

HOUSE COMMITTEE ON
BUSINESS, LABOR, AND CONSUMER AFFAIRS

March 07, 2005 Hearing Room B

9:40 A.M. Tapes 48 - 49

Corrected 09/27/05

MEMBERS PRESENT: Rep. Alan Brown, Chair

Rep. Sal Esquivel, Vice-Chair

Rep. Mike Schaufler, Vice-Chair

Rep. Paul Holvey

Rep. George Gilman

Rep. Derrick Kitts

Rep. Chip Shields

STAFF PRESENT: Janet Adkins, Committee Administrator

Katie Howard, Committee Assistant

MEASURES/ISSUES HEARD:

Introduction of Committee Measures – Work Session

HB 2375 – Public Hearing

HB 2376 – Public Hearing

HB 2389 – Public Hearing

HB 2527 – Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
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TAPE 48, A

003	Chair Brown	Calls the meeting to order at 9:45 a.m. Opens the work session for the purpose of the introduction of committee measures.
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INTRODUCTION OF COMMITTEE MEASURES – WORK SESSION

007	Chair Brown	Submits LC 3013, LC 3463, LC 3270, LC 1091, LC 2360, and LC 1595 (EXHIBIT E, F, G, H, I, and J).
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012	Rep. Esquivel	MOTION: Moves LC's: 2360, 1595, 3463, 3270, 1091, 3013 BE INTRODUCED as committee bills.
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020		VOTE: 5-0-2
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EXCUSED: 2 - Gilman, Kitts

	Chair Brown	Hearing no objection, declares the motion CARRIED.
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021	Chair Brown	Closes the work session for the purpose of the introduction of committee measures. Opens the public hearing for HB 2375 and HB 2376.
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HB 2375 AND HB 2376 – PUBLIC HEARING

027	Janet Adkins	Committee Administrator. Explains HB 2375 and HB 2376. Says that both bills deal with the same kind of activity but take different approaches.
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060	Don Miner	Oregon Manufactured Housing Association. Submits informational packet in support of HB 2375 and HB 2376 (EXHIBIT A and B). States that HB 2375 and HB 2376 are consumer protection bills. Talks about how the problem facing the manufactured housing
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industry started in the 1990s. Notes that no single agency has had all encompassing authority over the manufactured housing industry.

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| 118 | Miner | Reads portions from the Oregonian article and says that only one manufactured home dealer had action taken against them (EXHIBIT A and B, Pages 25 – 27). Talks about the graph and discusses the current trends is percentage of people whose homes are manufactured homes (EXHIBIT A and B, Page 1). Says that lenders found that the price of homes had been misrepresented and stopped financing manufactured homes. Emphasizes that the industry lost jobs in the state of Oregon. References the report by the Attorney General and says that some of the Attorney General’s recommendations found their way into law during the 2001 Legislative Session (EXHIBIT A and B, Page 4 – 20). |
| 163 | Miner | Talks about the process of regulation and how Department of Consumer and Business Services (DCBS) is a good fit for regulating the manufactured housing industry. Discusses the need for an all encompassing model similar to the Nevada model. States that when SB 468 (2003) is put into statute, dealers will be licensed, basic background checks will be performed, and basic education about financing will be required. References the copy of the operative language of the statutes and reads from the top of the page (EXHIBIT A and B, Page 21). Refers to the copy of the rules that the Building Codes Division proposed in SB 468 (2003) and mentions that they will go into effect on May 1, 2005 (EXHIBIT A and B, Page 22-24). |
| 213 | Miner | States that the Building Codes Division (BCD) could take action against the dealer and it is unclear who takes action as prescribed under SB 468 (2003). Says that the approach at the BCD is somewhat similar to the Construction Contractors Board (CCB). Notes that HB 2375 and HB 2376 add clarification to the statutes. Explains that HB 2376 gives some authority to the Department of Justice (DOJ) to enforce the proposed legislation. |
| 260 | Miner | Speaks about citizen involvement in the process of making laws. Discusses HB 2376 and wants BCD to punish dealers who act improperly. States that Ballot Measure 32 (2004) has created adequate funding for HB 2375 and HB 2376. |
| 310 | Miner | Mentions the severe downturn in 1999 in the manufactured housing industry. |
| 321 | Greg Harmon | Owner, Common Wealth Real Estate Services, Portland. Speaks in support of HB 2375 and HB 2376. Mentions taskforce put together |

