured homes, an approximate replacement cost for a manufactured home of a specific model, make, size, and age can be determined using a recognized value guide. This is the method suggested in subdivision (b) of section 5803.

The *replacement cost new less depreciation* method is a means to estimate the cost of a new manufactured home and then reduce that cost by an estimate for depreciation. A cost estimate may be developed using per square foot costs found in the Assessors' Handbook or other commercial cost services, such as Marshall Valuation Service. The Assessors' Handbook costs and Marshall Valuation Service costs are derived from retail sales of **new** manufactured homes. This cost estimate must then be reduced by an estimate for depreciation to arrive at the indicated value of the manufactured home. In using this method, a critical portion of the process is the estimate for depreciation. In the appraisal of manufactured homes, depreciation is the difference between the replacement cost new and the present value. It is the measure of the value inferiority between the subject manufactured home in its present condition and a hypothetical new and similar one.

In most cases, the newer the manufactured home the more reliable the replacement cost new less depreciation method will be, because estimating depreciation for older manufactured homes can be a difficult task. In Assessors' Handbook Section 531.35, a depreciation table for manufactured homes is provided. The use of this table is suggested as a guide for appraisers and was developed from market sales. It is important to note that the suggested percentage rates are designed for a manufactured home in average condition. A separate allowance must be considered for deferred maintenance.

If possible, assessors should develop their own depreciation schedules or make necessary adjustments to schedules that are available. Local area conditions, such as weather and market behavior, can significantly affect rates of depreciation for manufactured homes. However, caution must be exercised when using local sales data to develop depreciation schedules. Sales of manufactured homes on leased or rented land (in manufactured home parks) frequently have an increment of value attributable to things other than the manufactured home itself (see section on Site Value). An adjustment for location must be made before using the data to develop depreciation schedules.⁶²

COMPARATIVE SALES APPROACH

In the *comparative sales approach*, the appraiser derives a value estimate by comparing the manufactured home being appraised to similar manufactured homes that have recently sold, with appropriate adjustments to the selling prices for any differences. For most types of property, the selling price of comparable property is the best evidence of market value. In some instances, this is also true for manufactured homes.

⁶² Section 5803.

The selling price of a new or used manufactured home purchased from a dealer, free from land or rental site influences, is strong evidence of market value. The same would hold true for a manufactured home and the site it occupies when sold as a unit. When an accurate estimate of land value is possible, the residual offers a good indicator of the home's value. The selling price of a manufactured home that is already set up in a manufactured home park space usually will require adjustment for the influence of in-park location. In order to comply with section 5803, the effect of site value upon the sale price must be extracted from each sale before the sale can be used as a comparable.

A manufactured home located in a park might sell to a purchaser intending to move the manufactured home from its site in the park, or the management of the park may require its removal. In this event, it is reasonable to assume that the purchase price takes into account relocation costs, and that this sale is not a good comparable as it may not reflect market value.

The appraiser should be aware of special relocation problems that can significantly increase the cost of the move. Such problems may include moving of structures, retaining walls, landscaping, or trees. It should also be determined whether the buyer was aware of the actual or potential costs of the relocation when the sale was closed.

In the appraisal of a manufactured home on leased or rented land, it must be remembered it is the manufactured home and its accessories, exclusive of land, that is to be appraised. However, an exception is if the land is leased for 35 years or more, in which case the land would be appraised.

It is not unusual that a manufactured home that is set up in a park will sell for more than a comparable unit purchased from a dealer's lot (even when delivery and set-up charges are included in the purchase price). Some of the reasons that a premium price might be paid for an in-place manufactured home can include the following:

- The purchase price may include items of personal property such as furniture or lawn equipment.
- The purchase price may include use of improvements installed by the park and not owned by the manufactured home owner.
- The manufactured home may already be situated and ready for immediate occupancy. It is a "turnkey" deal with landscaping, patios, etc., already in place.
- Many parks require that certain minimum improvements and landscaping be made within a given time after a home is set up. This is an added cost and inconvenience that may be reflected in the selling price of an in-place manufactured home.
- The location of and demand for park spaces are probably the most significant value factors to be considered in the sale of a manufactured home on rented or leased space. Where the supply is in excess of demand, the value increment will be small. Conversely, when demand is high and supply is low, the increment of value will be greater. In very desirable locations, such as those overlooking the ocean or fronting a lake or golf course, the supply is normally small and the demand great. It is not unusual for a premium in a significant

amount to be included in the selling price for the right to rent these sites. The location and demand for sites within a single park may vary; as such, the portion of the selling price attributable to the manufactured home location can vary within a given park.

- The rent structure of a park may affect the price paid for an in-place manufactured home. For example, rent controls in effect for a particular park may result in the rents being artificially low. In turn, this will tend to add a premium to selling prices of manufactured homes within the park.

As in any comparative sales approach, the appraiser must consider differences in bargaining position, knowledge, and motivation of both the buyer and seller.⁶³

The appraiser is faced with a difficult task when applying the comparative sales approach to manufactured homes on rented or leased land in parks. It is especially critical when analyzing each sale to determine exactly what sold, what the intentions of the buyer were regarding possible relocation, and what effect supply, demand, and site value had upon the sale price. The first two considerations can generally be determined by questioning the buyer and seller. The supply, demand, and location considerations can be estimated by a thorough analysis of the market and considering the opinions of buyers, sellers, park operators, manufactured home dealers, and Realtors.

Cost approach estimates are an excellent way of estimating external contributions to the selling prices. In most instances, patterns will emerge for individual parks by making cost estimate residuals. Neither the positive nor negative increment of value attributable to location on rented land is assessable; this statutory requirement must be recognized in the comparative sales approach.⁶⁴

The comparative sales approach is well suited for the valuation of manufactured homes when the land transfers along with the manufactured home. The procedures for applying the comparative sales approach are the same as for conventional residences that are sold with the lot on which they are located. The comparison of land and manufactured home parcels may be difficult due to the scarcity of such transfers and lack of comparability. The cost approach is, again, a good check on the value estimate and will provide a basis for allocating value between land and improvements.

In summary, where comparable sales are used to appraise manufactured housing, in addition to the usual adjustments for size, condition, terms of sale, etc., the appraiser should analyze components, accessories, park space value (in-place location value), fee or planned unit development land value, landscaping, and other improvements unique to the manufactured home. Values in the N.A.D.A. or Kelley guides may be used to adjust for dissimilarities in the comparable sales.

⁶³ Section 110; Property Tax Rule 2.

⁶⁴ Section 5803, subdivision (b).

INCOME APPROACH

In the *income approach*, an anticipated income stream is converted into an estimate of value. The income approach is most appropriate for income-producing property. The income approach is seldom used in valuing manufactured homes, particularly for property taxation purposes. The same can be said for conventional single-family residences, although for manufactured homes the income approach is even less applicable.

A gross rent multiplier can be developed if there is an active, stable manufactured home rental market. However, since many manufactured home parks prohibit or discourage rentals, this segment of the manufactured home market is likely to be unsuitable for an income approach.

Likewise, manufactured homes not located on rented or leased land are likely unsuitable for an income approach because of the scarcity of such properties and, again, the lack of a stable, active rental market.

RECONCILIATION AND VALUE ESTIMATE

In the appraisal process, typically, more than one approach to value is applied, leading to separate indicators of value. In addition, several value indicators may also be derived from within a single approach. The final analytical step in the appraisal process is to reconcile value indicators from the separate approaches utilized into a final estimate of value. Resolving the differences among the value indicators is called *reconciliation*. The result of reconciliation is the final *value estimate*.

The cost estimate should be reviewed for the proper application of the cost concept used and, particularly for manufactured homes, for the accuracy of the depreciation estimate.

The review of the comparative sales approach should involve an analysis of all adjustments and a rechecking of the arithmetical accuracy of these adjustments. Particular attention should be paid to the validity of location adjustments when in-park sales are used. It is not desirable to base the entire market approach on one manufactured home sale.

If an income approach is used, the gross rent multipliers and the rental market in general should be re-examined. Caution should be used against placing much reliance on the income approach when valuing manufactured homes. If enough sales of manufactured homes are available to develop a GRM, then the comparative sales approach would probably provide the better indication of value.

In the reconciliation process, the greatest weight should be given to that approach or combination of approaches that best measures the market value of the subject manufactured home. The final value estimate need not equal one of the value indicators, but it should be within the indicated value range as presented by all of the approaches employed in the appraisal.

A final procedure is to make an allowance for the value influences or items not already reflected in the indicators. At this point, the appraiser must make a value estimate. This value estimate

must be checked against the value listed in a recognized value guide pursuant to section 5803, unless a value guide was already considered as part of the appraisal process.

VALUE GUIDES

Section 5803 provides that the assessor shall take into consideration sale prices listed in recognized value guides for manufactured homes. Following is a brief summary of three value guides most often used by assessors.

ASSESSORS' HANDBOOK SECTION 531

Cost factors in Assessors' Handbook Section 531, section AH 531.35, are based upon a variety of indicators, including dealers' sales and manufacturers' list prices. The base cost factors are listed as retail square foot costs applicable to single- and multi-unit manufactured housing. The accessory and component costs are based upon retail in-place cost to the consumer.

The square foot cost tables are constructed and arranged to be used with the Assessors' Standard Classification System. The manufactured housing classification system is designed to coincide with the single-family residential quality class system. For example, the lowest class of manufactured home currently in production is 5. The Class 7 manufactured home is the most common and represents the average priced manufactured home usually found in the majority of manufactured housing parks; it is the equivalent of the average tract home.

The accessories listed in AH 531.35 are added to the replacement cost new determined for the manufactured home. All costs provided are values related to a manufactured home and equipment in average condition.

The cost factors in AH 531.35 do not include sales tax, but do include the use tax imposed upon the dealer since the costs are based on sales and costs of new manufactured homes. Therefore, when using the cost factors in AH 531.35 to determine the value of a used manufactured home that is subject to property taxes, it is not necessary to make an adjustment for sales tax from the computed replacement cost because the manufactured home is not subject to sales tax. However, when using the cost factors in AH 531.35 to determine the value of a used manufactured home subject to the VLF, a component for sales tax must be added to the computed replacement cost.⁶⁵

KELLEY BLUE BOOK

The cost factors in the Kelley Blue Book, *Official Manufactured Housing Guide*, are developed from sales of used manufactured homes sold nationwide. The cost factors are compiled by the model name of the manufactured home and the manufacturer of the home. The factors vary based on the region of the county where the manufactured home is located. The value determined is considered a wholesale value that must be converted to a retail value by using the conversion chart provided in the back of the value guide.

⁶⁵ See State Board of Equalization Publication No. 47, *Mobilehomes and Factory-Built Housing Sales and Use Taxes* (www.boe.ca.gov).

The accessories listed in the Kelley Blue Book are added to the retail value determined for the manufactured home. All costs provided are values related to a home and equipment in good condition.

The cost factors in the Kelley Blue Book do not include sales tax. Therefore, when using the cost factors in the Kelley Blue Book to determine the value of a used manufactured home that is subject to property taxes, it is not necessary to make an adjustment for sales tax from the computed replacement cost because the manufactured home is not subject to sales tax. However, when using the cost factors in the Kelley Blue Book to determine the value of a used manufactured home subject to the VLF, a component for sales tax must be added to the computed replacement cost.⁶⁶

N.A.D.A.

Similar to the cost factors in the Kelley Blue Book, the cost factors in the N.A.D.A. (National Automobile Dealer Association) *Manufactured Housing Appraisal Guide* are also developed from sales of used manufactured homes sold nationwide. The cost factors are compiled by the model name of the manufactured home and the manufacturer of the home. The factors vary based on the region of the county where the manufactured home is located.

The accessories listed in the N.A.D.A. guide are added to the value determined for the manufactured home. All costs provided are values related to a home and equipment in average condition.

The cost factors in the N.A.D.A. guide do not include sales tax. Where states include taxes in the costs they report to N.A.D.A., the taxes are deducted either using the actual reported amounts or by using a N.A.D.A. computer program to estimate the amount based on the reported tax in that state or jurisdiction. Therefore, when using the cost factors in the N.A.D.A. guide to determine the value of a used manufactured home that is subject to property taxes, it is not necessary to make an adjustment for sales tax from the computed replacement cost because the manufactured home is not subject to sales tax. However, when using the cost factors in the N.A.D.A. guide to determine the value of a used manufactured home subject to the VLF, a component for sales tax must be added to the computed replacement cost.⁶⁷

CHANGE IN OWNERSHIP

A change in ownership and purchase of a manufactured home is determined and controlled as set forth in the provisions of section 60 et seq.⁶⁸ A *change in ownership* is defined by section 60 as "a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest." Specific types of transfers resulting in changes in ownership are set forth in section 61, but the most common transfer affecting

⁶⁶ *Ibid.*

⁶⁷ *Ibid.*

⁶⁸ Section 5814.

manufactured homes is a transfer of 100 percent interest in the manufactured home, often as a joint tenancy or tenancy-in-common agreement.

NEW CONSTRUCTION

New construction of a manufactured home is defined in section 5825. This section supersedes the general definition of new construction in section 70 since section 5825 specifically relates to manufactured homes. Section 5825 reads in part:

"Newly constructed" and "new construction" means:

- (1) Any substantial addition to a manufactured home since the last lien date; and
 - (2) Any alteration of the manufactured home which constitutes a major rehabilitation thereof or which converts the property to a different use.
- (b) Any rehabilitation, renovation, or modernization which converts a manufactured home to the substantial equivalent of a new manufactured home is a major rehabilitation of such manufactured home. . . .

New construction in progress on the lien date will be appraised at its full value on such date and each lien date thereafter until the date of completion, at which time the entire portion of property which is newly constructed will be reappraised at its full value.⁶⁹ The base year value of the remainder of the property assessed, which did not undergo new construction, shall not be changed.

The relocation of a manufactured home without a change in ownership, whether in the same county or to another county, is not new construction. The provisions of section 75.10, which provide that new construction includes the removal of a *structure* from land, do not pertain to manufactured homes. A *structure* is real property, and a manufactured home is not classified as real property for property taxation purposes.⁷⁰ A manufactured home becomes real property only when it is installed on an approved foundation as provided in Health and Safety Code section 18551.

The addition of accessories, e.g., awnings, skirting, decking, or carport, following relocation of a manufactured home, however, would be considered new construction.

A manufactured home subject to the VLF is not subject to property taxation. Therefore, any new construction of a manufactured home subject to the VLF is not assessable or within the jurisdiction of the assessor.

⁶⁹ Section 5825, subdivision (e).

⁷⁰ Section 5801.

POSSESSORY INTERESTS

The Legislature has not provided for the taxation of possessory interests in personal property.⁷¹ A *possessory interest* is defined as an interest in real property; a possessory interest can exist only in land or improvements. Private uses of personal property owned by a governmental entity, therefore, are not taxable possessory interests.⁷²

Private uses of manufactured homes owned by governmental entities, with the exception of those installed on approved foundation systems, are not taxable. If the manufactured home is located on publicly owned real property, then a taxable possessory interest does exist with respect to the site where the manufactured home is located.⁷³ The use of the manufactured home itself, however, remains nontaxable.

Private uses of manufactured homes installed on approved foundation systems that are owned by governmental entities are taxable possessory interests. If the manufactured home is located on publicly owned real property, then a possessory interest also exists in the site where the manufactured home is located.

EMINENT DOMAIN

Section 68 provides that a taxpayer who has been displaced from property by *eminent domain* proceedings by acquisition by a public entity is entitled to have the base year value of the taken property transferred to the replacement property, provided the transaction meets certain statutory requirements. The provisions of section 68 are applicable to manufactured homes subject to local property taxation.

Section 5825 provides the eminent domain guidelines for manufactured homes subject to the VLF. Section 5825, subdivision (d), provides in part:

. . . if a manufactured home, subject to vehicle license and registration fees . . . is taken by eminent domain, acquired by a public entity, or subject to any governmental action resulting in a judgment of inverse condemnation, "newly constructed" and "new construction" shall not mean any timely replacement of that manufactured home.

