

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 1185 CS Manufactured Housing and Mobile Home Mitigation and Enhancement Program  
**SPONSOR(S):** Grimsley and others  
**TIED BILLS:** **IDEN./SIM. BILLS:** SB 2162

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| <b>REFERENCE</b>                                       | <b>ACTION</b>          | <b>ANALYST</b>  | <b>STAFF DIRECTOR</b> |
|--|------------------------|-----------------|-----------------------|
| 1) <u>Insurance Committee</u>                          | <u>13 Y, 0 N, w/CS</u> | <u>Callaway</u> | <u>Cooper</u>         |
| 2) <u>Community Colleges &amp; Workforce Committee</u> | <u></u>                | <u></u>         | <u></u>               |
| 3) <u>Fiscal Council</u>                               | <u></u>                | <u></u>         | <u></u>               |
| 4) <u>Commerce Council</u>                             | <u></u>                | <u></u>         | <u></u>               |
| 5) <u></u>   | <u></u>                | <u></u>         | <u></u>               |

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**SUMMARY ANALYSIS**

The bill creates the Manufactured Housing and Mobile Home Mitigation and Enhancement Program (program) to be developed and implemented by the Tallahassee Community College (TCC) with input on the program’s development from specified stakeholders. The program is to provide grant money to mobile or manufactured home owners, parks, and communities for hurricane mitigation measures. Once a homeowner, park, or community completes the program, the bill requires Citizens Property Insurance Corporation (Citizens) to grant actuarially reasonable insurance discounts, credits, or other rate differentials or hurricane deductible reductions for the mobile homeowner’s insurance premium for the year the program is completed and for subsequent years if the homeowner renews his or her property insurance with Citizens. The bill requires Citizens’ property insurance premiums to reflect the location of the home and the home’s compliance with the Florida Building Code adopted after Hurricane Andrew.

The bill has a \$7.5 million direct appropriation from the General Revenue Fund to TCC for the program.

The bill is effective upon becoming law, except for the appropriation which is effective July 1, 2006.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

**Provide Limited Government:** The bill creates a new program at the Tallahassee Community College to provide grants to mobile homeowners, parks, or communities for hurricane mitigation.

**Promote Personal Responsibility:** Providing grant monies to mobile home owners, parks, and communities for hurricane mitigation measures will help harden mobile homes, parks, and communities to prevent or reduce hurricane damage and provides an opportunity for homeowners to take responsibility for protecting their homes. Providing hurricane insurance premium credits, discounts, rate differentials to mobile homeowners or parks or communities that complete the mitigation program funded by the bill will reduce insurance premiums paid by these entities.

**Empower Families:** Providing grant monies to mobile home owners, parks, and communities for hurricane mitigation measures will help harden mobile homes, parks, and communities to prevent or reduce hurricane damage.

#### B. EFFECT OF PROPOSED CHANGES:

##### Mobile Home Hurricane Mitigation

To decrease the likelihood and severity of loss, hurricane mitigation is important for single family residential homes, multi-family residential homes, and mobile or manufactured homes (mobile homes). Reduced or less severe loss saves the homeowner financial, emotional, and psychological strains that can be associated with the loss. According to the report issued in 2005 by the Multihazard Mitigation Council of the National Institute of Building Sciences, "*Natural Hazard Mitigation Saves: An Independent Study to Assess the Future Savings from Mitigation Activities*", each dollar spent on mitigation, saves society an average of four dollars.

Florida has the largest number of mobile homes of any state in the nation and the highest number of mobile homes owned by the elderly, although information varies on the number and age of mobile homes in Florida.<sup>1</sup> The Shimberg Center estimates mobile homes represent 12% of the housing stock and house 10% of the state population.<sup>2</sup> The 2000 Census report estimates there are over 600,000 mobile homes in Florida, 85% of which were built before 1995.<sup>3</sup> According to another source, the 2000 Census counted almost 850,000 mobile homes in Florida, most of which were built before 1995.<sup>4</sup> Thus, although there is conflicting data regarding the number of mobile homes in Florida, data is consistent regarding the age of Florida mobile homes. That data reveals the majority of Florida's mobile homes were built prior to 1995.

In a study, Federal Emergency Management Agency (FEMA) estimated Florida has a maximum number of 829,553 pre-1994 mobile homes.<sup>5</sup> Additionally, FEMA estimates 847,000 mobile homes in Florida have lower anchoring standards as Florida did not implement its updated mobile home tie down standards until 1999.<sup>6</sup>

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<sup>1</sup> *Third Party Analysis of Manufactured Home Retrofit Tie Downs*, report by FEMA, June 2005 at page 14.