by the Attorney General and the recommendations that the taskforce made (**EXHIBIT A and B, Pages 4 – 20**). Says that little meaningful changes have been made by the government as a result of the taskforce. Talks about how lenders do not want to give money to people who are buying manufactured homes. States that, in California where the industry is highly regulated, the market is the best in the United States. Explains that the manufactured housing industry wants to be regulated.

380	Harmon	States that the lack of changes is frustrating to the manufactured housing industry and its consumers. Discusses how HB 2375 and HB 2376 are the solution to the problem. Notes that there is a need to protect consumers and the manufactured housing industry needs the help of the legislature to do it.
404	Chair Brown	Asks how many people are employed in the manufactured housing industry.
406	Miner	States that for the assembly lines it is about 1900 people.
411	Chair Brown	Asks how many people were employed several years ago.
412	Miner	States that it was about 3500 in the production facilities and that it does not include the people not on the assembly line. Says that Oregon is the tenth largest producer of manufactured homes in the United States.
420	Chair Brown	Asks what SB 468 (2003) did.

TAPE 49, A

002	Miner	Mentions that it took away the DMV's responsibility to title manufactured homes and keep track of ownership of manufactured homes and regulate dealers. Explains that restore responsibilities were given to the BCD.
007	Chair Brown	Asks when it will become effective.
009	Miner	States that it will become effective on May 1, 2005.
010	Rep. Esquivel	Asks how many sales associate for manufactured homes exist and states that the major problem seems to be with the sales associate.

017	Miner	Says that the only regulations on the dealer are that they pay \$545 dollar fee for three years and have a bond of \$40,000. States that it is not regulation in the sense that the real estate industry is regulated. Notes that sales associates are not regulated by the government.
027	Rep. Esquivel	Asks if there is accountability on ethics for sales associates.
029	Miner	Says that the sales associate is accountable to the dealer. States that the industry is ethical at this time.
033	Rep. Esquivel	Asks if a buyer has recourse if the buyer has an ethics claim against a dealer.
036	Miner	States the way someone can take recourse is by complaining to the Department of Justice under the Unlawful Trade Practices Act (UTPA) and to the DMV. Mentions that not many laws specifically apply to manufactured homes.
044	Rep. Schaufler	Shares concern with the declining numbers in manufactured homes. Asks how the industry will help pay for increased regulation.
056	Miner	States that they are looking for some very basic regulations. Says that Ballot Measure 32 (2004) brings more revenue to the state for the program and explains that the manufactured housing industry is willing to pay for the regulation. Believes that it is irresponsible not to support the regulations with fees.
067	Rep. Holvey	Asks how many dealers there are in Oregon.
071	Miner	States that there are about 100 serious dealers and around 300 or 400 that are licensed to sell one bedroom and two bedrooms.
074	Rep. Holvey	Asks if those dealers pay about \$540 each for a three year period and that they pay some additional fees to DCBS.
076	Miner	States that the \$540 is correct and that trip permits are bought by the dealers. Notes that the bulk of the fees are paid by manufacturers.
088	Cory Streisinger	Director, DCBS. Submits written testimony that takes a neutral position on HB 2375 and HB 2376 (EXHIBIT C and D). Notes that DCBS does not know whether regulation is needed in the

manufactured home industry. Believes that the BCD not be the best agency to regulate manufactured home dealers. Says that it may be possible to rely on the DOJ to regulate dealer trade practices.