If a manufactured home, subject to vehicle license and registration fees . . . is taken by eminent domain, . . . and is replaced by a comparable manufactured home subject to local property taxation, the assessor shall determine a base year value for the replacement manufactured home so that the property taxes levied, after adjustment for any applicable exemption, shall be the same amount as the

⁷¹ Section 201.5 provides the exception for personal property acquired by the California Pollution Control Financing Authority.

⁷² Section 107.

⁷³ Property Tax Rule 20(b) excludes possessory interests in real property located within a federal enclave.

vehicle license and registration fees for the previous manufactured home in the year that manufactured home was taken, acquired, or adjudged to be inversely condemned.

DECLINES IN VALUE

Section 5813 provides that manufactured homes should be reviewed for declines in value (Proposition 8). Section 5813 provides in part:

For each lien date after the lien date for which the base year value is determined, the taxable value of a manufactured home shall be the lesser of: . . .

(b) Its full cash value, as defined in Section 5803, as of the lien date, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, or other factors causing a decline in value; . . .

The general appraisal rules that apply to real property that has sustained a decline in value also apply to a manufactured home. They are as follows:

- For any lien date, if property experiences a decline in value for any reason, so that its fair market value is less than its value on the property tax roll, the property is reassessed downward to reflect its current market value.
- If the property experiences a decline in value, but the market value is still greater than the adjusted base year value on the roll, the adjusted base year value will remain as the taxable value.
- If the market value later goes up, the value on the tax roll should be adjusted upwards at the next lien date. However, the assessed value may not be increased above the adjusted base year value that would have applied if the decline had not occurred.

An assessor's responsibility is to prepare an assessment roll which appropriately reflects both constitutional and statutory provisions. Along with the responsibility to reassess property when a change in ownership or new construction occurs, the assessor has a responsibility to discover properties where assessments are in excess of their current value. Assessors are not required to annually appraise every assessable property. However, they should be proactive in seeking particular property types, such as manufactured homes, that may require adjustment for declining values.

Regression analysis and other multivariable methods are commonly used to discover properties where assessments are in excess of their current value. Some county assessors have developed computer programs that extract data from sales to aid in the annual review of manufactured homes for potential overassessments. Other county assessors have developed programs which use depreciation studies derived from manufactured housing appraisal guides such as N.A.D.A. and Kelley Blue Book.

SITE VALUE

It is important to recognize that the full cash value of a manufactured home on rented or leased land does not include any value attributable to that rented or leased land. Section 5803, subdivision (b), provides in relevant part:

. . . "[F]ull cash value" . . . does not include any value attributable to the particular site where the manufactured home is located on rented or leased land which would make the sale price of the manufactured home at that location different from its price at some other location on rented or leased land. In determining the "full cash value" of such a manufactured home on rented or leased land, the assessor shall take into consideration, among other relevant factors, sales prices listed in recognized value guides for manufactured homes, including, but not limited to, the Kelly [*sic*] Blue Book Manufactured Housing and Mobilehome Guide and the National Automobile Dealer Association's Mobilehome Manufactured Housing Appraisal Guide.

In addition to the value guides referenced in section 5803, Assessors' Handbook Section 531, *Residential Building Costs*, published by the State Board of Equalization, contains costs for manufactured homes and is a "recognized value guide" within the meaning of section 5803.

Site value for manufactured homes located in parks may be attributable to factors such as:

- Vacancy levels in parks in the surrounding area
- Vacancy levels in the park in which the subject manufactured home is located
- Desirability of the park—as demonstrated by density, health and recreational amenities, quality of management, and quality of maintenance
- Location of the space within the park
- Space size
- Rent control

Site value for manufactured homes located on rented or leased land outside parks is attributable mainly to location.

The effect of site value on the sale price of a manufactured home can be either positive or negative. The assessor must not include any "add-on" value for positive site influence in the assessment of the manufactured home. In a situation where negative site value exists, it is the land, not the manufactured home, that is entitled to a reduction in value. Such negatively impacted parks may not command the same rent level as comparable parks not facing similar adverse conditions. As a result, the manufactured home owners may pay reduced rents, but the market values of the manufactured homes are not affected since the homes perform as constructed without any decrease in value.

ACCESSORIES

The statutory definition of *manufactured home accessory* includes both portable and permanently installed items. Section 18008.5 of the Health and Safety Code provides that accessories include, but are not limited to, awnings, storage cabinets, carports, skirting, heaters, coolers, fences, windbreaks, and porches. Accessories may be real or personal property but, unless they qualify as household furnishings within the context of the law,⁷⁴ they are generally subject to local property taxation, whether or not the manufactured home to which they belong is subject to local property taxation.

As an exception, accessories installed on rented or leased land with a manufactured home first sold prior to January 1, 1977 are presumed to be subject to the VLF and not local property tax.⁷⁵ Prior to 1977, the Department of Motor Vehicles applied the VLF to the entire purchase price of the manufactured home, including the value of any accessories. This presumption may be rebutted by the assessor presenting evidence that an accessory was not included in the VLF base for the manufactured home or was not otherwise subject to the VLF.

Accessory improvements associated with manufactured homes in parks, such as skirting, awnings, decks, porches, etc., should be canvassed on a park-by-park basis to ensure that appropriate assessments are enrolled.

COMMERCIAL COACH

A *commercial coach* is defined in section 18001.8 of the Health and Safety Code and is designed for industrial, professional, or commercial purposes. Like a manufactured home, a commercial coach may be classified as personal property, or real property if affixed to land on a permanent foundation system that meets the specifications in section 18511 of the Health and Safety Code. Unlike a manufactured home, however, a commercial coach is not designed to be used as a dwelling and is not subject to the special taxation provisions of The Manufactured Home Property Tax Law. A commercial coach classified as personal property is subject to the in-lieu tax fee (VLF), and a commercial coach classified as real property is subject to property taxation pursuant to article XIII A.

It is possible to convert a commercial coach to a manufactured home and vice versa. However, owners seldom attempt a conversion because of the differing federal, state, and local laws and regulations.⁷⁶ The classification as commercial coach/personal property, commercial coach/real property, manufactured home/personal property, or manufactured home/real property will determine the method of assessment.

⁷⁴ Section 3, article XIII of the California Constitution; section 224.

⁷⁵ Section 5805.

⁷⁶ Specific details regarding compliance should be confirmed by contacting the local HCD, Manufactured Housing Program, Quality Assurance Inspector. Local office addresses and telephone numbers are available on the HCD Web site at www.hcd.ca.gov.

In summary:

1. A commercial coach classified as personal property is subject to the VLF.
2. A manufactured home classified as personal property subject to property tax is assessed pursuant to The Manufactured Home Property Tax Law.
3. A manufactured home classified as personal property not subject to property tax is subject to the VLF.
4. A commercial coach or manufactured home classified as real property is assessed pursuant to article XIII A.

SUPPLEMENTAL ASSESSMENT

Manufactured homes are subject to *supplemental assessment* pursuant to section 75.5, which defines *property* for supplemental assessment purposes as:

"Property" means and includes manufactured homes subject to taxation under Part 13 (commencing with Section 5800) and real property, . . .

A supplemental assessment is made upon a change in ownership or completion of new construction. The supplemental assessment process was adopted so that reappraisal and reassessment would occur as of the date of a change in ownership or completion of new construction rather than waiting until the next lien date. A supplemental assessment may be a negative amount; for example, when a property undergoes a change in ownership at a time when the fair market value is less than the value on the current assessment roll.

SUPPLEMENTAL ASSESSMENT FOLLOWING CHANGE IN OWNERSHIP

When a manufactured home that is subject to local property taxation changes ownership, the home is reassessed due to the change in ownership.⁷⁷ If the change in ownership occurs on or after January 1 but on or before May 31, then the reassessment results in two supplemental assessments:

- One for the difference between the new base year value, established as of the date of the change in ownership, and the taxable value on the current roll; and
- One for the difference between the new base year value, established as of the date of the change in ownership, and the taxable value to be enrolled on the roll being prepared.

If the change in ownership occurs on or after June 1 but before the succeeding January 1, then the reassessment results in one supplemental assessment for the difference between the new base

⁷⁷ Section 5814.

year value, established as of the date of the change in ownership, and the taxable value on the current roll.⁷⁸

SUPPLEMENTAL ASSESSMENT FOLLOWING NEW CONSTRUCTION

The provisions for the calculation of supplemental assessments for new construction are set forth in sections 75.10 and 75.11. Subdivision (a) of section 75.10 provides whenever new construction is completed, the assessor will appraise the new construction at its full cash value on the date the new construction is completed. The value so determined will be the new base year value of the new construction.

If the new construction is completed on or after January 1 but on or before May 31, then there will be two supplemental assessments placed on the supplemental roll: one for the current year's roll and one for the roll being prepared. Each will be the difference between the new base year value and the taxable value on the current roll, which will be the value change due to the new construction.

If the new construction is completed on or after June 1 but before the succeeding January 1, then the supplemental assessment placed on the supplemental roll will be the difference between the new base year value and the taxable value on the current roll.⁷⁹

SUPPLEMENTAL ASSESSMENT FOLLOWING CONVERSION FROM VLF

A manufactured home voluntarily transferred from the vehicle license fee (VLF) to the local property tax roll is not subject to a supplemental assessment. There has been no change in ownership or new construction to trigger a supplemental assessment. The home should be valued (base year value) on the ensuing lien date and enrolled on the following July 1. The new base year value is enrolled without addition of the annual inflation factor (see section following).

Similarly, if the manufactured home changes ownership between the date of the change over (from the VLF to local property tax) and the date the base year value is enrolled (July 1), there is no supplemental assessment because the manufactured home is not yet on the roll.

SUPPLEMENTAL ASSESSMENT FOLLOWING AFFIXATION TO PERMANENT FOUNDATION

If a manufactured home is subject to the VLF at the time of affixation to a permanent foundation in accordance with Health and Safety Code section 18551, the assessor must establish a base year value for the home, the foundation system, and any other new construction as of the date of completion. The foundation system and other new construction are subject to supplemental assessment as of the date of completion. A manufactured home voluntarily transferred from the VLF to the local property tax roll is not subject to supplemental assessment.

If the manufactured home is subject to property taxation at the time of affixation to a permanent foundation, the assessor must establish a base year value for the foundation system and any other

⁷⁸ Section 75.11.

⁷⁹ Section 75.11.

new construction as of the date of completion. The base year value of the manufactured home does not change due to the mere affixation to a permanent foundation. The foundation system and any other new construction are subject to supplemental assessment as of the date of completion.

INFLATION FACTOR FOR SUPPLEMENTAL ASSESSMENTS

The base year value of a manufactured home is subject to the annual inflation factor based on the California Consumer Price Index.⁸⁰ Section 75.18 contains the provisions for the application of an inflation factor to a base year value established during the time period January 1 through June 30. Section 75.18 states:

On and after July 1, 1997, if the actual date of the most recent change in ownership or completion of new construction entered on the supplemental roll occurs between January 1, and June 30, then the new base year value shall be adjusted on the January 1 following the change in ownership or completion of new construction by the inflation factor, which shall be determined as provided in subdivision (a) of Section 51.

Therefore, an inflation factor is applied to a new base year value established for such a change in ownership or new construction when that base year value is placed on the roll for the following lien date. However, an inflation factor is not applied when the new base year value is placed on the supplemental roll between January 1 and June 30.

APPRAISAL RECORD DOCUMENTATION

Section 5803 requires that the assessor *shall* take into consideration sale prices for manufactured homes listed in recognized value guides. Among the general provisions governing construction of the Revenue and Taxation Code is section 16 which provides that *shall* is mandatory.

Therefore, in determining the full cash value of a manufactured home for assessment purposes, consideration must be given to sale prices listed in at least one of the recognized value guides for manufactured homes. To establish that the appraiser has considered sale prices listed in a recognized value guide, the appraiser should document in the appraisal record both the recognized value guide relied upon and the value indicated by that guide.

NOTIFICATION OF ASSESSMENT

Section 5831 provides the procedures whereby the assessor must notify a manufactured home owner of changes in the home's taxable value. Section 5831 provides in relevant part:

(a) Except as provided in subdivision (f), the assessor shall, upon or prior to completion of the local roll:

⁸⁰ Section 5813.

(1) Notify each assessee whose manufactured home's taxable value has increased of the taxable value of that manufactured home as it shall appear on the completed local roll. . .

The exception provided in subdivision (f) is that the assessor is not required to notify manufactured home assesseees of increases in their homes' taxable values when the valuation increases are to reflect the annual inflation rate.

The notification by the assessor must include the full value of the property and must include information regarding hearings by the county appeals board, including the period during which assessment appeals protests will be accepted and the place where applications⁸¹ may be filed. The information shall also include an explanation of the stipulation procedure contained in section 1607. Section 1607 provides in part:

. . . A reduction shall not be made unless the person or agent attends and answers all questions pertinent to the inquiry; provided, however, in the event there is filed with the county board a written stipulation, signed by the assessor and county legal officer on behalf of the county and the person affected or the agent making the application, as to the full value and assessed value of the property which stipulation sets forth the facts upon which the reduction in value is premised, the county board may, at a hearing, (a) accept the stipulation, waive the appearance of the person affected or the agent and change the assessed value in accordance with Section 1610.8, or (b) reject the stipulation and set or reset the application for reduction for hearing.

ASSESSMENT ROLL

Section 5830 provides that the assessment of manufactured homes shall be entered on the secured roll and that they are subject to all provisions of law applicable to taxes on the secured roll. Section 5830 further specifies two instances—one involving unpaid taxes and the other involving defaults for delinquent taxes—when the secured roll provisions of law are different for manufactured homes. The exceptions provided in section 5830 are:

(a) If the taxes on any manufactured home are not a lien on real property of the owner of the manufactured home pursuant to Section 2188.1, 2189, or 2189.3 and are unpaid when any installment of taxes on the secured roll becomes delinquent, the tax collector may use the procedures applicable to the collection of delinquent taxes on the unsecured roll; and

(b) If the taxes on any manufactured home which are not a lien on real property of the owner of the manufactured home remain unpaid at the time set for the declaration of default for delinquent taxes, the taxes on the manufactured home,

⁸¹ *Application for Changed Assessment*, form BOE 305-AH.

together with any penalties and costs which may have accrued thereon while on the secured roll, shall be transferred to the unsecured roll.

In calculating assessments of manufactured homes, the taxes and penalties should be computed based on the secured roll tax rate. If a manufactured home is in default for delinquent taxes, only the delinquent taxes and penalties should be transferred to the unsecured roll. The manufactured home should remain on the secured roll for non-delinquent assessments.

Section 5830 further provides that the taxes on manufactured homes may be paid in two installments as opposed to one installment as required for other properties classified as personal property.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The Department of Housing and Community Development (HCD) administers numerous housing and community development programs. The programs administered by HCD include the Occupational Licensing Program, Manufactured Housing Program, Mobilehome Parks Program, and Registration and Titling Program. A brief discussion of each program is presented below. More detailed information regarding these and other programs administered by HCD can be obtained from the HCD Web site at www.hcd.ca.gov.

OCCUPATIONAL LICENSING PROGRAM

The *Occupational Licensing Program* enforces laws and regulations governing the sale or lease of manufactured homes, mobilehomes, and/or commercial coaches, including the licensing of manufacturers, distributors, dealers, and salespersons. The program also investigates and resolves consumer complaints pertaining to manufactured housing on behalf of the Mobilehome Ombudsman.

MANUFACTURED HOUSING PROGRAM

The *Manufactured Housing Program* assists with the development and enforcement of preemptive federal and state regulations establishing minimum design and construction standards for manufactured homes; multi-unit manufactured housing; commercial coaches and special purpose commercial coaches sold, offered for sale, rented, or leased within the state. Inspections are conducted and, upon compliance with standards and regulations, the HCD Insignias of Approval are issued to indicate compliance.

MOBILEHOME PARKS PROGRAM

The *Mobilehome Parks Program* promulgates preemptive statewide regulations for the construction, use, maintenance and occupancy of all privately owned mobilehome and special occupancy parks in the state, as well as the installation of manufactured homes and mobilehomes both in and outside of parks. The program also inspects and issues permits for park operation directly or through local governments.