<sup>2</sup> *The Property Insurance Market in Florida 2004: The Difference a Decade Makes*; prepared by the OIR; March 2005, page 17.

<sup>3</sup> *Id.* at page 18.

<sup>4</sup> *Third Party Analysis of Manufactured Home Retrofit Tie Downs*, report by FEMA, June 2005 at page 10.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

A study done by the International Hurricane Research Center at Florida International University found 85.5% of mobile homes in Florida were built before 1994. In addition, it found 338,000 mobile homes in Florida were built prior to 1976 and 643,000 were built between 1976 and 1994.<sup>7</sup>

## Regulation of the Manufacture of Mobile Homes

In 1974, Congress designated the U.S. Department of Housing and Urban Development (HUD) to set standards for the construction of mobile homes. On June 15, 1976, new nationwide regulations were implemented and HUD took full control over the manufacture of mobile homes. Mobile homes were constructed to the same standards nationwide until 1994 when HUD implemented changes in response to damage from Hurricane Andrew. The changes implemented three wind zones, with HUD specifying the wind zones for all areas of the United States. The changes also required mobile homes to be manufactured for each wind zone and restricted mobile home dealers from selling a mobile home to a customer that is not designed for the wind zone area where the customer intends to install the home.<sup>8</sup>

HUD designates wind zones in Florida by county and requires mobile homes to be placed in a wind zone to be manufactured to standards designed for the wind zone. For example, a mobile home located in a Type III Wind Zone must be built to withstand winds of 110 miles per hour. Type III wind zones are located primarily in coastal counties along Florida's southwest and southeast coasts, south of Lake Okeechobee. HUD has designated all counties in Florida as either a Type II or Type III Wind Zone. Type II Wind Zones must contain mobile homes able to withstand winds of up to 100 miles per hour. Prior to the implementation of wind zones by HUD in 1994, mobile homes were built to withstand winds of 70 miles per hour.<sup>9</sup>

Mobile homes built before 1994 are not built in accordance with the wind standards implemented by the U.S. Housing and Urban Development agency (HUD). In 1996, the Department of Highway Safety and Motor Vehicles (DHSMV) began regulating the installation of mobile homes in Florida. Florida implemented more stringent tie-down standards, by rule, in 1999.<sup>10</sup> Florida's mobile home installation program is generally considered a model for the United States.<sup>11</sup>

DHSMV's assessment of mobile home damage after the 2004 hurricanes showed homes constructed after 1994 (in accordance with the enhanced construction requirements by HUD) withstood hurricane force winds and remained intact with minor to no damage. Homes installed pursuant to the more stringent tie-down standards remained on their foundation with no movement. Although DHSMV found some destroyed mobile homes in their assessment, many of the destroyed homes were installed prior to the enhanced tie-down standards were implemented.<sup>12</sup> DHSMV found similar results in its assessment of mobile home damage due to Hurricane Wilma in 2005.<sup>13</sup>

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<sup>7</sup> The Task Force on Long Term Solutions to Florida's Hurricane Insurance Market report adopted March 6, 2006, page 27. (citing *Final Report on Hurricane Loss Reduction for Housing in Florida* dated July 30, 2003).

<sup>8</sup> See Mobile Home Damage Assessment From Hurricane Wilma 2005, prepared by the Bureau of Mobile Home and RV Construction, Division of Motor Vehicles, Department of Highway Safety and Motor Vehicles, on November 29, 2005 at page 1; *Third Party Analysis of Manufactured Home Retrofit Tie Downs*, report by FEMA, June 2005 at pages 9-10.

<sup>9</sup> See *Third Party Analysis of Manufactured Home Retrofit Tie Downs*, report by FEMA, June 2005 at pages 10-13; Mobile Home Damage Assessment From Hurricane Wilma 2005, prepared by the Bureau of Mobile Home and RV Construction, Division of Motor Vehicles, Department of Highway Safety and Motor Vehicles, on November 29, 2005 at page 1.

<sup>10</sup> See Mobile Home Damage Assessment From Hurricane Wilma 2005, prepared by the Bureau of Mobile Home and RV Construction, Division of Motor Vehicles, Department of Highway Safety and Motor Vehicles, on November 29, 2005 at page 2; *Third Party Analysis of Manufactured Home Retrofit Tie Downs*, report by FEMA, June 2005 at pages 9-10.

<sup>11</sup> Mobile Home Damage Assessment From Hurricane Wilma 2005, prepared by the Bureau of Mobile Home and RV Construction, Division of Motor Vehicles, Department of Highway Safety and Motor Vehicles, on November 29, 2005 at page 2.

