

## THE NORTHWEST REPORT

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For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

# HAPPY NEW YEAR!

### **FREDDIE MAC SECURITIZES MANUFACTURED HOME LOANS**

In exciting news that brought smiles to industry leaders from coast to coast, loans made under Freddie Mac's newly unveiled manufactured housing program were included in its latest K-Deal of \$1.1 billion. Mitchell Resnick, vice president of Freddie Mac Multifamily Capital Markets, declares, "We are bringing new liquidity and needed competition to the manufactured housing community space." The government-sponsored enterprise (GSE) announced in May that it would start buying and securitizing manufactured housing loans. A major reason it opted to expand its platform in this way is because manufactured homes have emerged as a key solution for affordable housing. Freddie Mac spent much of the summer ramping up the program to make it generally available at the beginning of the third quarter.

By August, Walker & Dunlop originated the first loan via the program. The GSE eventually expects to see manufactured housing loans as much a staple in its K Certificates as student and senior housing deals currently are. This specific batch of K-Certificates boasts a total of 96 recently originated multifamily mortgages. Access to this type of liquidity has been sorely missing from the manufactured home financing sector. Access to Freddie Mac will clearly improve financing options for buyers looking to place a manufactured home in a land-lease community.

### **OREGON COALITION UPDATE**

Oregon's Manufactured Housing Landlord / Tenant Coalition meets monthly in Salem to address the tough issues affecting manufactured home community owners and residents. The result is ultimately compromise legislation in the form of a landlord-tenant Bill introduced to the Oregon Legislature each session. This year the Coalition has addressed many key issues of interest.

The last remaining issue for the Oregon Coalition is **Conflict of Interest with In-Park Sales** which has stemmed from consumer complaints about unfair and inconsistent treatment of buyers who are not buying a home from the community owner and/or manager.

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Some residents who are seeking to sell their manufactured homes think that landlords unreasonably reject their proposed buyers in order to compel the resident to sell the manufactured home to the landlord for a reduced/lowball price and the landlord then turns around and sells the manufactured home for a higher price, sometimes to the very buyer the landlord just rejected or on easier terms (lower rent, worse credit history).

Other residents think that landlords who are selling homes in the park compete unfairly with residents who are selling their homes by discouraging buyers from the resident or by requiring unreasonable repairs by the resident prior to approving the sale or by offering better terms or lower standards to the landlord's buyer than to the resident's buyer. And other residents are concerned that some landlords sell a home on consignment for a resident to a buyer who pays double or more what the landlord pays to the resident.

A State Representative recently met with a group of residents of a Eugene, Oregon senior manufactured home community. Their allegations include the following: (i) The landlord sells homes without a dealer's license; (ii) The landlord is inconsistent with his admission criteria and seems to be looser when the applicant is buying a home from the landlord than from a tenant; in some cases he has rejected an applicant/buyer from a tenant and then later called the applicant and sold a landlord-owned or commissioned home to that same applicant; (iii) The landlord bullies elderly applicants and tenant sellers into selling or buying only through him; (iv) The landlords agreements with tenants whose homes he is selling are unclear about how the sales proceeds are split; in some cases the tenants are getting much less than the landlords completed sale price.

**Current Oregon law requires** that all rental agreements include "Any conditions the landlord applies in approving a purchaser of a manufactured dwelling or floating home as a tenant in the event the tenant elects to sell the home. Those conditions must be in conformance with state and federal law and may include, but are not limited to, conditions as to pets, number of occupants and screening or admission criteria." The landlord may not unreasonably reject a prospective purchaser as a tenant. Reasonable cause for rejection includes, but is not limited to, failure of the prospective purchaser to meet the landlord's conditions for approval as provided in ORS 90.510 (5) (i) or failure of the prospective purchaser's references to respond to the landlord's timely request for verification within the time allowed for acceptance or rejection.

**Suggested fixes to language in the current law** include: 1). A landlord may not deny any manufactured dwelling space tenant the right to sell a manufactured dwelling on a rented space or require the tenant to remove the dwelling or home from the space solely on the basis of the sale, 2). A landlord may not require a tenant to consign dwellings or homes for sale to the landlord, 3). A landlord may sell a dwelling or home for a tenant only if (i) the landlord first enters a written contract with the tenant describing how the dwelling or home will be marketed and how any sale proceeds will be allocated, and (ii) the landlord has a proper license authorizing the landlord to sell homes. 4). The landlord may not exact a commission or fee for the sale of a manufactured dwelling on a rented space unless the landlord has acted as agent for the seller pursuant to written contract. 5). If the landlord requires a prospective purchaser to submit an application for occupancy as a tenant, at the time that the landlord gives the prospective purchaser an application the landlord shall also give the prospective purchaser copies of the statement

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of policy, the rental agreement and the facility rules and regulations, including any conditions imposed on a subsequent sale, all as provided by ORS 90.510. The terms of the statement, rental agreement and rules and regulations need not be the same as those in the selling tenant's statement, rental agreement and rules and regulations.