REGISTRATION AND TITLING PROGRAM

The *Registration and Titling Program* maintains title and registration records and collects fees and taxes on manufactured homes, mobilehomes, commercial coaches, floating homes, and truck campers. The program offers online registration renewal, online title search/escrow notice, and other online transactions which can be accessed on HCD's Web site at www.hcd.ca.gov.

HCD INFORMATION

Of interest to assessors and their staffs is information available from HCD in hard copy and by way of the online title search/escrow notice function. On a monthly basis, HCD sends each assessor a list of transfers, voluntary conversions, and situs changes of manufactured homes subject to the VLF and subject to property taxation within the respective county. Specifically, the HCD report contains the following data for manufactured homes that have undergone a transfer, conversion, or situs change:

- The activity (transfer, voluntary conversion, or situs change)
- Decal number
- Serial number
- Length and width
- Manufacturer's name
- Trade name
- Dealer's name
- Date of manufacture
- Date first sold
- Latest purchase date
- Original purchase price
- Latest purchase price
- Current situs address
- Previous situs address
- Registered owner's name and address

Available to assessors and tax collectors at no cost is HCD's online title search/escrow notice, which can be accessed by way of HCD's Web site. To access the online title search/escrow notice, a Requestor Account must be activated by HCD. To conduct a search for information, the requestor must have a (1) decal/license number, (2) HUD insignia number, or (3) serial number.

The data available through this resource are:

- Decal/license number
- Serial number
- HUD insignia number
- Date of manufacture
- Manufacturer's name
- Trade name
- Model name/number
- Location
- Name of registered owner
- Date manufactured
- Date first sold
- HCD use code
- Original HCD price code
- Tax type
- Length and width
- Sale/transfer information

CHAPTER 4: MANUFACTURED HOME DEMONSTRATION APPRAISAL

In the following appraisal of a manufactured home, the dollar amounts and factors shown are used to demonstrate appraisal procedures and should not be considered typical. The information and data given are abbreviated in order to emphasize procedures rather than data gathering.

Introduction

The subject property is a two year old, average quality, doublewide manufactured home located in a conventional park. The appraisal includes the manufactured home and miscellaneous improvements. The manufactured home is assessed on the local property tax roll.

Location

The manufactured home is located in a well managed and successful park containing 300 spaces. The park is not subject to rent controls, and the rental amounts are typical for the area. There is a general scarcity of park spaces in the community, and the vacancy factor in the park where the subject manufactured home is located is negligible.

Description of the Subject Manufactured Home

- Manufacturer—Silvercrest Industries
- Model—Westwood
- Type—Doublewide
- Age—Two years
- Roof—Asphalt shingles
- Exterior walls—Masonite panels with concealed fasteners; painted masonite skirting all around; total floor area 1,404 square feet (26' x 54')
- Trim and sash—Minimal trim; large house-type sash with dual glazed windows; sliding glass door off dining area
- Interior—Average quality plywood paneling, eight feet high with acoustical plank type ceilings; wallpaper in bathrooms and kitchen
- Floors—Average quality carpeting in all rooms except baths, kitchen, and entry which have vinyl tile
- Heating—3 ton forced-air furnace and air conditioning; wood burning, free-standing fireplace
- Kitchen—14 linear foot Formica counter and good quality cabinets; double kitchen sink, built-in range and oven with hood and fan, built-in dishwasher, and garbage disposal
- Baths and plumbing—1 3/4 baths; fiberglass shower with glass door in guest bath; eight foot plastic marble Pullman with average quality cabinets; 40-gallon water heater

- Bedrooms (2)—Master has 10 foot wardrobe with floor to ceiling mirrored sliding doors; guest bedroom has 8 foot wardrobe
- Insulation—R-22 ceiling insulation; R-11 insulation floor and sidewalls
- Deck—160 square foot wooden deck, handrails, skirting and steps (manufactured home floor level)
- Carport—4" x 4" aluminum supports, asphalt floor, asphalt shingle roof, free-standing (480 square feet)
- Skirting—160 linear feet painted masonite skirting
- General condition—The manufactured home is in average condition

Assessor's Parcel Number

The subject manufactured home is on the county's secured tax roll and is assigned parcel number 14-016-01-144. (The park is assigned parcel number 14-016-01; the space number is added to the parcel number.)

Address

The subject property is located in Valley City, 7210 Pine Street, Space 144.

History

The subject manufactured home was purchased new two years ago. The original selling price new of the manufactured home is unknown. The property has recently been involved in a family transfer where no monetary consideration was given. The manufactured home was moved to its present site at the time of the transfer with a moving/installation cost of \$8,000. The property is assessed on the local property tax roll, and the transfer of ownership requires a revaluation.

Yard Improvements

The yard improvements owned by the park are minimal for the subject manufactured home and all other sites in the park. The driveways and underground improvements are owned by the park. The subject site yard improvements owned by the tenant include only miscellaneous shrubs of nominal value.

COST APPROACH

A replacement cost approach of the subject manufactured home is demonstrated on the following pages. State Board of Equalization quality class ratings and cost factors from Assessors' Handbook Section 531, *Residential Building Costs*, are used, as well as cost factors from the Kelley Bluebook, *Official Manufactured Housing Guide*.

The construction specifications indicate the manufactured home is a quality class 7. The additives to the basic unit include the air conditioner, dishwasher, skirting, and fireplace. Miscellaneous improvements include the actual installation charges (\$8,000), carport, and decking.

The observed effective age of the manufactured home is two years, the same as the actual age of the home. The depreciation table in the Assessors' Handbook indicates that the suggested factor for a two year old manufactured home is 98 percent good. The same factor (in this example) is applied to the miscellaneous improvements.

The appraiser has inspected the manufactured home for causes of physical depreciation. There are no water stains on the paneling or wallpaper to indicate leaks. The roofing appears sound and the underside shows no signs of water damage or sagging.

The replacement cost new less depreciation method utilizing AH 531.35 is summarized on the following Manufactured Home Building Record (see Exhibit 4-1). The cost depreciated method utilizing the Kelley Blue Book factors is summarized on the Value Guide Work Sheet (see Exhibit 4-2).

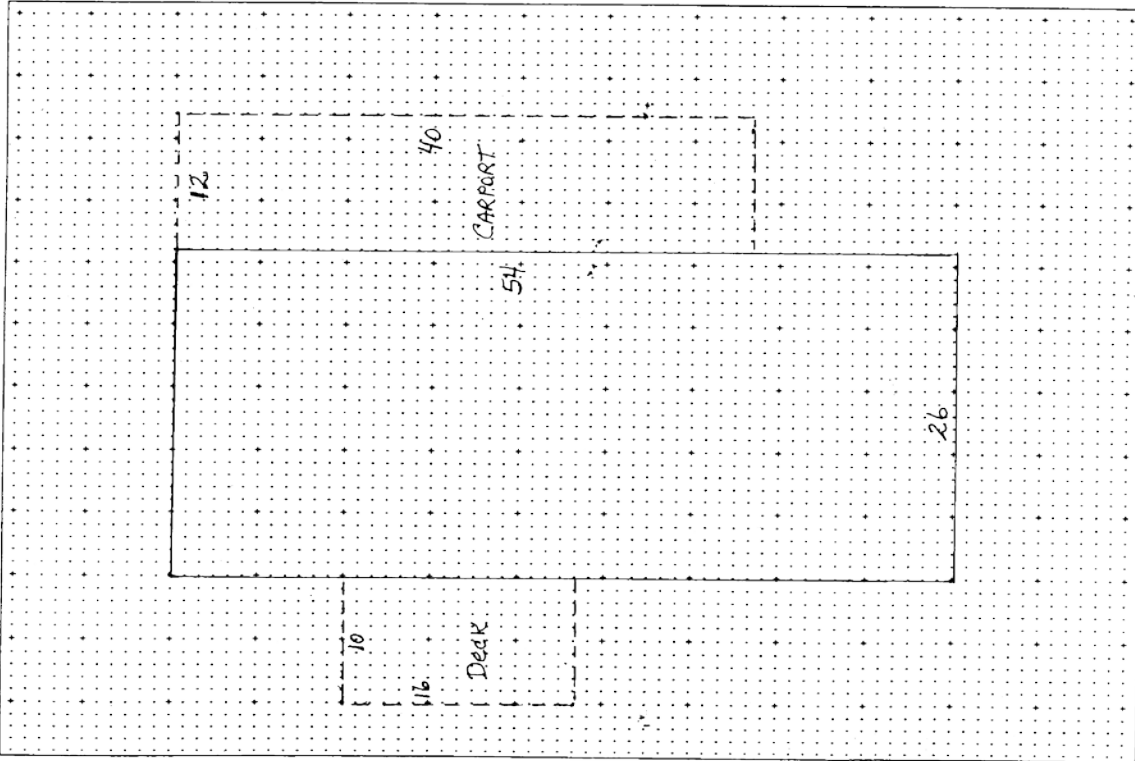
EXHIBIT 4-1
MANUFACTURED HOME BUILDING RECORD

BOE-530 FBT (R-9411) REV. 2 (7-97)
 STATE OF CALIFORNIA
 BOARD OF EQUALIZATION
 PARCEL NO. 14-016-01-144
 SITUS PARK WEST
 Mail Address 1210 Pine, Space 144, Valley City
 Owner's Name Coach, M. H.
 MODEL Westwood
 MANUF. Sillerearest

QUALITY CLASS	YEAR BUILT	EXTERIOR	ROOF	TYPE	ROOMS			ROOM AND FINISH DETAIL			REMARKS		
					Typical	Living	Dining	Floor	Wall	Ceiling		Floor	Wall
7	1999	Alum. Panels Masonry Panels Alum. Shiplap Siding Decorative Stone Other Exp. Fasteners	Arched Flat Gable Cut Up Pitch: L H O'Hang	<input checked="" type="checkbox"/> Single Wide <input checked="" type="checkbox"/> Double Wide <input type="checkbox"/> Triple Wide <input type="checkbox"/> Expando <input type="checkbox"/> Tag <input type="checkbox"/> Other	ALL	Living	Living	Living	Living	Living	Living		
		WINDOWS	Minimum Tract Size Picture	<input checked="" type="checkbox"/> Front <input type="checkbox"/> Right <input type="checkbox"/> Left <input type="checkbox"/> Back ROOF COVER Galv. Iron Enamelled Steel Asphalt Shgl. Compo.	<input checked="" type="checkbox"/> Heating <input checked="" type="checkbox"/> Forced Air <input type="checkbox"/> Downflow <input type="checkbox"/> Upflow <input type="checkbox"/> Wall or Floor <input type="checkbox"/> Other Set-up for AC Refrig. H.P. Heat Pump Thru Wall Evap. Cool	Den	Den	Den	Den	Den	Den		
		INSULATION	Picture Side Doors Lin. Fl.	<input checked="" type="checkbox"/> Front <input type="checkbox"/> Right <input type="checkbox"/> Left <input type="checkbox"/> Back ROOF COVER Galv. Iron Enamelled Steel Asphalt Shgl. Compo.	<input checked="" type="checkbox"/> Heating <input checked="" type="checkbox"/> Forced Air <input type="checkbox"/> Downflow <input type="checkbox"/> Upflow <input type="checkbox"/> Wall or Floor <input type="checkbox"/> Other Set-up for AC Refrig. H.P. Heat Pump Thru Wall Evap. Cool	Bedrm.	Bedrm.	Bedrm.	Bedrm.	Bedrm.	Bedrm.		
		FOUNDATION	Picture Side Doors Lin. Fl.	<input checked="" type="checkbox"/> Permanent Piers Tie Downs	<input checked="" type="checkbox"/> Heating <input checked="" type="checkbox"/> Forced Air <input type="checkbox"/> Downflow <input type="checkbox"/> Upflow <input type="checkbox"/> Wall or Floor <input type="checkbox"/> Other Set-up for AC Refrig. H.P. Heat Pump Thru Wall Evap. Cool	Kitchen	Bonus Rm.	Utility	Kitchen	Bonus Rm.	Utility		
		DEPR. TABLE	98%	Bar/Wet Dry Fireplace Window Awnings Shutters	<input checked="" type="checkbox"/> Heating <input checked="" type="checkbox"/> Forced Air <input type="checkbox"/> Downflow <input type="checkbox"/> Upflow <input type="checkbox"/> Wall or Floor <input type="checkbox"/> Other Set-up for AC Refrig. H.P. Heat Pump Thru Wall Evap. Cool	Kitchen Counter	Material	Material	Kitchen Counter	Material	Material		
		EFF. YR.	1999	98%	Bar/Wet Dry Fireplace Window Awnings Shutters	<input checked="" type="checkbox"/> Heating <input checked="" type="checkbox"/> Forced Air <input type="checkbox"/> Downflow <input type="checkbox"/> Upflow <input type="checkbox"/> Wall or Floor <input type="checkbox"/> Other Set-up for AC Refrig. H.P. Heat Pump Thru Wall Evap. Cool	Kitchen Counter	Material	Material	Kitchen Counter	Material		
		UNIT	AREA	COST	UNIT	COST	AREA	COST	UNIT	COST	AREA	COST	REMARKS
		Manufactured Home	1,404	41,311	57,999								
		Heating/Cooling 3 Tons			2,175								
		Dishwasher			8,000								
		Other FIREPLACE			874								
		TOTAL R.C.N. MAIN	480	7,666	3,076								
		Compart/Porch Roof	160	12,000	1,920								
		Porch Deck											
		Storage Shed	160	10,399	1,662								
		Skirting			75,706								
		SUB-TOTAL R.C.N.			75,706								
		Deduct (Singlewibes)			75,706								
		TOTAL R.C.N.			74,191								
		% Good			74,191								
		TOTAL R.C.L.D.			74,191								

EXHIBIT 4-1 MANUFACTURED HOME BUILDING RECORD

MISCELLANEOUS STRUCTURES			
Structure	Found.	Floor	Roof
DECK	PIERS	Redwood	HANDBAILS, SKIRTING
CARPET		ASPHALT	4" X 4" ALUMINUM SUPPORTS
AREA COMPUTATIONS			
Main Areas		Other Areas	
MAIN	26 X 54	1,404	DECK 10 X 16 160
			CARPET-FREE STAIRING 12 X 40 480
Date	Appraiser	MISCELLANEOUS INFORMATION	
		MARKET DATA	
PERMIT DATA			
Owner's Name	Permit No.	Date	Amount
	14370	7/00	\$2500
Builder's Name			Improvement
			CARPET



BOE-530-FPT (BACK) RE (7-97)

EXHIBIT 4-2**VALUE GUIDE WORK SHEET**

Kelley Blue Book – Official Manufactured Housing Guide – October 2000-March 2001		
Date of Appraisal: 1/1/01		
Region: C Chart: 1		
Model Year: 1999		
Model: Westwood		
Manufacturer: Silvercrest		
Length: 54 Width: 26 Square Feet: 1,404		
	BLUE BOOK VALUE	\$43,825
Additional Equipment:		
Skirting	160 l.f. x 2.50	400
Carport	480 sq. ft. x 3.25	1,560
Decking	160 sq. ft. x 3.25	520
Composition Roof		900
Dual Glazed Windows		450
Dishwasher		225
Oven/Stove Top		450
Fireplace		700
Air Conditioning		1,400
	Total	\$50,430
	Retail Conversion	\$61,730
Installation (Actual Cost)		8,000
	TOTAL RCLD	<u>\$69,730</u>

The value range indicated by the cost approach is \$69,730 to \$74,191. The assessor's office has made a current study including sales of manufactured homes in parks and on permanent foundations on fee land. The study indicates that the depreciation schedule in Assessors' Handbook 531.35 is within reasonable tolerance for doublewide manufactured homes up to an effective age of 10 years.

The appraiser concludes that the value of the subject property as indicated by the cost approach is \$74,000.