<sup>12</sup> Mobile Home Damage Assessments From Hurricanes Charley, Frances, Ivan, and Jeanne, prepared by the Bureau of Mobile Home and RV Construction, Division of Motor Vehicles, Department of Highway Safety and Motor Vehicles, on November 10, 2004 at page iv.

<sup>13</sup> Mobile Home Damage Assessment From Hurricane Wilma 2005, prepared by the Bureau of Mobile Home and RV Construction, Division of Motor Vehicles, Department of Highway Safety and Motor Vehicles, on November 29, 2005 at page iii.

## Availability of Hurricane Insurance for Mobile Homes

Many in the mobile home industry have commented on the lack of homeowners' insurance for mobile homes in the private market. The number of mobile home policies issued by Citizens' Property Insurance Corporation (Citizens) supports this allegation. Because Citizens is a joint underwriting association, it acts as an insurer of last resort. In other words, a property is eligible for coverage with Citizens only if there is no other offer from an authorized insurer. By law, Citizens' premiums must be higher than those in the private voluntary market. Citizens currently insures over 110,000 mobile homes.

Citizens' mobile home policies in their personal lines account jumped from 12,028 in October 2003 to 62,029 in October 2005 (a 2-year period) and the number of such policies in their high risk account jumped from 12,552 to 14,056 for the same time period.<sup>14</sup> Also, although new insurers are entering the market and are writing hurricane insurance for mobile homes, they are restricting their coverage to post-1994 mobile homes.<sup>15</sup> Additionally, a number of insurers historically writing hurricane insurance for mobile homes have revised their underwriting guidelines to exclude older mobile homes.<sup>16</sup>

## Hurricane Mitigation Premium Credits

Since 2003, insurers have been required to provide premium credits or discounts for residential property insurance for properties on which construction techniques had been installed which reduce the amount of loss in a windstorm. These construction techniques include roof strength, roof covering performance, roof-to-wall strength, wall-to-floor-to-foundation strength, opening protection, and window, door, and skylight strength, etc.<sup>17</sup> Individual credits generally range from 3% to 25% and a fully mitigated home can qualify for total credits ranging from 20% to 42% off its wind insurance premium. Typically, policyholders are responsible for substantiating to their insurers the existence of loss mitigation features in order to qualify for credits. This often requires some sort of certification or inspection. Insurers may allow homeowners to self-certify some features such as roof shape or number of stories, but require an engineer, building inspector, architect, or licensed building contractor to certify the more technical features such as roof deck attachment. Section 627.711, F.S. requires insurers to notify their policyholders or potential policyholders at policy issuance and renewal about the availability and range of credits or discounts for making wind mitigation improvements to their homes.

Current law requires premium credits, discounts, or other rate differentials for mobile home owners that insure mobile homes constructed post-1994 and installed pursuant to the stringent tie-down standards implemented in 1999.<sup>18</sup>

## Hurricane Loss Mitigation Funding In Current Law

Section 215.559, F.S. directs the Legislature to annually appropriate at least \$10 million from the Florida Hurricane Catastrophe Fund (FHCF), but no more than 35% of the investment income from the prior fiscal year for hurricane loss mitigation programs.<sup>19</sup> Actual annual legislative appropriations have ranged from the minimum \$10 million to \$30 million. The Hurricane Loss Mitigation Program (Mitigation Program) within the Department of Community Affairs (DCA) was created in 1999, with an annual appropriation of \$10 million from the FHCF, to fund programs for improving the wind resistance of residences and mobile homes to prevent or reduce losses or reduce the costs of rebuilding after a

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<sup>14</sup> The Task Force on Long Term Solutions to Florida's Hurricane Insurance Market report adopted March 6, 2006, page 28. The personal lines account covers homeowners, mobile homeowners, dwelling fire, tenants, condominium unit owners and similar policies. The high risk account covers personal lines windstorm-only policies, commercial residential wind-only policies and commercial non-residential wind-only policies.

<sup>15</sup> Id. at page 35.

<sup>16</sup> Id. at page 28.

<sup>17</sup> s. 627.0629, F.S. (2005).

<sup>18</sup> s. 627.0629(3), F.S. (2005).