There are pages and pages of additional language changes being suggested by Coalition leadership that are much too lengthy to include here, but all of them deal with fairness and transparency in transactions and tenant screening in order to avoid even the slightest appearance of bias in favor of the sale of a manufactured home owned by the community or being sold by the community manager who could profit via a sales commission or other financial incentive.

### ***RESIDENT OWNED COMMUNITIES***

For a while it appeared like the push toward resident owned manufactured home communities could gain some momentum in the Pacific Northwest. However, that has not proven to be the case. While New Hampshire has become the model for this type of ownership structure it is due in large part to New Hampshire laws that require the community owner to give the residents the first opportunity to buy the community and financing available through the New Hampshire Community Loan Fund. ROC USA is based in Concord, NH for this very reason.

CASA of Oregon has closed a few resident coop purchases but nothing lately. It is too soon to tell if the onerous financing required of the residents in order to purchase the community has proven to be a good long-term solution or investment. Residents must obtain 100 percent or greater loan-to-value financing at higher than prime lending rates, causing them to give themselves a substantial rent increase in order to service the debt and cover all other operating expenses. Oregon law currently requires community owners to give residents first right of refusal.

In Washington the Northwest Cooperative Development Center has closed a couple of coop purchases after several years.

Current Oregon law requires owners to give residents "first right of refusal" under certain circumstances if they are going to list and sell the community. Unsolicited offers may be exempt but the first right of refusal requirement can hamper an owners right to test the open market system and obtain the highest possible price for the community. This contentious situation has pitted many resident groups against community owners.

### ***FINANCING FOR COMMUNITIES***

Interest rates have fluctuated in recent weeks but are still hovering near record lows. Latest rates published on January 2, 2015 include 75 percent loan-to-value rates at 3.916% for a 5-year fixed and 3.666% at 70 percent loan-to-value. Rates can go as low as 3.125% with a 3-year fixed rate on a premium community.

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Loans are available up to \$10 million with costs capped at \$2,500 and broker rebates up to \$20,000. All loans are fully amortized to 30-years with no "balloon" early payoff clause. Underwriting is as simple as providing a 3-year operating history, borrower's financial statement, executive summary, current rent roll and photos of the community.

## ***SUN COMMUNITIES ACQUIRES MORE***

Sun Communities just announced the purchase of seven communities in Orlando, FL consisting of 3150 sites. Also, Sun Communities has closed on the first 31 communities of the 59 it is purchasing from Green Courte Partners / American Land Lease. The total deal, when done in mid-January is comprised of 59 Green Courte – ALL communities in eleven states with a total of 19,000 developed sites. This will bring Sun Communities total portfolio to a whopping 240 communities in 29 states with nearly 100,000 sites. Sun also operates the largest manufactured home rental program in the country with a reported 10,000 rental homes in its inventory.

## ***PRODUCTION AND SHIPMENTS***

The latest statistics available show that in October of 2014 a total of 6,505 new manufactured homes were shipped, an increase of 6.9 percent over October of 2013. The trend recorded gains in all housing types, with shipments of single-section homes up by 10.7 percent compared with the same month last year while multi-section homes showed a 3.5 percent gain when compared with the same period a year ago. In 2014 manufactured homes have showed a shipment increase in every month and 2014's pace is a year-to-date increase of 6.6 percent over 2013. Production from Oregon and Idaho plants recorded healthy increases as consumer demand continued to improve in both the "rental space" and private land sales segments. Additionally, community owners continue to get more comfortable with the idea of purchasing homes for rent or sale in their communities.

The top ten states for manufactured home shipments are, in order, Texas, Louisiana, Florida, North Carolina, Alabama, Mississippi, Kentucky, California, Tennessee and Oklahoma. California ranks 9<sup>th</sup> in the nation for manufactured home production, Oregon ranks 11<sup>th</sup>, Idaho is 13<sup>th</sup>, Washington has too few plants to report.

The seasonally adjusted annual rate (SAAR) of shipments was 67,416 in October of 2014, up 2.4 percent from the adjusted rate of 65,830 in September 2014. The SAAR corrects for normal seasonal variations and projects annual shipments based on the current monthly total.

***Over \$550,000,000 in park sales. Visit our website at [www.nwparks.com](http://www.nwparks.com)***

***For more information on manufactured home communities for sale or an assessment of your community call Bill Jackson of Northwest Park Brokerage at 206.652.4100 or email Bill at: [billj@nwparks.com](mailto:billj@nwparks.com)***

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