COMPARATIVE SALES APPROACH

The market for manufactured homes located in parks has been relatively active. In fact, the appraiser has identified three good recent comparable sales of manufactured homes in the same park as the subject. The following is an array of the comparable properties: quality classes, dates of sale, square footage of the manufactured homes, effective ages, and the cash equivalent selling price estimates.

COMPARABLE SALES DATA

Property	Quality Class	Sale Date	Sq. Ft. Size	Effective Age	Cash Equivalent Selling Price
Subject	7		1,404	2	
1	7	1 month ago	1,456	2	\$98,100
2	7	1 month ago	1,296	1	\$93,900
3	7.5	2 months ago	1,568	3	\$114,600

The selling prices shown represent cash equivalencies; adjustments include those for financing and personal property. All sales took place within two months of the date of appraisal for the subject; no adjustment is needed for time (example only, appraisers should check actual data).

All comparables are located within the same park as the subject. In this example, we assume the location of the comparables and subject to be equally desirable. All of the sold properties are good comparables. Sale 1 is the same quality class, age, and 52 square feet larger. Sale 2 is the same quality class, one year newer, and 108 square feet smaller. Sale 3 is one-half quality class better, one year older, and 164 square feet larger.

The following chart summarizes adjustments for age, size and quality class of the comparable sales. Note that these adjustments are made only to the basic manufactured home costs, excluding additives or miscellaneous improvements.

COMPUTATIONS FOR AGE, SIZE, QUALITY CLASS ADJUSTMENTS

Property	Effect. Age	Class	Sq. Ft	Cost Sq. Ft.	RCN	Observed Percent Good	RCLD	Adjustment
Subject	2	7	1,404	\$41.31	\$57,999	98	\$56,839	
1	2	7	1,456	\$41.31	\$60,147	98	\$58,944	-\$2,105
2	1	7	1,296	\$42.04	\$54,483	100	\$54,483	+\$2,356
3	3	7.5	1,568	\$43.84	\$68,741	95	\$65,303	-\$8,464

The above array shows how the combined adjustment for age, size, and quality class is estimated. The subject property is the bench mark for the adjustments. The comparable properties are then adjusted upward or downward for differences from the subject property.

A low vacancy factor and an analysis of in-park selling prices indicates that a premium is being paid. This is confirmed by manufactured home dealers, brokers, and owners who indicate that, in their opinion, a premium of from \$20,000 to \$30,000 is being paid for manufactured homes located in the subject park.

The following array is a demonstration of a residual summary to help estimate a location adjustment for the subject site. While the analysis illustrates an upward location adjustment, it is also possible that a downward location adjustment would be necessary in the case of a manufactured home located on a site that is less desirable than the average site.

ANALYSIS FOR LOCATION ADJUSTMENT

Comparable Sales	Sale Price	RCN Main	RCN Adds and Extras*	Total RCN	Observed Percent Good	Total RCLD	Location Adjustment (Sale price less RCLD)
1	\$98,100	\$60,147	\$17,700	\$77,847	98	\$76,290	\$21,810
2	\$93,900	\$54,483	\$16,775	\$71,258	100	\$71,258	\$22,642
3	\$114,600	\$68,741	\$25,885	\$94,626	95	\$89,894	\$24,706

* Additives and extras are determined by analysis of the comparable properties.

The data from the preceding chart indicate that there is an increment of value attributable to location in the subject's park. The indicated value range for a location adjustment is from \$21,810 to \$24,706. These values are within the range estimated by brokers, dealers, and owners (\$20,000 to \$30,000). For the purposes of this example, \$22,000 is selected as a location adjustment.

The increment of value attributable to location is considered to be land value and must be deducted from the selling prices of the comparable properties.⁸² In this type of analysis, the estimate of effective age is of major importance and an error here can result in a large distortion of the residual.

This demonstration appraisal shows only comparable sales from the subject park. It is quite likely that such good comparables may not always be available. If such is the case, the same techniques can be applied to other parks. A less desirable park would probably indicate a lower residual, and a more desirable park a larger one. The amount of the residual is not critical if it can be accurately measured and then deducted from the selling price of the comparable manufactured homes.

The appraiser should be aware that value attributable to location can differ within a single park. Differences in site size, view, frontage, etc., within the same park may very well affect the selling price of the manufactured home. Another point to remember is that very often manufactured home brokers, Realtors, and manufactured home dealers can make accurate estimates of the locational influence in the various parks. However, adjustments for locational influences should be market derived.

The next array is a summary of the various comparisons and adjustments used in the comparative sales approach. The adjustments shown in this sample appraisal are for location, quality, age, size, and condition. Although not shown, the selling prices were adjusted for cash equivalency. In other situations there may be more factors for the appraiser to consider, such as miscellaneous improvements, a time adjustment, or an adjustment to move and set up a manufactured home that is to be moved upon resale.

TOTAL ADJUSTMENTS AND SUBJECT'S INDICATED VALUE

Property	Cash Equivalent Price	Location	Quality and Size	Condition	Overall Adjustment	Indicated
1	\$98,100	-\$22,000	-\$2,105	0	-\$24,105	\$73,995
2	\$93,900	-\$22,000	+\$2,356	-\$1,500	-\$21,144	\$72,756
3	\$114,600	-\$22,000	-\$8,464	-\$5,500	-\$35,964	\$78,636

The value as indicated by the comparative sales approach is in a range of \$72,756 to \$78,636. In the appraiser's opinion, the best comparable and the one requiring the least amount of adjustment is Property Number 1. This comparable indicates the subject's value to be \$73,995, rounded to \$74,000. Since this value is within the range of the other two comparables, it is the appraiser's conclusion that the comparative sales approach indicates the value of the subject property to be \$74,000.

⁸² Section 5803.

RECONCILIATION AND FINAL VALUE ESTIMATE

The nature of the subject property is such that an income approach is not appropriate; therefore, the appraiser must rely upon the cost and comparative sales approaches. In this instance, both the cost and comparative sales approaches are considered to be good value indicators.

The cost approach is considered to be a good indicator because:

1. The subject manufactured home is relatively new;
2. A market study by the assessor indicates the depreciation table relied upon is within reasonable tolerance; and
3. The subject manufactured home is a common model whose quality class is estimated easily.

The comparative sales approach is considered to be an equally reliable indicator of value because:

1. Good comparables are available within the same park as the subject;
2. Time adjustments were not necessary (recent sales);
3. The comparables were similar to the subject in age, size, and quality class;
4. Excellent indicators of a park increment adjustment were developed (a range indicated by residual and reliable information from informed sources); and
5. The range of value indicators produced by the comparative sales approach is close.

The value indicated by the cost approach is \$74,000 and the value indicated by the comparative sales approach is \$74,000. Both approaches are considered to be equally valid. However, greater weight and consideration was given to the comparative sales approach because it is the preferred approach when reliable market data are available. Thus, the appraiser's final value estimate for the subject manufactured home is \$74,000.

COMMENTS REGARDING THE DEMONSTRATION APPRAISAL

The intent of the demonstration appraisal is to illustrate appraisal techniques. There are variations of the techniques demonstrated, and it is not intended to be implied that only those methods shown in the demonstration appraisal are correct. The value indicators, adjustments to comparables, etc., were tailor-made for this demonstration. The indicators of value, value ranges, and adjustments were very obvious. This may not be the case when making actual appraisals. The appraiser may have to modify the techniques shown and be called upon to make more difficult judgments in arriving at a final value estimate. As with any appraisal, the quality of the final value estimate of a manufactured home is directly proportionate to the amount and quality of the data collected and to the judgment of the appraiser.

CHAPTER 5: PARKS

INTRODUCTION

A *mobilehome park* is any area or tract of land where two or more mobilehome lots are rented or leased, held out for rent or lease, or were formerly held out for rent or lease and later converted to a subdivision, cooperative, condominium, or other form of resident ownership, to accommodate manufactured homes or mobilehomes used for human habitation.⁸³ A *park* is any manufactured housing community, mobilehome park, or special occupancy park.⁸⁴

Most parks are income-producing commercial properties and can be assessed and treated for property tax purposes much the same as other commercial properties. These parks are typically owned by individuals or entities that are treated as individuals (e.g., trusts) or by legal entities (e.g., corporations or partnerships). In either case, change in ownership rules applicable to individual-owned or entity-owned properties, respectively, generally also apply to such parks.

However, some parks are owned by the residents of the park, either in the form of a mobilehome subdivision or of a resident-owned entity. Special statutory provisions often apply to such parks, and their tax assessments are often more complicated. Such parks will be discussed in more detail below.

Four types of property may be found in a park: land, improvements, personal property, and manufactured homes. As will be discussed in various sections below, different assessment approaches and tax treatment may be applicable to each type of property and may vary by ownership.

Land, whether the park as a whole or as individual lots, can most reliably be estimated by using the sales comparison approach.

Improvements, such as fences, flatwork, outside lighting, storage buildings, and office space, are generally owned by the park owner. However, the park residents also often have assessable improvements, such as porches, carports, skirting, and awnings. Most likely, the replacement cost approach will be the most practical approach for estimating the market value of improvements, although the sales comparison approach should be used when reliable data are available.

Personal property not exempt under section 224 is assessable, and the *manufactured home* may or may not be assessable for property tax purposes. If a manufactured home is assessable and not under the same ownership as the land, it should be separately assessed.

⁸³ Section 18214, Health and Safety Code.

⁸⁴ Section 18214.1, Health and Safety Code.

The law governing parks is the Mobilehome Parks Act, found in Division 13, Part 2.1 of the Health and Safety Code, commencing with section 18200. The Act establishes many requirements for the permits, fees, and responsibilities of park operators and state and county enforcement agencies. In addition, the Legislature enacted the Mobilehome Residency Law, Civil Code section 798 et seq. This law contains provisions affecting the amount of fees the park owner may charge manufactured home owners, rules and regulations for park management, and limitations on the contents of rental agreements.

The State Board of Equalization oversees the property taxation of parks, the county assessors administer property taxation of parks, and the Department of Housing and Community Development administers the enforcement of statutes and the regulatory process⁸⁵ for park operators.

APPROACHES TO VALUE

Each of the approaches to value—cost approach, comparative sales approach, and income approach—should be considered when deciding the appropriate method(s) of appraising a park.⁸⁶ Each approach has built-in disadvantages as well as advantages, and comparison of the value estimates of each approach is necessary to isolate any weaknesses of an approach. For example, recent park sales may indicate that the value of an occupied park includes an increment of entrepreneurship that is not evident in the development costs of a park. Therefore, the income and comparative sales approaches may be more reliable than the cost approach in appraising an ongoing park operation.

COST APPROACH

The cost approach is generally reliable for new parks and is a reasonable check against the income approach for other parks. This approach involves the summation of an independently estimated land value and the depreciated replacement cost of the improvements. The land is valued as if owned in fee, vacant, and available for development to its highest and best use.

COMPARATIVE SALES APPROACH

The comparative sales approach is based upon the premise of comparing like with like; that is, comparison of the subject park with similar parks that have recently sold. This is often difficult with parks because wide variations are found in land values; the design and shape of parks; and the design, age, and condition of improvements. In those situations in which the appraiser has confirmed sales data from open-market, arm's-length transactions⁸⁷ involving comparable parks, the comparative sales approach will usually provide the most reliable value estimate.

⁸⁵ Sections 1004 through 2860, California Code of Regulations, Title 25, Division 1, Chapter 2.

⁸⁶ For an in-depth discussion of the approaches to value, see Assessors' Handbook Section 501, *Basic Appraisal*, and Assessors' Handbook Section 502, *Advanced Appraisal*.

⁸⁷ Section 110.

When reliable sales are available but are not comparable in all respects, comparisons may be based on one or several fundamental components common to both the subject park and the comparable sales. These fundamental components may include price paid per space, price per improved acre, and gross income multipliers.

Factors that will assist in establishing comparability between park sales include: net income as a percentage of gross income (net income ratio), net income multipliers, overall rates of return, and expenses as a percentage of gross income.

INCOME APPROACH

Generally, parks are income-producing commercial properties, and the income approach usually yields a reliable indicator of value. The income approach is the capitalization of the net income into an estimate of value. There are four techniques by which this may be accomplished: the building residual, the land residual, the property reversion, and direct capitalization.⁸⁸ Each of these techniques has valid applications, and, likewise, each can be misleading if relied upon solely. It is recommended that all methods be applied and correlated with any additional approaches to value.

SUMMARY OF APPROACHES

Park appraisals are founded on the principle of highest and best use. The comparative sales approach should be used as a value indicator for any park when accurate data from recent sales of comparable parks are available. When good market data are lacking, the income approach may be the best documented and the most reliable. It must be compared with the results of other approaches, however, in order to validate the value estimate.

The cost approach is reliable in appraising new parks if the highest and best use is a park. However, it should be used cautiously with parks that are more than five years old.

CHANGES IN OWNERSHIP OF PARKS

Sections 62.1 and 62.2 exclude certain transfers of parks from change in ownership if the park is ultimately purchased by at least 51 percent of the tenants renting the individual spaces of the park. Qualifying conversion to resident ownership under these sections permits the residents of the park to retain the base year value of the previous park owner, rather than triggering a reassessment of the park to current market value. In some instances, prior to the transfer to the residents directly or to an entity owned by the residents, there is an interim transfer of the park to a non-resident-owned entity. This entity helps facilitate the purchase and conversion to a resident-owned park.

Sections 62.1 and 62.2 create three change in ownership exclusions with respect to transfers of parks:

⁸⁸ For an in-depth discussion of the income approach, see Assessors' Handbook Section 501, *Basic Appraisal*, and Assessors' Handbook Section 502, *Advanced Appraisal*.

- Transfers to resident-owned entities
- Transfers of rental spaces to the residents
- Transfers to non-resident-owned entities

TRANSFERS TO RESIDENT-OWNED ENTITIES

Section 62.1, subdivision (a)(1), excludes from change in ownership a transfer of a park to an entity formed by the tenants of the park, and requires that the tenants who were renting at least 51 percent of the spaces in the park prior to the transfer participate in the transaction through the cumulative ownership of at least 51 percent of the voting stock, or other ownership or membership interests, of the entity which acquires the park.

For transfers on or after January 1, 1998, the exclusion is available even if the resident-owned entity fails to *initially* attain the required resident participation level of 51 percent. In such instances, the entity has a period of up to one year after the date of the transfer to attain the required 51 percent participation level. However, if the participation level of at least 51 percent is not attained within the one-year period, the county assessor is required to reappraise the park, as of the date of the transfer, and levy escape assessments for the park transfer.

Additionally, during the one-year period, transfers of ownership interests from the resident-owned entity to the individual space owners are excluded from reappraisal. However, any transfer of ownership interests from the resident-owned entity to individual space owners after the one-year period are not excluded from change in ownership, even if the transfer is to an individual who was renting a space in the park prior to the transfer of the park to the resident-owned entity. Such transfers are subject to a change in ownership of a pro rata portion of the real property of the park.

TRANSFERS OF RENTAL SPACES TO THE RESIDENTS

Section 62.1, subdivision (a)(2), provides an exclusion from change in ownership for the transfer, on or after January 1, 1985, of rental spaces in a park to the residents of the rental spaces, provided that:

- At least 51 percent of the rental spaces are purchased by the individual tenants renting their spaces prior to purchase; and
- The rental park has been in operation for five years or more; and
- The individual tenants of these spaces form, within one year after the first purchase of a rental space by an individual tenant, a resident organization as described in subdivision (I) of section 50781 of the Health and Safety Code to operate and maintain the park.

To qualify for this exclusion, it is not necessary that all of the transfers of rental spaces to the individual residents occur on the same day. The required 51 percent participation level may be accumulated, but must occur within the one-year period that the residents have to form the resident organization. However, even after the one-year period, as long as the 51 percent

requirement has been met, any purchase of a space by an individual tenant renting his or her space in the park is excluded from change in ownership.

If all the conditions required in section 62.1 and section 50781 of the Health and Safety Code are not satisfied, the county assessor is required to reappraise the properties, as of the date of the transfers, and levy escape assessments for the spaces that were transferred.