<sup>19</sup> s. 215.555(7), F.S. (2005).

disaster.<sup>20</sup> Three (\$3) million from the Mitigation Program is statutorily directed to retrofitting public facilities to be used as hurricane shelters while the remaining \$7 million, is appropriated for the Residential Construction Mitigation Program (RCMP) administered by DCA and statutorily allocated as follows:

- 40% (\$2.8 million) is used to inspect and improve tie-downs for mobile homes;
- 10% (\$700,000) is directed to the Type I Center of the State University System dedicated to hurricane research, e.g., Florida International University; and
- The remainder (50% or \$3.5 million) is generally directed to programs developed by the DCA with advice from an Advisory Council to help prevent or reduce losses to residences and mobile homes or to reduce the cost of rebuilding after a disaster.

The tie-down program for mobile homes funded by s. 215.559, F.S. is run by the Tallahassee Community College (TCC).

### **Changes Proposed By the Bill**

The bill creates the Manufactured Housing and Mobile Home Mitigation and Enhancement Program (program). The purpose of the program is to enhance and improve the performance of mobile homes during hurricanes in order to reduce property loss. The bill does not contain any specifics relating to the establishment, purview, qualifications, or procedures of the program. Rather, it requires the Tallahassee Community College (TCC) to develop the program with input from the Federation of Manufactured Home Owners of Florida, Inc., the Florida Manufactured Housing Association, and the DHSMV. The bill does not provide guidelines for these entities to follow in the development of the program.

The bill requires the program to be run as a grant program; however, does not specify if or how TCC is to determine what persons, properties, or entities qualify for the grants or for the program. The bill does not specify the grants provided by the program are to be used by mobile homeowners or mobile park or community owners for implementation of hurricane mitigation measures, although this is implied in the bill. Additionally, the bill does not specify the dollar amount of the grants to be given to eligible recipients. The bill provides a direct appropriation of \$7.5 million to TCC for program use.

The bill notes the grant program should attempt to ensure entire manufactured home communities and mobile home parks are improved wherever practicable, but does not specify a funding priority between mobile homeowners and the communities and parks.

The bill specifies the program must include an education and outreach component designed to inform mobile homeowners about the program and the availability of grants.

The bill requires the program to include hurricane mitigation or enhancement of mobile homes for the areas of concern raised in the 2004-2005 Hurricane Reports done by DHSMV. The 2005 Hurricane report from DHSMV which outlines damage from only Hurricane Wilma found primarily light damage to mobile homes in hurricane affected Collier, Lee and Dade counties (other than storm surge flood damage). There was more damage to mobile homes in the north portion of Dade County at the Broward County line. In Broward County, there was light to severe damage to mobile homes. In all affected counties, the only mobile homes destroyed by the Hurricane Wilma in 2005 were pre-HUD homes (those manufactured prior to 1994). The damage reported from Palm Beach County included damage caused by metal roofs on mobile homes coming off exposing the inside of the mobile home to hurricane force winds. Also, in Palm Beach County, many pre-HUD homes had their walls torn off of the particle board floors that had deteriorated under the walls. Only post-HUD mobile homes impacted by storm surge moved on their foundation. Some pre-HUD mobile homes moved on their foundation. The report found damage to mobile home from home additions, such as carports and awnings, to both pre-HUD and HUD manufactured homes.

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<sup>20</sup> s. 215.559, F.S. (2005).

The DHSMV report from the 2004 hurricanes revealed similar results. In general, post-1994 mobile homes remained intact with minor to no damage, homes installed pursuant to DHSMV's uniform mobile home installation rule (promulgated in 1999) remained on their foundation with no movement with the exception of three homes impacted by high velocity wave action from Hurricane Ivan, mobile home additions caused damage to mobile homes, and many of the mobile homes destroyed by the 2004 hurricanes were installed prior to the adoption of the DHSMV uniform installation rule.

Once a mobile homeowner completes the program created by the bill, the bill requires Citizens to grant actuarially reasonable insurance discounts, credits, or other rate differentials or hurricane deductible reductions for the mobile homeowner's insurance premium for the year the program is completed and for subsequent years if the homeowner renews his or her property insurance with Citizens. As stated previously, current law requires insurers to grant insurance discounts or credits for mitigation, but requires the property owner to self-certify some mitigation features and requires inspection and certification by a qualified inspector/contractor for other mitigation features.

The bill requires Citizens' property insurance premiums to reflect the location of the home and the home's compliance with the Florida Building Code adopted after Hurricane Andrew.

The bill requires the \$2.8 million currently being provided for the mobile home tie-down program under s. 215.559, F.S. to continue to be funded (in addition to the \$7.5 million funding for mobile home hurricane mitigation under this bill).

The bill requires TCC to report to the Governor and the Legislature on the program's activities each year by January 1<sup>st</sup> and specifies what information the report is to contain.