123	Streisinger	States that HB 2375 has the substantive regulations and includes the UTPA that DOJ needs to regulate the industry. Expresses desire to coordinate a workgroup with DOJ if it is the approach that the committee would like to take.
141	Rep. Schaufler	Asks about the resources that the DBCS currently has and how much more staff and resources would be needed to enforce HB 2375 and HB 2376. Asks if the stakeholders' fees would cover the costs.
155	Mark Long	Administrator, BCD. States that SB 468 (2003) created the program for regulating the manufactured housing industry. Believes that HB 2375 and HB 2376 would require one additional FTE staff member. States that the department is financially in the red in regards to SB 468 (2003), but that the BCD come out of the red in the next biennium assuming the estimates are accurate.
188	Rep. Schaufler	Asks for a scenario where someone is dishonest in the manufactured housing industry and how DCBS and DOJ would react.
201	Long	States that all the pieces are not yet in place so it is somewhat difficult to know what will happen. Discusses that currently the UTPA does provide some jurisdiction and that the DMV does have some jurisdiction. Talks about what the department will take action against the dealers' licenses if there is a class A misdemeanor or felony conviction or a conviction of an unlawful practice under the UTPA.
229	Rep. Schaufler	Asks if the DMV is coming to talk about the regulations.
230	Chair Brown	Says that the DMV is not coming.
233	Rep. Esquivel	Asks if there are two different issues regarding the manufacturing process and consumer protection issues. Expresses concern that these issues should be dealt with in another way.
249	Streisinger	States that DCBS sees those areas as being distinct, because both areas have distinct programs with different skill sets.
262	Rep. Esquivel	

States that contractors have their own board and realtors have their own board. Believes that the issues could be dealt with in a similar way.

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| 270 | Streisinger | Agrees with Rep. Esquivel that there are two separate issues that need to be dealt with in the manufactured housing industry. |
| 278 | Cheryl Pelligrini | Assistant Attorney General, Consumer Protection/Financial Fraud Division, DOJ. References past testimony. Says that the DOJ is not a regulatory agency and that they are a law enforcement agency. Explains that DOJ enforces UTPA. States that licensing comes from other areas of the state government. Refers to ORS 646.608 and says that is reproduced in HB 2376. Details that the statute currently puts out specific prohibitions for what manufactured housing dealers can do when providing financing to their customers. |
| 331 | Pelligrini | Says that some of the regulations in HB 2376 are not enforceable by DOJ. Discusses the enforcement process for manufactured housing dealers that is set forth in the UTPA. Says that the majority of the complaints by consumers are against telecommunications and other businesses covered under the law. Discloses that DOJ is willing to enforce laws as a way of deterring those who may break laws in the future. |
| 390 | Pelligrini | Says that in HB 2375 a technical issue exists surrounding the actions by the DOJ and the voluntary compliance. States that 99 percent of cases are solved through an assurance of voluntary compliance. |

TAPE 48, B

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| 001 | Pelligrini | States that administrative action based on a company's voluntary compliance in HB 2375 conflicts with current law. Explains that it needs to be amended. |
| 014 | Rep. Schaufler | Asks if HB 2376 would allow the DOJ take action against a dealer in the same way that an individual could. |
| 020 | Pelligrini | States that HB 2376 takes ORS 646.608 that is only enforceable on an individual basis and makes it enforceable by DOJ. |
| 033 | Rep. Schaufler | Asks if the DOJ has a bill that would allow them to enforce ORS 646.608. |