TRANSFERS TO NON-RESIDENT-OWNED ENTITIES

Section 62.2 allows an exclusion from change in ownership for certain transfers of a park to an entity which is not formed by the residents, e.g., nonprofit corporation, stock cooperative corporation, tenant-in-common ownership group, or a governmental entity. The exclusion is available for a temporary period to facilitate the ultimate transfer of the park to permanent resident ownership under one of the provisions of section 62.1.

For parks transferred between January 1, 1989 and January 1, 1993, the temporary period was 18 months.⁸⁹ In general, for parks transferred after 1993, the temporary period within which the section 62.2 requirements must be complied with is 36 months.⁹⁰

Within the temporary period, transfer to either a resident-owned entity⁹¹ or transfer to at least 51 percent of the tenants⁹² must be complied with or the exclusion is relinquished. If the assessor is notified in writing at the time the transferee files the change in ownership statement that the transferee intends to qualify under section 62.2, the park will not be reappraised pending satisfaction of all relevant requirements. If all the requirements of section 62.2 are not met, the assessor is required to reappraise the park, as of the date of the transfer, and levy escape assessments or supplemental assessments.

REPORTING REQUIREMENTS

Section 62.1⁹³ provides that a park that does not use recorded deeds to transfer ownership interest in the spaces or lots shall file, by February 1 of each year, a report with the county assessor's office containing all of the following information:

- The full name and mailing address of each owner, stockholder, or holder of an ownership interest in the park.
- The situs address, including space number, of each unit.
- The date that the ownership interest was acquired.
- If the unit is a manufactured home, the Department of Housing and Community Development decal number and/or serial number, and whether the manufactured home is subject to the VLF or property taxation.

⁸⁹ Section 62.2, subdivision (a)(1)

⁹⁰ Section 62.2, subdivision (a)(2).

⁹¹ Section 62.1, subdivision (a)(1).

⁹² Section 62.1, subdivision (a)(2).

⁹³ As amended by Assembly Bill 1457, Ch. 772 Stats. of 2001, effective January 1, 2002.

Within 30 days of a change in ownership, the new resident owner or other purchaser or transferee of a manufactured home within a park that does not utilize recorded deeds to transfer ownership interest in the spaces or lots shall file a change in ownership statement pursuant to section 480 or section 480.2.⁹⁴

DETERMINATION OF PARTICIPATION LEVEL

To qualify for an exclusion from change in ownership under subdivision (a)(2) of section 62.1, at least 51 percent of the rental spaces must be purchased by individual tenants renting their spaces prior to transfer, and to qualify for exclusion under subdivision (a)(1) of section 62.1, the individual tenants who were renting at least 51 percent of the spaces prior to the transfer must participate as owners of the resident-formed organization. Likewise, to qualify for an exclusion from change in ownership under section 62.2, at least 51 percent of the park rental spaces must be transferred to the individual tenants of those spaces, or the tenants of 51 percent of the spaces must participate as owners, within the specified time.

In determining the required participation level for a park, section 62.1 requires that 51 percent of the rental spaces, or the tenants of 51 percent of the rental spaces, meaning *all of the rental spaces in the park*, must be purchased by the individual tenants renting their spaces prior to the purchase, or must participate as owners.

CHANGE IN OWNERSHIP OF SPACES

Generally, once a transfer of a park has been excluded from change in ownership pursuant to one of the provisions of section 62.1, subsequent transfers of individual ownership interests are not excluded from change in ownership and are subject to reappraisal. With respect to transfers excluded by subdivision (a)(2), since the individual residents then own their lots or spaces, subsequent transfers are treated as changes in ownership just as any other transfer of an interest in a planned unit development, condominium, or subdivision.

With respect to transfers excluded by subdivision (a)(1), section 62.1 contains an exception to the general rule that transfers of interests in legal entities do not ordinarily constitute changes in ownership of the real property of the legal entity.⁹⁵ Subdivision (b) provides, in part:

(b)(1) If the transfer of a mobilehome park has been excluded from a change in ownership pursuant to paragraph (1) of subdivision (a) and the park has not been converted to condominium, stock cooperative ownership, or limited equity cooperative ownership, any transfer on or after January 1, 1989, of shares of the voting stock of, or other ownership or membership interests in, the entity which acquired the park in accordance with paragraph (1) of subdivision (a) shall be a change in ownership of a pro rata portion of the real property of the park unless

⁹⁴ Section 62.1, subdivision (b)(6), as amended by Assembly Bill 1457, Ch. 772 Stats. of 2001, effective January 1, 2002.

⁹⁵ Section 64.

the transfer is for the purpose of converting the park to condominium, stock cooperative ownership, or limited equity cooperative ownership or is excluded from change in ownership by Section 62, 63, or 63.1.

Commonly, a park is acquired by a non-profit corporation formed by the former tenants. Subsequent purchasers of the manufactured homes also pay an established price for a share in the corporation, where each share gives its holder the right to occupy a specific space in the park. A share in the corporation usually may be transferred only in combination with the purchase of a manufactured home. The purchase price for a share may represent consideration for both the manufactured home and the fractional interest in the corporation.

PRO RATA PORTION

Section 62.1, subdivision (b)(1), provides that the transfer of an ownership interest in the entity that acquired the park is a change in ownership of "a pro rata portion of the real property of the park." Under subdivision (b)(2) of section 62.1, "pro rata portion of the real property" is defined to mean the total real property of the park, multiplied by the fractional interest in the park that is conveyed by the transferred share of stock or other ownership interest. In simplistic terms, if there are 100 shares of outstanding stock, issued or unissued, a transfer of one share gives rise to a reassessment of a 1/100th interest of the real property of the park.

The pro rata portion is similar to a fractional change of ownership of real property. Upon the transfer of any ownership interest in the park entity of either an originally issued share or of an unissued share to a new participant, a change in ownership of a pro rata portion of the real property of the park has occurred. A new base year value is established for that portion of the real property, the prior base year value(s) is adjusted, and appropriate supplemental assessments should be processed.

The pro rata assessments are issued to the park as the owner of the real property. Subdivision (b)(3) of section 62.1 provides that any pro rata portion(s) of real property which changed ownership pursuant to subdivision (b) may be separately assessed as provided in section 2188.10. Section 2188.10 requires, initially, a written request made by the governing board of the park. However, whenever a portion of the real property of a park becomes subject to separate assessment, it shall continue to be subject to separate assessment in subsequent fiscal years, and once a request for separate assessment is made, it is binding on all the future owners of the voting stock or other ownership or membership interests in the entity which owns the park.

As with any property type, location within a park can make a difference in the value of the space being transferred. If the purchase price was negotiated in the open market at arm's length, then the assessor should enroll the entire amount in the combined assessments of the manufactured home and the underlying interest in the park. The most reasonable way of allocating the value between the two assessments would be to extract from the purchase price the value of the manufactured home, using one of the recognized value guides,⁹⁶ and then assign the remainder of

⁹⁶ Section 5803.

the purchase price to the interest in the park. This method of allocation will ensure that the market value attributable to the location of the space being transferred is recognized.

TRANSFERS OF SPACES IN ENTITIES FORMED PRIOR TO 1985

Subdivision (b)(1) of section 62.1 specifically provides that any transfer on or after January 1, 1989 of ownership interests in a park, shall be a change in ownership of a pro rata portion of the real property of the park if the transfer of the mobilehome park has been excluded from a change in ownership pursuant to paragraph (1) of subdivision (a) of section 62.1. Subdivision (a)(1), enacted effective January 1, 1985, by its terms, applies only to transfers of parks "on or after January 1, 1985." As such, only transfers of parks after that date qualify for the exclusion and trigger the pro rata change in ownership requirement. Accordingly, for parks that transferred to entities prior to 1985, the provisions of section 62.1 providing for pro rata changes in ownership do not apply to transfers of interests in the entity owning the park. Since such owner is by definition a legal entity, the statutory provisions applicable to transfers of interests in legal entities generally, Revenue and Taxation Code section 64, would ordinarily govern.

Subdivision (a) of section 64 provides that, with certain exceptions, the purchase or transfer of ownership interests in legal entities shall not be deemed to constitute a transfer of the real property of the legal entity. Therefore, unless one of the enumerated exceptions of section 64 occurs, such as one person or entity obtains a majority interest in the park entity, the transfers of interests in the park entity would ordinarily not constitute changes in ownership or precipitate reassessments of the real properties of the entity.

However, there may be instances, analyzed on a case-by-case basis, where the transfer of an ownership interest in such legal entity is accompanied by the transfer of a present interest in real property, including the beneficial use thereof, the present value of which is substantially equal to the value of the fee interest.⁹⁷ This could occur, for example, where there is transferred a specific right to occupy a specific parcel of real property, coupled with the right to sell or otherwise transfer that occupancy right. Such a transfer would meet the definition of change in ownership set forth in section 60.

TRANSFERS OF SPACES IN ENTITIES PRIOR TO 1989

Subdivision (b)(1) of section 62.1 specifically provides that any transfer *on or after January 1, 1989* of ownership interests in a park that has previously been excluded from change in ownership shall be a change in ownership of a pro rata portion of the real property of the park. Consequently, any transfer of an ownership interest that occurred prior to 1989, even if it was an ownership interest in a park entity that had previously been excluded from a change in ownership pursuant to subdivision (a)(1) of section 62.1, would not be a change in ownership of a pro rata portion of the real property of the park entity pursuant to section 62.1. However, as indicated in the prior section, there may be instances where the transfer of such an ownership interest may

⁹⁷ Section 60.

otherwise meet the section 60 definition of a change in ownership of a portion of the park's real property.

APPRAISAL UNIT

Property Tax Rule 324, subsection (b), defines an *appraisal unit* as:

. . . a collection of assets that functions together, and that persons in the marketplace commonly buy and sell as a single unit or that is normally valued in the marketplace separately from other property, or that is specifically designated as such by law.

For transfers of shares or other ownership interests representing ownership of individual mobilehome spaces in parks, it is clear that what persons in the marketplace commonly buy and sell as a unit is not the entire park, but rather the fractional interests conveyed by the individual interests. Therefore, for purposes of determining a new base year value upon such transfers, the appraisal unit is the individual space and the manufactured home.

WELFARE EXEMPTION

Subdivision (g) of section 214 extends the property tax welfare exemption to low-income rental housing owned and operated by specified types of organizations. Under certain circumstances, a park may qualify for the welfare exemption.⁹⁸

PARKS—RENTAL HOUSING

To qualify for the welfare exemption, a park must be used exclusively for rental housing and related facilities serving lower-income households and must be owned and operated by a religious, hospital, scientific, or charitable fund, foundation, or corporation meeting all the requirements of section 214.

The basic requirements of section 214 and related sections that must be met by an organization claiming the welfare exemption include the following:

- The organization must be organized and operated for charitable purposes and cannot be organized or operated for profit.⁹⁹
- No part of the organization's net earnings can inure to the benefit of any private shareholder or individual.¹⁰⁰

⁹⁸ For an in-depth discussion of the welfare exemption, see Assessors' Handbook Section 267, *Welfare, Church, and Religious Exemptions*.

⁹⁹ Section 214, subdivision (a)(1).

¹⁰⁰ Section 214, subdivision (a)(2).

- The organization's property must be irrevocably dedicated to charitable purposes, and upon its liquidation, dissolution, or abandonment, its property must inure to the benefit of a fund, foundation, or corporation organized and operated for an exempt purpose.¹⁰¹
- The organization must qualify as an exempt organization under either section 23701(d) of the Revenue and Taxation Code or section 501(c)(3) of the Internal Revenue Code.

When the basic organizational requirements of section 214 are met, it is then necessary for the qualifying organization to annually establish with the assessor and the State Board of Equalization that its property is actually used for an exempt activity in order for its property to receive the welfare exemption. Thus, the organization's property:

- Must be used for the actual operation of a charitable activity and must not exceed an amount of property reasonably necessary to the accomplishment of the charitable purpose.¹⁰²
- Must, for claims filed for the 2000-01 fiscal year or any fiscal year thereafter, have 90 percent or more of the occupants of the property be lower-income households, as specified in section 50079.5 of the Health and Safety Code, whose rents do not exceed the rent prescribed by section 50053 of the Health and Safety Code.¹⁰³
- Must not be used to benefit anyone through the distribution of profits, payment of excessive charges or compensations, or the more advantageous pursuit of a business or profession.¹⁰⁴
- Must not be used for fraternal, lodge, or social club purposes.¹⁰⁵

The total exemption allowed for a single property or multiple properties for any fiscal year may not exceed \$20,000 of tax.¹⁰⁶

A primary eligibility requirement for exemption from property taxation under section 214, subdivision (g), is that a park must be *leased* or *rented* to lower-income households. In addition, the owner of a park must:

- Certify and ensure that there is a deed restriction, agreement, or other legal document which restricts the park's usage and which provides that the spaces designated for use by lower-income households are continuously available to or occupied by lower-income households at rents that do not exceed those prescribed by section 50053 of the Health and Safety Code; and

¹⁰¹ Section 214, subdivision (a)(6).

¹⁰² Section 214, subdivision (a)(1)(3).

¹⁰³ Section 214, subdivision (g)(1)(c).

¹⁰⁴ Section 214, subdivision (a)(4).

¹⁰⁵ Section 214, subdivision (a)(5).

¹⁰⁶ Section 214, subdivision (g)(1)(c).

- Certify that the funds which would have been necessary to pay property taxes are used to maintain the affordability of, or reduce rents otherwise necessary for, the units occupied by lower-income households.

In instances where all the requirements of section 214 are met, a park may be entitled to exemption equal to that percentage of the value of the park that rents or leases to lower-income households. Park spaces set aside and used exclusively by lower-income households, and otherwise meeting all the requirements of section 214, remain eligible for exemption, notwithstanding temporary lien date vacancies.

RESIDENT-OWNED PARKS

The exemption provided for in section 214, subdivision (g), applies only to rental housing for low-income households, and the tenants may not be members of the organization that owns the property. Therefore, a resident-owned park would not qualify for the welfare exemption, even if the residents meet the low-income household limitations.

APPENDIX 1: STATUTES ¹⁰⁷

REVENUE AND TAXATION CODE SECTIONS

Part 0.5. Implementation of Article XIII A of the California Constitution

Chapter 2. Change in Ownership and Purchase

62.1. "Change in ownership" exclusion. (a) Change in ownership shall not include either of the following:

(1) Any transfer, on or after January 1, 1985, of a mobilehome park to a nonprofit corporation, stock cooperative corporation, limited equity stock cooperative, or other entity formed by the tenants of a mobilehome park, for the purpose of purchasing the mobilehome park, provided that, with respect to any transfer of a mobilehome park on or after January 1, 1989, subject to this paragraph, the individual tenants who were renting at least 51 percent of the spaces in the mobilehome park prior to the transfer participate in the transaction through the ownership of an aggregate of at least 51 percent of the voting stock of, or other ownership or membership interests in, the entity which acquires the park. If, on or after January 1, 1998, a park is acquired by an entity that did not attain an initial tenant participation level of at least 51 percent on the date of the transfer, the entity shall have up to one year after the date of the transfer to attain a tenant participation level of at least 51 percent. If an individual tenant notifies the county assessor of the intention to comply with the conditions set forth in the preceding sentence, the mobilehome park may not be reappraised by the assessor during that period. However, if a tenant participation level of at least 51 percent is not attained within the one-year period, the county assessor shall thereafter levy escape assessments for the mobilehome park transfer.

(2) Any transfer or transfers on or after January 1, 1985, of rental spaces in a mobilehome park to the individual tenants of the rental spaces, provided that (1) at least 51 percent of the rental spaces are purchased by individual tenants renting their spaces prior to purchase, and (2) the individual tenants of these spaces form, within one year after the first purchase of a rental space by an individual tenant, a resident organization as described in subdivision (1) of Section 50781 of the Health and Safety Code, to operate and maintain the park. If, on or after January 1, 1985, an individual tenant or tenants notify the county assessor of the intention to comply with the conditions set forth in the preceding sentence, any mobilehome park rental space that is purchased by an individual tenant in that mobilehome park during that period shall not be reappraised by the assessor. However, if all of the conditions set forth in the first sentence of this paragraph are not satisfied, the county assessor shall thereafter levy escape assessments for the spaces so transferred. This paragraph shall apply only to those rental mobilehome parks that have been in operation for five years or more.