#### C. SECTION DIRECTORY:

**Section 1.** Creates an undesignated statute creating to the Manufactured Housing and Mobile Home Mitigation and Enhancement Program; providing findings and legislative intent.

**Section 2.** Provides for an appropriation of \$7.5 million from the General Revenue Fund to implement the program; provides an effective date of July 1, 2006 for the appropriation.

**Section 3.** Provides an effective date of becoming law except as otherwise provided.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

#### A. FISCAL IMPACT ON STATE GOVERNMENT:

##### 1. Revenues:

None.

##### 2. Expenditures:

The bill requires an appropriation of \$7.5 million out of the General Revenue Fund to TCC for establishment, implementation, performance, and maintenance of the program. It is presumed the appropriation is nonrecurring, although the bill does not specify whether the appropriation is recurring or nonrecurring.

According to the DHSMV, their participation in the program would be limited to providing technical advice regarding mobile home retrofitting and inspections of completed retrofits. The DHSMV already provides inspections of mobile home retrofits in the program provided by s. 215.559, F.S.

Thus, the DHSMV believes there should be no fiscal impact to the agency associated with the program established by the bill.<sup>21</sup>

According to the Department of Transportation, the bill presents no fiscal impact to the agency.<sup>22</sup>

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

Mobile homeowners, mobile home parks, and mobile home communities can obtain funding via the grant program for hurricane mitigation features. It is unknown how many mobile homeowners, parks, or communities will participate in the program. Similarly, it is unknown how much each owner, park, or community will receive as this number depends on how many owners, parks, or communities take advantage of the program and if TCC puts a maximum amount on the amount each recipient receives when they set up and implement the program.

It is also unknown how much insurance premiums will be reduced by requiring Citizens to offer discounts, credits, or other rate differentials for policyholders who complete the mitigation program.

**D. FISCAL COMMENTS:**

It is advisable to clarify whether the \$7.5 million appropriation is recurring or not.

### **III. COMMENTS**

**A. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to take an action requiring the expenditure of funds, does not reduce the authority that counties or municipalities have to raise revenue in the aggregate, and does not reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

**B. RULE-MAKING AUTHORITY:**

None.

**C. DRAFTING ISSUES OR OTHER COMMENTS:**

The bill is unclear whether the hurricane mitigation grants are to be given to only to mobile home owners or to mobile home owners, mobile home parks, and mobile home communities.

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<sup>21</sup> DHSMV Bill Analysis dated March 2, 2006, on file with the Insurance Committee.

<sup>22</sup> Personal communication received from a representative of the Department of Transportation, on file with the Insurance Committee.

In its final report adopted March 6, 2006, the Task Force on Long Term Solutions for Florida's Hurricane Insurance Market (Task Force) recommended a more rigorous study of the mobile home market by state agencies and other entities to determine a systematic way to identify the size and age of the mobile home market. In light of the Task Force's recommendations, the Insurance Committee included provisions in its property insurance proposed committee bill (PCB IN 06-01) to form a Task Force on Hurricane Mitigation and Hurricane Insurance for Mobile and Manufactured Homes (Mobile Home Task Force) to study the effectiveness of mitigation measures for mobile homes and to study insurance capacity for mobile homes. The Mobile Home Task Force is specifically charged to identify the number, size, and age of Florida's mobile homes; to determine whether insurance discounts, credits, or other rate differentials will increase insurance capacity for mobile homes; and to determine the extent the growth in coverage of mobile homes in Citizens is attributable to insufficient insurance capacity for mobile homes. The Mobile Home Task Force is to make recommendations to the Legislature in these areas by January 1, 2007. Representatives of the mobile home industry, the mobile homeowner, the mobile home insurance industry, and others comprise the Mobile Home Task Force.

The Task Force also recommended an analysis regarding mobile home construction, installation, and age to determine whether mobile homes with attached additions are insurable risks and whether they should be insured by the private insurance market. The proposed committee bill by the Insurance Committee also requires the Office of Insurance Regulation to submit a report to the Legislature by January 1, 2007 relating to the insurability of attached or free standing structures to residential and mobile homes, the feasibility of insuring such structures, the ability to mitigate against loss relating to such structures, and the impact on insurance costs related to insuring such structures.

#### **IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES**

On March 23, 2006 the Insurance Committee reported the bill favorably with two amendments. One amendment added a requirement for Tallahassee Community College to report each year on the program created by the bill. Another amendment made the mobile home and manufactured home mitigation rating characteristics for homes that have completed the program consistent with those offered for residential property insurance under s. 627.0629(1), F.S.