035	Pelligrini	Says that DOJ does not have a department bill that would do that.
037	Adkins	References a past bill that had to do with the DOJ that was in committee and has been passed out.
044	Jerod Broadfoot	Oregon State Building and Construction Trades Council, National Electrical Contractors Association, Plumbing and Mechanical Contractors Association, Sheet Metal and Air Conditioning Contractors National Association, and the International Brotherhood of Electrical Workers. Submits written testimony in opposition to HB 2375 and HB 2376 (EXHIBIT L and M). States that none of the bills were taken though the Construction Industry Policy Advisory Committee (CIPAC) (EXHIBIT L and M, Page 1). Talks about and explains the report that was mandated by the 2003 Legislature (EXHIBIT L and M, Page 2 - 6). Conveys the CIPAC recommendations and reads highlighted section (EXHIBIT L and M, Page 3). Discusses the CIPAC recommendations and how HB 2375 and HB 2376 are a “180 degree turn” from what CIPAC tried to figure out for the BCD.
086	Rep. Kitts	Asks if there is a requirement for the people bringing the bills through CIPAC.
095	Broadfoot	States that there is no requirement to bring bills before CIPAC and usually it is a courtesy to bring the bills through CIPAC. Says that CIPAC was created to provide feed back on bills affecting the BCD.
104	Rep. Kitts	Clarifies that the manufactured housing industry can bring the bills before this committee without going before CIPAC.
108	Broadfoot	Acknowledges that Rep. Kitts is correct. Believes that HB 2375 and HB 2376 do not fit. Discusses that HB 468 (2003) should be implemented before new legislation is made.
119	Chair Brown	Expresses surprise that only one more FTE is needed to implement the program.
131	Broadfoot	Says that other people on staff will help to implement the program. Reiterates that concern exists about the focus of HB 2375 and HB 2376.
141	Miner	Asks for questions.

146	Rep. Schaufler	Asks if HB 2375 helps the manufactured housing industry establish helpful regulation.
151	Miner	States that he has not thought through the implications of seeking action based on voluntary compliance. Says that the dispute resolution process will not be helpful, because they wanted BCD to be able to inflict a penalty.
174	Chair Brown	Closes the public hearing on HB 2375 and HB 2376. Opens a public hearing on HB 2527 and HB 2389.

HB 2389 AND HB 2527 – PUBLIC HEARING

176	Don Miner	Explains HB 2389 and HB 2527. Talks about how HB 2389 clarifies what happens after federal regulations on manufactured housing producers end. Explains that HB 2527 deals with manufactured housing dealers.
	Adkins	Submits written testimony in opposition to HB 2527 on the behalf of the City of Portland (EXHIBIT N) .
200	Chair Brown	Closes the public hearing on HB 2389 and HB 2527. Opens a work session for the purpose of introducing committee bills.

INTRODUCTION OF COMMITTEE MEASURES – WORK SESSION

205	Janet Adkins	Committee Administrator. Submits LC 2951 (EXHIBIT K) .
210	Rep. Kitts	MOTION: Moves LC 2951 BE INTRODUCED as a committee bill.
212		VOTE: 7-0-0
	Chair Brown	Hearing no objection, declares the motion CARRIED.
226	Chair Brown	Closes the work session for the purpose of introducing committee bills. Adjourns the meeting at 11:30 a.m.

EXHIBIT SUMMARY

- A. **HB 2375, informational packet, Don Miner, 31 pp**
- B. **HB 2376, informational packet, Don Miner, 27 pp**
- C. **HB 2375, written testimony, Cory Streisinger, 1 p**
- D. **HB 2376, written testimony, Cory Streisinger, 1 p**
- E. **Introductions, LC 3013, staff, 4 pp**
- F. **Introductions, LC 3463, staff, 14 pp**
- G. **Introductions, LC 3270, staff, 3 pp**
- H. **Introductions, LC 1091, staff, 3 pp**
- I. **Introductions, LC 2360, staff, 17 pp**
- J. **Introductions, LC 1595, staff, 8 pp**
- K. **Introductions, LC 2951, staff, 17 pp**
- L. **HB 2375, written testimony, Jerod Broadfoot, 6 pp**
- M. **HB 2376, written testimony, Jerod Broadfoot, 6 pp**
- N. **HB 2527, written testimony of City of Portland, staff, 2 pp**