(b)(1) If the transfer of a mobilehome park has been excluded from a change in ownership pursuant to paragraph (1) of subdivision (a) and the park has not been converted to condominium, stock cooperative ownership, or limited equity cooperative ownership, any transfer on or after January 1, 1989, of shares of the voting stock of, or other ownership or membership interests in, the entity that acquired the park in accordance with paragraph (1) of subdivision (a) shall be a change in ownership of a pro rata portion of the real property of the park unless the transfer is for the purpose of converting the park to condominium, stock cooperative ownership, or limited equity cooperative ownership or is excluded from change in ownership by Section 62, 63, or 63.1.

(2) For the purposes of this subdivision, "pro rata portion of the real property" means the total real property of the mobilehome park multiplied by a fraction consisting of the number of shares of voting stock, or other ownership or membership interests, transferred divided by the total number of outstanding issued or unissued shares of voting stock of, or other ownership or membership interests in, the entity that acquired the park in accordance with paragraph (1) of subdivision (a).

¹⁰⁷ This appendix contains the statutes directly relevant to taxation of manufactured homes and parks as of the date of publication of this handbook. It is not possible to reissue or correct the handbook every time a statutory provisions changes, so the reader is cautioned to review current statutes.

(3) Any pro rata portion or portions of real property that changed ownership pursuant to this subdivision may be separately assessed as provided in Section 2188.10.

(4)(A) Notwithstanding any other provision of law, after an exclusion under subdivision (a), the assessor may not levy any escape or supplemental assessment with respect to any change in ownership of a pro rata portion of the real property of the mobilehome park that occurred between January 1, 1989, and January 1, 2002, and for which the assessor did not, prior to January 1, 2000, levy any assessments. However, commencing with the January 1, 2002, lien date, the assessor shall correct the base year value of the pro rata portion of the real property of the park to properly reflect these changes in ownership. A mobilehome park shall provide information requested by the assessor that is necessary to correct the base year value of the property for purposes of this paragraph.

(B) When an assessor corrects the base year value of the real property of the park pursuant to subparagraph (A), the assessor shall notify parks that residents may be eligible for property tax assistance programs offered by either the Controller or the Franchise Tax Board for senior citizens, or blind or disabled persons.

(C) Any outstanding taxes that were levied between January 1, 2000, and January 1, 2002, as a result of a pro rata change in ownership as described in subparagraph (A) shall be canceled. However, there shall be no refund of taxes, as so levied, that were paid prior to January 1, 2002.

(5) A mobilehome park that does not utilize recorded deeds to transfer ownership interest in the spaces or lots shall file, by February 1 of each year, a report with the county assessor's office containing all of the following information:

(A) The full name and mailing address of each owner, stockholder, or holder of an ownership interest in the mobilehome park.

(B) The situs address, including space number, of each unit.

(C) The date that the ownership interest was acquired.

(D) If the unit is a manufactured home, the Department of Housing and Community Development decal number or serial number, or both, and whether the manufactured home is subject to the vehicle license fee or the local property tax.

(6) Within 30 days of a change in ownership, the new resident owner or other purchaser or transferee of a mobilehome within a mobilehome park that does not utilize recorded deeds to transfer ownership interest in the spaces or lots shall file a change in ownership statement described in either Section 480 or 480.2.

(7) Failure to comply with the reporting requirement described in paragraph (5) shall result in a penalty pursuant to Section 482.

(c) It is the intent of the Legislature that, in order to facilitate affordable conversions of mobilehome parks to tenant ownership, paragraph (1) of subdivision (a) apply to all bona fide transfers of rental mobilehome parks to tenant ownership, including, but not limited to, those parks converted to tenant ownership as a nonprofit corporation made on or after January 1, 1985.

62.2. "Change in ownership" exclusion. (a) (1) Subject to paragraph (2), change in ownership shall not include any transfer on or after January 1, 1989, of a mobilehome park to a nonprofit corporation, stock cooperative corporation, tenant-in-common ownership group, or any other entity, including a governmental entity, if, within 18 months after the transfer, the mobilehome park is transferred by that corporation or other entity, including a governmental entity, to a nonprofit corporation, stock cooperative corporation, or other entity formed by the tenants of the mobilehome park in a transaction that is excluded from change in ownership by subdivision (a) of Section 62.1, or at least 51 percent of the mobilehome park rental spaces are transferred to the individual tenants of those spaces in a transaction excluded from change in ownership by subdivision (b) of Section 62.1.

(2) (A) Any mobilehome park that was initially transferred on or after January 1, 1993, to a nonprofit corporation, stock cooperative corporation, tenant-in-common ownership group, or any other entity, including a governmental entity, that is subsequently transferred within 36 months of that initial transfer as provided in

paragraph (1), shall qualify for the exclusion from change in ownership pursuant to this subdivision. In applying the 36-month limit specified in the preceding sentence to the subsequent transfer to an individual tenant, as provided in paragraph (1), of a rental space in a mobilehome park that was initially transferred on or after January 1, 1995, to a nonprofit corporation, stock cooperative corporation, tenant-in-common ownership group, or any other entity, the execution of a purchase contract and the opening of a bona fide purchase escrow with a licensed escrow agent shall be deemed to transfer the rental space in compliance with that 36-month limit, provided that both of the following conditions are met:

- (i) The escrow is opened prior to the expiration of the 36-month time period.
- (ii) The escrow closes on a date no later than six months after the end of the 36-month time period.

(B) A mobilehome park located within a disaster area that was initially transferred on or after October 1, 1991, and before October 31, 1991, to a nonprofit corporation, stock cooperative corporation, or other entity, that is subsequently transferred within 76 months of that initial transfer as provided in paragraph (1), shall qualify for the exclusion from change in ownership pursuant to this subdivision. For purposes of the preceding sentence, "mobilehome park located within a disaster area" means a mobilehome park that is located in the County of Los Angeles in an area for which both of the following apply:

- (i) The Governor, as a result of the January 17, 1994, Northridge earthquake, has declared the area to be in a state of disaster and certified the area's need for assistance.
- (ii) The President of the United States has, pursuant to federal law, determined the area to be in a state of major disaster.

The exclusion from change in ownership pursuant to this subdivision of a mobilehome park located within a disaster area shall be effective commencing with the 1995-96 fiscal year, and shall not require any affected county to refund any amount of property tax levied with respect to a mobilehome park for the period from October 1, 1991, to June 30, 1995, inclusive.

(b) With respect to any transfer of any mobilehome park on or after January 1, 1989, subject to this section, the individual tenants who are renting at least a majority of the spaces in the mobilehome park prior to the transfer to the entity formed by the tenants for the acquisition of the park shall participate in the transaction through the ownership of an aggregate of at least a majority of voting stock of, or other ownership or membership interest in, that entity.

(c) This section shall not apply if any fees charged the mobilehome park tenants in connection with either the first or second transfer exceed 15 percent of the total consideration paid for the mobilehome park in the first transfer, plus any accrued interest and taxes.

(d) If the assessor is notified in writing at the time the transferee files the change in ownership statement that the transferee intends to qualify the transfer under this section, the mobilehome park shall not be reappraised pending satisfaction of the relevant conditions set forth in this section for exclusion from change in ownership. If the transferee fails to satisfy those conditions, the assessor shall reappraise the mobilehome park and levy escape assessments or supplemental assessments, as appropriate. For escape or supplemental assessments levied pursuant to the preceding sentence with respect to a mobilehome park located within a disaster area, both of the following conditions shall apply:

(1) The limitations period shall be that period specified in either subdivision (b) of Section 532 or subdivision (d) of Section 75.11, as applicable.

(2) For purposes of applying the limitations periods specified in paragraph (1), the expiration date of the 76-month period specified in subdivision (a) shall be deemed to be the date upon which the initial transfer of the mobilehome park was reported to the assessor.

Part 13. Taxation of Manufactured Homes
Chapter 1. General Provisions and Definitions

5800. Title. This part shall be known and may be cited as "The Manufactured Home Property Tax Law."

5801. "Manufactured home." (a) As used in this part, "manufactured home" means a manufactured home as defined in Section 18007 of the Health and Safety Code or a mobilehome as defined in Section 18008 of the Health and Safety Code which:

(1) Was first sold new on or after July 1, 1980.

(2) Was, at the request of the owner, and following his or her notification of the Department of Housing and Community Development and the assessor, made subject to taxation under this part.

(b) (1) "Manufactured home," as used in this part, does not include a manufactured home which has become real property by being affixed to land on a permanent foundation system pursuant to Section 18551 of the Health and Safety Code and is taxed as all other real property is taxed.

(2) Except as provided in paragraph (1), a manufactured home, otherwise subject to taxation pursuant to this part, shall not be classified as real property for property taxation purposes that would be excluded from taxation pursuant to this part.

Text of section effective until January 1, 1999.

5802. "Base year value." (a) Except as provided in subdivisions (b) and (c), "base year value" as used in this part means the full cash value of a manufactured home on the date the manufactured home is purchased or changes ownership. If the manufactured home undergoes any new construction after it is purchased or changes ownership, the base year value of the new construction is its full cash value on the date on which the new construction is completed, and if uncompleted, on the lien date.

(b) The base year value of a manufactured home for which the license fee is delinquent shall be its full cash value on the lien date for the fiscal year in which it is first enrolled.

(c) The base year value of a manufactured home converted pursuant to Section 18119 of the Health and Safety Code from taxation under Part 5 (commencing with Section 10701) of Division 2 to taxation under this part shall be its full cash value on the lien date for the fiscal year in which that manufactured home is first enrolled.

(d) Notwithstanding any other provision of law, the assessor shall determine the base year value of a manufactured home, located in a resident-owned mobilehome park or a rental park in the process of being changed to resident ownership, that is converted to property taxation by the registered owner pursuant to Section 18555 of the Health and Safety Code, so that the property taxes levied, after adjustment for any applicable exemption, shall be the same amount as the vehicle license fee that was imposed for the registration year in which the home was converted to property taxation.

(e) This section shall remain in effect until January 1, 1999, and on that date is repealed.

Text of section effective January 1, 1999.

5802. "Base year value." (a) Except as provided in subdivisions (b) and (c), "base year value" as used in this part means the full cash value of a manufactured home on the date the manufactured home is purchased or changes ownership. If the manufactured home undergoes any new construction after it is purchased or changes ownership, the base year value of the new construction is its full cash value on the date on which the new construction is completed, and if uncompleted, on the lien date.

(b) The base year value of a manufactured home for which the license fee is delinquent shall be its full cash value on the lien date for the fiscal year in which it is first enrolled.

(c) The base year value of a manufactured home converted pursuant to Section 18119 of the Health and Safety Code from taxation under Part 5 (commencing with Section 10701) of Division 2 to taxation under this part shall be its full cash value on the lien date for the fiscal year in which that manufactured home is first enrolled.

(d) This section shall become operative on January 1, 1999.

5803. "Full cash value." (a) "Full cash value" means the "full cash value" or the "fair market value," as determined pursuant to Section 110, of a manufactured home similarly equipped and installed, including any value attributable to a manufactured home accessory building or structure as defined in Section 18008.5 of the Health and Safety Code which is sold along with the manufactured home, giving recognition, however, to the exemption provided in subdivision (m) of Section 3 of Article XIII of the Constitution.

(b) The Legislature finds and declares that, because owners of manufactured homes subject to property taxation on rented or leased land do not own the land on which the manufactured home is located and are subject to having the manufactured home removed upon termination of tenancy, "full cash value" for purposes of subdivision (a) does not include any value attributable to the particular site where the manufactured home is located on rented or leased land which would make the sale price of the manufactured home at that location different from its price at some other location on rented or leased land. In determining the "full cash value" of such a manufactured home on rented or leased land, the assessor shall take into consideration, among other relevant factors, sales prices listed in recognized value guides for manufactured homes, including, but not limited to, the Kelly Blue Book Manufactured Housing and Mobilehome Guide and the National Automobile Dealer Association's Mobilehome Manufactured Housing Appraisal Guide.

5804. "Taxable value of a manufactured home." As used in this part, "taxable value of a manufactured home" means the base year value, or the base year value as adjusted pursuant to Section 5813, plus the value of any new construction as determined pursuant to Section 5825.

5805. Manufactured home accessories. (a) Notwithstanding any other provision of law, manufactured home accessories, as defined in Section 18008.5 of the Health and Safety Code, installed on a rented or leased lot with a manufactured home first sold prior to January 1, 1977, and which were subject to the state vehicle license fee, shall not be subject to local property taxation, unless the manufactured home is also subject to local property taxation pursuant to this part or the accessory is permanently affixed to the land, such as on a foundation.

(b) In accordance with subdivision (a), manufactured home accessories installed on a rented or leased lot with a manufactured home first sold prior to January 1, 1977, shall be presumed subject to the state vehicle license fee. This presumption may be rebutted by evidence that an accessory was not included in the vehicle license fee base for the manufactured home or was not otherwise subject to the vehicle license fee.

Chapter 2. Determination Of Taxable Values

5810. Valuation. Except as otherwise provided in this part, manufactured homes shall be subject to property taxation in the same manner and to the same extent, and shall be subject to the other provisions of this division in the same manner and to the same extent as any other personal property on the roll as defined in Section 109.

5811. Amount of tax. The amount of local property tax on a manufactured home shall be determined by applying the appropriate assessment ratio and tax rate to the taxable value of the manufactured home. The "appropriate tax rate" is the rate determined under Section 2237 for the tax rate area in which the manufactured home is situated.

5812. Value; entry on roll. The base year value of a manufactured home which is purchased or which changed ownership shall be entered on the roll for the lien date next succeeding the date of the purchase or change in ownership. The value of any new construction shall be entered on the roll for the lien date next succeeding the date of completion of the new construction. The value of new construction in progress on the lien date shall be entered on the roll as of the lien date.

5813. Taxable value. For each lien date after the lien date for which the base year value is determined, the taxable value of a manufactured home shall be the lesser of:

(a) Its base year value, compounded annually since the base year by an inflation factor, which shall be the percentage change in the cost of living, as defined in Section 2212, provided, that any percentage increase shall not exceed 2 percent of the prior year's value; or

(b) Its full cash value, as defined in Section 5803, as of the lien date, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, or other factors causing a decline in value; or

(c) If the manufactured home is damaged or destroyed by disaster, misfortune, or calamity, its value determined pursuant to (b) shall be its base year value until the manufactured home is restored, repaired or reconstructed or other provisions of law require establishment of a new base year value.

Chapter 3. Change In Ownership

5814. "Change in ownership"; "purchase." (a) For purposes of this part, "change in ownership" and "purchase" shall have the same meanings as provided in Sections 60 to 68, inclusive, to the extent applicable. The operative dates of those sections shall be controlling in the determination of whether a change in ownership or purchase of a manufactured home has occurred.

(b) As used in Sections 60 to 68, inclusive, the term "real property" includes a manufactured home that is subject to tax under this part.

5815. "Business inventories." Notwithstanding any other provision of law, a manufactured home otherwise subject to taxation pursuant to this part, which has been removed from its situs and returned to a dealer's established place of business for purposes of resale, shall not be subject to property taxation during the period it is held in the dealer's inventory, provided it remains personal property.

Chapter 4. New Construction

5825. "Newly constructed," "new construction." (a) "Newly constructed" and "new construction" means:

(1) Any substantial addition to a manufactured home since the last lien date; and

(2) Any alteration of the manufactured home which constitutes a major rehabilitation thereof or which converts the property to a different use.

(b) Any rehabilitation, renovation, or modernization which converts a manufactured home to the substantial equivalent of a new manufactured home is a major rehabilitation of that manufactured home.

(c) Notwithstanding subdivisions (a) and (b), if a manufactured home has been damaged or destroyed by misfortune or calamity, "newly constructed" and "new construction" does not mean any timely reconstruction or replacement of the manufactured home, or portion thereof, where the manufactured home after reconstruction or replacement is substantially equivalent to the manufactured home prior to damage or destruction. Any reconstruction or replacement of a manufactured home, or portion thereof, which is not substantially equivalent to the damaged or destroyed manufactured home, shall be deemed to be new construction and only that portion which exceeds substantially equivalent reconstruction or replacement shall have a new base year value determined pursuant to Section 110.1.

If a manufactured home, subject to vehicle license and registration fees pursuant to Article 6 (commencing with Section 18114) of Chapter 8 of Part 2 of Division 13 of the Health and Safety Code, is destroyed or damaged by misfortune or calamity and is replaced by a substantially equivalent manufactured home subject to local property taxation, the assessor shall determine a base year value for that replacement manufactured home so that the property taxes levied, after adjustment for any applicable exemption, shall be the same amount as the vehicle license and registration fees for the previous manufactured home for the year prior to its destruction or damage.

(d) Notwithstanding subdivisions (a) and (b), if a manufactured home, subject to vehicle license and registration fees pursuant to Article 6 (commencing with Section 18114) of Chapter 8 of Part 2 of Division 13 of the Health and Safety Code is taken by eminent domain, acquired by a public entity, or subject to any governmental action resulting

in a judgment of inverse condemnation, "newly constructed" and "new construction" shall not mean any timely replacement of that manufactured home.

If a manufactured home, subject to vehicle license and registration fees pursuant to Article 6 (commencing with Section 18114) of Chapter 8 of Part 2 of Division 13 of the Health and Safety Code, is taken by eminent domain, acquired by a public entity, or subject to any governmental action resulting in a judgment of inverse condemnation, and is replaced by a comparable manufactured home subject to local property taxation, the assessor shall determine a base year value for the replacement manufactured home so that the property taxes levied, after adjustment for any applicable exemption, shall be the same amount as the vehicle license and registration fees for the previous manufactured home in the year that manufactured home was taken, acquired, or adjudged to be inversely condemned.

(e) The assessor shall determine the new base year value for the portion of any manufactured home which has been newly constructed. The base year value of the remainder of the manufactured home assessed, which did not undergo new construction, shall not be changed. New construction in progress on the lien date shall be appraised at its full value on such date and each lien date thereafter until the date of completion at which time the entire portion of the manufactured home which is newly constructed shall be reappraised at its full value.

Chapter 5. Collection Of Taxes On Manufactured Homes

5830. Entry on secured roll. The assessment of any manufactured home shall be entered on the secured roll and shall be subject to all provisions of law applicable to taxes on the secured roll, provided, however:

(a) If the taxes on any manufactured home are not a lien on real property of the owner of the manufactured home pursuant to Section 2188.1, 2189, or 2189.3 and are unpaid when any installment of taxes on the secured roll becomes delinquent, the tax collector may use the procedures applicable to the collection of delinquent taxes on the unsecured roll; and

(b) If the taxes on any manufactured home which are not a lien on real property of the owner of the manufactured home remain unpaid at the time set for the declaration of default for delinquent taxes, the taxes on the manufactured home, together with any penalties and costs which may have accrued thereon while on the secured roll, shall be transferred to the unsecured roll.

(c) The taxes on manufactured homes may be paid in two installments as provided in Chapter 2.1 (commencing with Section 2700) of Part 5, notwithstanding the provisions of Section 2605 and whether or not the board of supervisors has adopted a resolution in accordance with Section 2700.

5831. Notification of amount of assessment. (a) Except as provided in subdivision (f), the assessor shall, upon or prior to completion of the local roll:

(1) Notify each assessee whose manufactured home's taxable value has increased of the taxable value of that manufactured home as it shall appear on the completed local roll; and

(2) Notify each assessee whose mobilehome is to be placed on the local roll pursuant to subdivision (b) of Section 5812 because its license fee has become delinquent for 120 days or more of the taxable value of the manufactured home. The notification shall also be given to the legal owner, if any, of the manufactured home, at the same time it is given to the assessee.

(b) The information given by the assessor to the assessee and legal owner, as applicable, pursuant to paragraph (1) or (2) of subdivision (a) shall include a notification of hearings by the county board of equalization, which shall include the period during which assessment protests will be accepted and the place where they may be filed. The information shall also include an explanation of the stipulation procedure set forth in Section 1607 and the manner in which the assessee may request use of this procedure.

(c) The information shall also include the full value of the property.

(d) The information shall be furnished by the assessor to the assessee personally or by regular United States mail directed to him at his latest address known to the assessor.

(e) Neither the failure of the assessee to receive the information nor the failure of the assessor to so inform the assessee shall in any way affect the validity of any assessment or the validity of any taxes levied pursuant thereto.

(f) This section shall not apply to annual increases in the valuation of property which reflect the inflation rate, not to exceed 2 percent, pursuant to Section 5813.

(g) This section does not apply to increases in assessed value caused solely by changes in the assessment ratio provided for in Section 401.

5832. Tax clearance certificates. (a) (1) Upon application, the county tax collector shall issue a tax clearance certificate or a conditional tax clearance certificate.

(2) Any tax clearance certificate issued shall be used to permit registration of used manufactured homes and for any other purposes that may be prescribed by the Controller. The certificate may indicate that the county tax collector finds that no local property tax is due or is likely to become due, or that any applicable local property taxes have been paid or are to be paid in a manner not requiring the withholding of registration or the transfer of registration.

(3) Any conditional tax clearance certificate issued shall indicate that the county tax collector finds that a tax liability exists, the amount due, and the final date that amount may be paid before a further tax liability is incurred. The certificate shall be in any form that the Controller may prescribe, and shall be executed, issued, and accepted for clearance of registration or permit issuance on the conditions which the Controller may prescribe.

(b) Within five working days of receipt of the written demand for a conditional tax clearance certificate or tax clearance certificate, the county tax collector shall forward the conditional tax clearance certificate or tax clearance certificate, showing no tax liability exists, to the requesting escrow officer. In the event the final due date of the tax clearance certificate or conditional tax clearance certificate expires within 30 days of the date of its issuance, an additional conditional tax clearance certificate or tax clearance certificate shall be completed, which has a final due date of at least 30 days beyond the date of issuance. The tax collector shall not charge a fee for the issuance of a certificate unless a previously issued tax clearance certificate or conditional tax clearance certificate expires prior to the date upon which title transfers. The fee for the issuance of a subsequent certificate with respect to that manufactured home shall be an amount equal to the actual costs of preparing and processing that certificate.

(c) If the tax collector fails to comply with the demand within 30 days from the date the demand is mailed, the escrow officer may close the escrow in accordance with the provisions of subdivision (m) of Section 18035 of the Health and Safety Code.

(d) Notwithstanding any provisions of law requiring the tax collector to issue a tax clearance certificate or conditional tax clearance certificate within a specified period of time, when an escrow information demand is made pursuant to Section 18035 of the Health and Safety Code for a manufactured home that has not been enrolled in the county, the tax collector shall be afforded the number of working days necessary for the assessor to determine the value of the manufactured home and for the auditor to extend tax liability.

(e) The issuance, alteration, forgery, or use of any tax clearance certificate or conditional certificate in a manner contrary to the requirements of the Controller constitutes a misdemeanor.

Chapter 6. Administrative And Miscellaneous Provisions

5840. Rules and regulations. The board shall make such rules and regulations and prepare such forms as are necessary for the administration of, and to carry out the intent and purposes of, this part.

5841. Lists of registration and titles. The Department of Housing and Community Development shall furnish to the county assessor of the county in which a manufactured home is sited, on or before the last day of each

calendar month, a listing of all new registrations and titles to manufactured homes sited, or to be sited, in that county.

5842. Exchange of information. The board, the Department of Motor Vehicles, the Department of Housing and Community Development and any county assessor shall exchange or otherwise provide to one another any information relevant to the regulations, titling and taxation of manufactured homes. Such information shall be held confidential by the party receiving the information, except to the extent the information is open to public inspection pursuant to Sections 408, 408.1, and 833 of the Revenue and Taxation Code, and Section 1808 of the Vehicle Code.

HEALTH AND SAFETY CODE

Part 2. Mobilehomes—Manufactured Housing

Chapter 1. Definitions.

18001.8. "Commercial coach." "Commercial coach" means a structure transportable in one or more sections, designed and equipped for human occupancy for industrial, professional, or commercial purposes, which is required to be moved under permit, and shall include a trailer coach as defined in Section 635 of the Vehicle Code.

18007. "Manufactured home." "Manufactured home," for the purposes of this part, means a structure, transportable in one or more sections, which, in the traveling mode, is eight body feet or more in width, or 40 body feet or more in length, or, when erected on site, is 320 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained therein; except that such term shall include any structure which meets all the requirements of this paragraph except the size requirements and with respect to which the manufacturer voluntarily files a certification and complies with the standards established under this part. "Manufactured home" includes a mobilehome subject to the National Manufactured Housing Construction and Safety Act of 1974 (42 U.S.C., Sec. 5401, et seq.).

18008. "Mobilehome." "Mobilehome," for the purposes of this part, means a structure that meets the requirements of Section 18007. "Mobilehome" does not include a commercial coach, as defined in Section 18001.8, factory-built housing, as defined in Section 19971, or a recreational vehicle, as defined in Section 18010.

18008.5. "Manufactured home or mobilehome accessory building or structure"; "Manufactured home or mobilehome accessory." "Manufactured home or mobilehome accessory building or structure" or "manufactured home or mobilehome accessory" includes, but is not limited to, any awning, portable, demountable, or permanent cabana, ramada, storage cabinet, carport, skirting, heater, cooler, fence, windbreak, or porch or other equipment established for the use of the occupant of the manufactured home or mobilehome.

18009.3. "Park Trailer." "Park trailer" means a trailer designed for human habitation for recreational or seasonal use only, that meets all of the following requirements: (a) It contains 400 square feet or less of gross floor area. It may not exceed 14 feet in width at the maximum horizontal projection. (b) It is built upon a single chassis. (c) It may only be transported upon the public highways with a permit issued pursuant to Section 35780 of the Vehicle Code.

18010. "Recreational vehicle." "Recreational vehicle" means both of the following:

(a) A motor home, travel trailer, truck camper, or camping trailer, with or without motive power, designed for human habitation for recreational, emergency, or other occupancy, that meets all of the following criteria:

(1) It contains less than 320 square feet of internal living room area, excluding built-in equipment, including, but not limited to, wardrobe, closets, cabinets, kitchen units or fixtures, and bath or toilet rooms.

(2) It contains 400 square feet or less of gross area measured at maximum horizontal projections.

(3) It is built on a single chassis.

(4) It is either self-propelled, truck-mounted, or permanently towable on the highways without a permit.

(b) A park trailer, as defined in Section 18009.3.

Part 2.1. Mobilehome Parks Act

Chapter 1. Definitions.

18214. "Mobilehome park." (a) "Mobilehome park" is any area or tract of land where two or more mobilehome lots are rented or leased, held out for rent or lease, or were formerly held out for rent or lease and later converted to a subdivision, cooperative, condominium, or other form of resident ownership, to accommodate manufactured homes or mobilehomes used for human habitation. The rental paid for a manufactured home or mobilehome shall be deemed to include rental for the lot it occupies.

(b) Notwithstanding subdivision (a), an area or tract of land zoned for agricultural purposes where two or more mobilehome lots or spaces are rented or leased, held out for rent or lease, or provided as a term or condition of employment, to accommodate manufactured homes or mobilehomes used for the purpose of housing 12 or fewer agricultural employees shall not be deemed a mobilehome park.

(c) Notwithstanding subdivision (a), an area or tract of land shall not be deemed a mobilehome park if the structures on it consist of residential structures that are rented or leased, or held out for rent or lease, if those residential structures meet both of the following requirements:

(1) The residential structures are manufactured homes constructed pursuant to the National Manufactured Housing Construction and Safety Act of 1974 (42 U.S.C., Secs. 5401 et seq.) or mobilehomes containing two or more dwelling units for human habitation.

(2) Those manufactured homes or mobilehomes have been approved by a city, county, or city and county pursuant to subdivision (d) of Section 17951 as an alternate which is at least the equivalent to the requirements prescribed in the California Building Standards Code or Part 1.5 (commencing with Section 17910) in performance, safety, and for the protection of life and health.

18214.1. "Park." "Park" means any manufactured housing community, mobilehome park, or special occupancy park.

Chapter 5. Regulations

18551. Foundation systems; Installation as fixture or improvement; Installation as chattel. The department shall establish regulations for manufactured home, mobilehome, and commercial coach foundation systems that shall be applicable throughout the state. When established, these regulations supersede any ordinance enacted by any city, county, or city and county applicable to manufactured home, mobilehome, and commercial coach foundation systems. The department may approve alternate foundation systems to those provided by regulation where the department is satisfied of equivalent performance. The department shall document approval of alternate systems by its stamp of approval on the plans and specifications for the alternate foundation system. A manufactured home, mobilehome, or commercial coach may be installed on a foundation system as either a fixture or improvement to the real property, in accordance with subdivision (a), or a manufactured home or mobilehome may be installed on a foundation system as a chattel, in accordance with subdivision (b).

(a) Installation of a manufactured home, mobile home, or commercial coach as a fixture or improvement to the real property shall comply with all of the following:

(1) Prior to installation of a manufactured home, mobilehome, or commercial coach on a foundation system, the manufactured home, mobilehome, or commercial coach owner or a licensed contractor shall obtain a building permit from the appropriate enforcement agency. To obtain a permit, the owner or contractor shall provide the following:

(A) Written evidence acceptable to the enforcement agency that the manufactured home, mobilehome, or commercial coach owner owns, holds title to, or is purchasing the real property where the mobilehome is to be installed on a foundation system. A lease held by the manufactured home, mobilehome, or commercial coach owner,

that is transferable, for the exclusive use of the real property where the manufactured home, mobilehome, or commercial coach is to be installed, shall be deemed to comply with this paragraph if the lease is for a term of 35 years or more, or if less than 35 years, for a term mutually agreed upon by the lessor and lessee, and the term of the lease is not revocable at the discretion of the lessor except for cause, as described in subdivisions 2 to 5, inclusive, of Section 1161 of the Code of Civil Procedure.

(B) Written evidence acceptable to the enforcement agency that the registered owner owns the manufactured home, mobilehome, or commercial coach free of any liens or encumbrances or, in the event that the legal owner is not the registered owner, or liens and encumbrances exist on the manufactured home, mobilehome, or commercial coach, written evidence provided by the legal owner and any lienors or encumbrancers that the legal owner, lienor, or encumbrancer consents to the attachment of the manufactured home, mobilehome, or commercial coach upon the discharge of any personal lien, that may be conditioned upon the satisfaction by the registered owner of the obligation secured by the lien.

(C) Plans and specifications required by department regulations or a department-approved alternate for the manufactured home, mobilehome, or commercial coach foundation system.

(D) The manufactured home, mobilehome, or commercial coach manufacturer's installation instructions, or plans and specifications signed by a California licensed architect or engineer covering the installation of an individual manufactured home, mobilehome, or commercial coach in the absence of the manufactured home, mobilehome, or commercial coach manufacturer's instructions.

(E) Building permit fees established by ordinance or regulation of the appropriate enforcement agency.

(F) A fee payable to the department in the amount of eleven dollars (\$11) for each transportable section of the manufactured home, mobilehome, or commercial coach, that shall be transmitted to the department at the time the certificate of occupancy is issued with a copy of the building permit and any other information concerning the manufactured home, mobilehome, or commercial coach which the department may prescribe on forms provided by the department.

(2) (A) On the same day that the certificate of occupancy for the manufactured home, mobilehome, or commercial coach is issued by the appropriate enforcement agency, the enforcement agency shall record with the county recorder of the county where the real property is situated, that the manufactured home, mobilehome, or commercial coach has been installed upon, a document naming the owner of the real property, describing the real property with certainty, and stating that a manufactured home, mobilehome, or commercial coach has been affixed to that real property by installation on a foundation system pursuant to this subdivision.

(B) When recorded, the document referred to in subparagraph (A) shall be indexed by the county recorder to the named owner and shall be deemed to give constructive notice as to its contents to all persons thereafter dealing with the real property.

(C) Fees received by the department pursuant to subparagraph (F) of paragraph (1) shall be deposited in the Mobilehome-Manufactured Home Revolving Fund established under subdivision (a) of Section 18016.5.

(3) The department shall adopt regulations providing for the cancellation of registration of a manufactured home, mobilehome, or commercial coach that is permanently attached to the ground on a foundation system pursuant to subdivision (a). The regulations shall provide for the surrender to the department of the certificate of title and other indicia of registration. For the purposes of this subdivision, permanent affixation to a foundation system shall be deemed to have occurred on the day a certificate of occupancy is issued to the manufactured home, mobilehome, or commercial coach owner and the document referred to in subparagraph (A) of paragraph (2) is recorded. Cancellation shall be effective as of that date and the department shall enter the cancellation on its records upon receipt of a copy of the certificate of occupancy. This subdivision shall not be construed to affect the application of existing laws, or the department's regulations or procedures with regard to the cancellation of registration, except as to the requirement therefor and the effective date thereof.

(4) Once installed on a foundation system in compliance with this subdivision, a manufactured home, mobilehome, or commercial coach shall be deemed a fixture and a real property improvement to the real property to

which it is affixed. Physical removal of the manufactured home, mobilehome, or commercial coach shall thereafter be prohibited without the consent of all persons or entities who, at the time of removal, have title to any estate or interest in the real property to which the manufactured home, mobilehome, or commercial coach is affixed.

(5) For the purposes of this subdivision:

(A) "Physical removal" shall include, without limitation, the unattaching of the manufactured home, mobilehome, or commercial coach from the foundation system, except for temporary purposes of repair or improvement thereto.

(B) Consent to removal shall not be required from the owners of rights-of-way or easements or the owners of subsurface rights or interests in or to minerals, including, but not limited to, oil, gas, or other hydrocarbon substances.

(6) At least 30 days prior to a legal removal of the manufactured home, mobilehome, or commercial coach from the foundation system and transportation away from the real property to which it was formerly affixed, the manufactured home, mobilehome, or commercial coach owner shall notify the department and the county assessor of the intended removal of the manufactured home, mobilehome, or commercial coach. The department shall require written evidence that the necessary consents have been obtained pursuant to this section and shall require application for either a transportation permit or manufactured home, mobilehome, or commercial coach registration, as the department may decide is appropriate to the circumstances. Immediately upon removal, as defined in this section, the manufactured home, mobilehome, or commercial coach shall be deemed to have become personal property and subject to all laws governing the same as applicable to a manufactured home, mobilehome, or commercial coach.

(b) The installation of a manufactured home or a mobilehome on a foundation system as chattel shall be in accordance with Section 18613 and shall be deemed to meet or exceed the requirements of Section 18613.4. This subdivision shall not be construed to affect the application of sales and use or property taxes. No provisions of this subdivision are intended, nor shall they be construed, to affect the ownership interest of any owner of a manufactured home or mobilehome.

(c) Once installed on a foundation system, a manufactured home, mobilehome, or commercial coach shall be subject to state enforced health and safety standards for manufactured homes, mobilehomes, or commercial coaches enforced pursuant to Section 18020.

(d) No local agency shall require that any manufactured home, mobilehome, or commercial coach currently on private property be placed on a foundation system.

(e) No local agency shall require that any manufactured home or mobilehome located in a mobilehome park be placed on a foundation system.

(f) No local agency shall require, as a condition for the approval of the conversion of a rental mobilehome park to a resident-owned park, including, but not limited to, a subdivision, cooperative, or condominium for mobilehomes, that any manufactured home or mobilehome located there be placed on a foundation system. This subdivision shall only apply to the conversion of a rental mobilehome park that has been operated as a rental mobilehome park for a minimum period of five years.

18613.2. Installation permit. When the enforcement agency issues an installation permit for a new manufactured home or mobilehome, beginning on July 1, 1980, a copy of such permit shall be delivered to the county or city assessor having jurisdiction where the manufactured home or mobilehome is to be sited.

19971. "Factory-built housing." "Factory-built housing" means a residential building, dwelling unit, or an individual dwelling room or combination of rooms thereof, or building component, assembly, or system manufactured in such a manner that all concealed parts or processes of manufacture cannot be inspected before installation at the building site without disassembly, damage, or destruction of the part, including units designed for use as part of an institution for resident or patient care, which is either wholly manufactured or is in substantial part manufactured at an offsite location to be wholly or partially assembled onsite in accordance with building standards published in the State Building Standards Code and other regulations adopted by the commission pursuant to

Section 19990. Factory-built housing does not include a mobilehome, as defined in Section 18008, mobile accessory building or structure, as defined in Section 18010, a recreational vehicle, as defined in Section 18010.5, or a commercial coach, as defined in Section 18012.

Chapter 11. Mobilehome Park Purchase Fund

50781. Definitions. Unless the context otherwise requires, the following definitions given in this section shall control construction of this chapter:

(a) "Affordable" means that, where feasible, low-income residents should not pay more than 30 percent of their monthly income for housing costs.

(b) "Conversion costs" includes the cost of acquiring the mobilehome park, the costs of planning and processing the conversion, the costs of any needed repairs or rehabilitation, and any expenditures required by a governmental agency or lender for the project.

(c) "Department" means the Department of Housing and Community Development.

(d) "Fund" means the Mobilehome Park Purchase Fund created pursuant to Section 50782.

(e) "Housing costs" means the total cost of owning, occupying, and maintaining a mobilehome and a lot or space in a mobilehome park. The department's regulations shall specify the factors included in these costs and may, for the purposes of calculating affordability, establish reasonable allowances.

(f) "Individual interest in a mobilehome park" means any interest that is fee ownership or a lesser interest that entitles the holder to occupy a lot or space in a mobilehome park for a period of not less than either 15 years or the life of the holder. Individual interests in a mobilehome park include, but are not limited to, the following:

(1) Ownership of a lot or space in a mobilehome park or subdivision.

(2) A membership or shares in a stock cooperative, as defined in Section 11003.2 of the Business and Professions Code, or a limited equity housing cooperative, as defined in Section 33007.5 of this code.

(3) Membership in a nonprofit mutual benefit corporation that owns, operates, or owns and operates the mobilehome park.

(g) "Low-income resident" means an individual or household that is a lower income household, as defined in Section 50079.5. However, personal assets shall not be considered in the calculation of income, except to the extent that they actually generate income.

(h) "Low-income spaces" means those spaces in a mobilehome park operated by a resident organization, a qualified nonprofit housing sponsor, or a local public entity that are occupied by low-income residents.

(i) "Mobilehome park" means a mobilehome park, as defined in Section 18214, or a manufactured home subdivision created by the conversion of a mobilehome park, as defined in Section 18214, including a senior park, to resident ownership or ownership by a qualified nonprofit housing sponsor or local public entity.

(j) "Program" means the Mobilehome Park Resident Ownership Program.

(k) "Qualified nonprofit housing sponsor" means a nonprofit public benefit corporation, as defined in Part 2 (commencing with Section 5110) of Division 2 of the Corporations Code, that (1) has received its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, (2) is not affiliated with or controlled by a for-profit organization or individual, (3) has extensive experience with the development and operation of publicly subsidized affordable housing, (4) the department determines is qualified by experience and capability to own and operate a mobilehome park that provides housing affordable to low-income households, and (5) has formal arrangements for ensuring resident participation or input in the management of the park that may include, but not be limited to, membership on the board of directors.

(l) "Resident organization" means a group of mobilehome park residents who have formed a nonprofit corporation, cooperative corporation, or other entity or organization for the purpose of acquiring the mobilehome park in which they reside and converting the mobilehome park to resident ownership. The membership of a resident organization shall include at least two-thirds of the households residing in the mobilehome park, or in each park of a combination of parks where the residents of two or more parks combine to form a single resident organization. The two-thirds of households in the resident organization at the time of funding the park need not be the same households that were residing in the park when the application for assistance was submitted to the department. A household's membership in the resident organization when the application was submitted to the department shall not be a requirement for that household to receive a loan or assistance under this chapter.

(m) "Resident ownership" means, depending on the context, either the ownership by a resident organization of an interest in a mobilehome park that entitles the resident organization to control the operations of the mobilehome park for a term of no less than 15 years, or the ownership of individual interests in a mobilehome park, or both.

GLOSSARY OF TERMS

Term	Definition
Accessory	Manufactured home or mobilehome accessory includes, but is not limited to, any awning, portable, demountable, or permanent cabana, ramada, storage cabinet, carport, skirting, heater, cooler, fence, windbreak, or porch established for the use of the occupant of the manufactured home or mobilehome or other equipment as defined by section 1797.3 of the Civil Code.
Addition	The act or process of adding; also the unit or component of a unit that is added. The act of adding implies that there is a pre-existing structure or base to which something is added. Additions do not change the base year or base year value of the pre-existing portion of the property. A new base year and value is determined for the added property only. A property can have multiple base year values due to new construction.
Alteration	The act or process of altering; a modification or change. An alteration qualifies as new construction when it rehabilitates property to the point that it is like new, or converts the property to a different use. The value added by the physical alteration is assessable, but the value attributable to the change in use is not assessable.
Assessed Value	The taxable value of a property against which the tax rate is applied.
Base Year Value	A manufactured home's base year value is its full cash value as of the date the home is purchased, changes ownership, or upon completion of new construction. The base year value for a manufactured home converted from the vehicle license fee to property taxation is its full cash value on the lien date for the fiscal year in which the home is first enrolled.
Change in Ownership	A transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest.
Commercial Coach	A structure transportable in one or more sections, designed and equipped for human occupancy for industrial, professional, or commercial purposes, which is required to be moved under permit, and shall include a trailer coach as defined in Section 635 of the Vehicle Code.

Comparative Sales Approach	An approach to value by reference to sale prices of the subject property or comparable properties; under rule 4, the preferred approach when reliable market data are available.
Condominium	An estate in real property consisting of an undivided interest in common in a portion of a parcel of real property together with a separate interest in space in a residential, industrial, or commercial building on such real property, such as an apartment, office, or store. A condominium may include a separate interest in other portions of such real property. Such estate may be either (1) an estate of inheritance or perpetual estate, (2) an estate for life, (3) an estate for years, such as a leasehold or a sub-leasehold, or (4) any combination of the foregoing.
Eminent Domain	The power to take private property for public use by the state, municipalities, and private persons or corporations authorized to exercise functions of public character. Fifth Amendment, U.S. Constitution.
Factory-Built Housing	A dwelling unit, residential building, or an individual dwelling room or combination of rooms thereof, or building component, assembly, or system manufactured in such a manner that all concealed parts or processes of manufacture cannot be inspected before installation at the building site without disassembly, damage, or destruction of the part. Factory-built housing does not include a commercial coach, a manufactured home, manufactured home accessory building or structure, or a recreation vehicle. (Health and Safety Code section 19971.)
Fair Market Value	The amount of cash or its equivalent that property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of the exigencies of the other and both with knowledge of all of the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions upon those uses and purposes.
Fixture	An item of tangible property, the nature of which was originally personal property, but which is classified as real property for property tax purposes because it is physically or constructively annexed to real property with the intent that it remain annexed indefinitely.

Foundation System	Health and Safety Code section 18551 sets the standards to be met for an approved manufactured home foundation. In addition, it requires that a building permit be issued from a local agency for the construction of the foundation and that the manufactured home owner submit proof either that he/she owns the land or has a transferable lease for exclusive use of the land for a term of 35 years from the date of application for a building permit as required by section 18551.
Full Value	The fair market value, full cash value, or such other value standard as is prescribed by the Constitution or the Revenue and Taxation Code.
Gross Rent Multiplier	The relationship between sale price (or value) and gross rent, expressed as a factor; used to estimate value as a multiple of income. Gross rent is usually (though not always) expressed in annual terms, and includes the income to the property derived from the principal improvements only. The gross rent for an apartment property, for example, is from living units only and excludes income from parking space rent, vending machine income and laundry facility income.
Improvements	All buildings, structures, fixtures, and fences erected on or affixed to the land, all fruit, nut bearing, ornamental trees and vines, not of natural growth, and not exempt from taxation, except date palms under eight years of age.
Income Approach	Any method of converting an income stream or a series of future income payments into an indicator of present value.
Lien Date	All taxable property (both state and locally assessed) is assessed annually for property tax purposes as of 12:01 a.m. on January 1, which is called the lien date. It is referred to as the lien date because on this date the taxes become a lien against all real property assessed on the secured roll.
Manufactured Home	A structure, transportable in one or more sections, which in the traveling mode is eight body feet or more in width, or 40 body feet or more in length, or, when erected on site, is 320 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained therein. Manufactured home includes a mobilehome subject to the National Manufactured Housing Construction and Safety Act of 1974.

Mobilehome	See "manufactured home." A mobilehome does not include a commercial coach, factory-built housing, or a recreational vehicle.
Mobilehome Park	Any area or tract of land where two or more mobilehome lots are rented or leased, held out for rent or lease, or were formerly held out for rent or lease and later converted to a subdivision, cooperative, condominium, or other form of resident ownership, to accommodate manufactured homes or mobilehomes used for human habitation.
Modernization	Taking corrective measures to bring a property into conformity with changes in style, whether exterior or interior, or additions necessary to meet standards of current demand. Modernization normally involves replacing part of the property with modern replacements of the same kind. Modernization implies curing functional obsolescence and physical deterioration to the degree that the property is substantially equivalent to new after the modernization has been completed. When this "like new-ness" is achieved, modernization qualifies as new construction.
Park	Any manufactured housing community, mobilehome park, or special occupancy park.
Personal Property	Personal property includes all property except real property.
Possessory Interest	Interests in real property that exist as a result of (1) a possession of real property that is independent, durable and exclusive of rights held by others in the real property, and that provides a private benefit to the possessor, except when coupled with the ownership of a fee simple or life estate in the real property in the same person; or (2) a right to the possession of real property, or a claim to a right to the possession of real property, that is independent, durable and exclusive of rights held by others in the real property, and that provides a private benefit to the possessor, except when coupled with the ownership of a fee simple or life estate in the real property in the same person; or (3) taxable improvements on tax-exempt land.
Principle of Substitution	When several similar or commensurate commodities, goods, or services are available, the one with the lowest price attracts the greatest demand and widest distribution. This principle assumes rational, prudent market behavior with no undue cost due to delay. A buyer will not pay more for one property than for another that is equally desirable.

Purchase Price	The amount of money a buyer agrees to pay and a seller agrees to accept in an exchange of property rights; sale price is based on a particular transaction, not necessarily on what the typical buyer would pay or the typical seller would accept.
Real Property	The possession of, claim to, ownership of, or right to the possession of land; all mines, minerals, and quarries in the land; all standing timber whether or not belonging to the owner of the land, and all rights and privileges appertaining thereto; and improvements. In California property tax law, the term is synonymous with "real estate."
Recreational Vehicle	A camping trailer, motorhome, travel trailer, or truck camper, with or without motive power, designed for human habitation for emergency or recreational occupancy, and having a living area less than 320 square feet. (Health and Safety Code section 18010.)
Rehabilitation	The restoration of a property to satisfactory condition without changing the plan, form, or style of a structure. It involves curing physical deterioration. If rehabilitation brings about the substantial equivalence to new condition of a structure or a fixture, it qualifies as new construction.
Renovation	Making a property into new condition. When renovation results in "like new-ness," there is new construction.
Replacement Cost	The cost required to replace an existing property with a property that has equivalent utility.
Reproduction Cost	The cost required to reproduce an exact replica of an existing property.
Special Purpose Commercial Coach	A vehicle with or without motive power designed and equipped for human occupancy for industrial, professional, or commercial purposes, which is not required to be moved under permit, and shall include a trailer coach.
Taxable Value	Taxable value of a manufactured home means the base year value, or the base year value as adjusted pursuant to section 5813, plus the value of any new construction as determined pursuant to section 5825.

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