

THE NORTHWEST REPORT

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For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

IDAHO HOUSING ALLIANCE

A recent front page story in the Idaho Statesman reported on Garden City's (a Boise suburb) efforts to further restrict manufactured home communities. The city's Planning and Zoning Department has several proposals that could significantly impact the manufactured housing industry in Idaho. No Idaho legislators have come forth to inquire about these issues, which clearly frustrates industry officials. While existing statutory provisions related to regulatory takings and private property rights exist its possible Garden City cannot be stopped.

Idaho's history with regard to manufactured homes has been long and positive. Not only have numerous manufacturers called Idaho home for decades (Weiser, Boise, Caldwell and Nampa all have operating plants today) but manufactured home park development has been a cornerstone of affordable housing in Idaho for nearly y half a century. Whether it's Lewiston or Pocatello, Twin Falls or Mountain Home you can find many full, profitable, attractive and affordable manufactured home communities providing a necessary housing choice for Idahoans.

WASHINGTON LEGISLATION

During the 2015 Legislative session the industry has opposed a number of bills which have died in committee or been defeated. Two that are still alive and have the industries support are Senate Bill 5869 and House Bill 1465 / Senate Bill 5598. The first bill, SB 5869 was introduced because some municipalities are applying current setback requirements to older communities. This can make some lots unusable and threaten the community's financial welfare. Manufactured Housing Communities of Washington is running SB 5869 to require that municipalities recognize the grandfathered setbacks that were in effect when the community was developed.

The second bills, HB 1465 & SB 5598 are in response to the threat that the Factory Assembled Structures group (FAX) will be dissolved. This would be a huge mess for residents and community owners. Cities would take over all permitting and alteration responsibilities and the continuity across the state would go "out the window". Fees would soar and currently well-organized processes would disappear. Labor and Industries was to have a dedicated fund to avoid all of the uncertainly.

OREGON COALITION INTRODUCES LEGISLATION

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. The 2015 coalition bill is House Bill 3016 and it is scheduled for its first hearing in the House Revenue Committee on Monday, March 9th at 1pm. It has been sent to Revenue because it affects an income tax exemption, the capital gains exemption for

manufactured home park owners who sell their communities to the residents or a nonprofit. The bill only consists of three minor fixes to the 2014 bill and three other issues.

1. CONFLICTS BETWEEN LANDLORDS AND RESIDENTS OVER THE SALE OF MANUFACTURED HOMES IN THE COMMUNITY.

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 home to the landlord for a reduced price and the landlord then turns around and sells the home for a higher price, sometimes to the very buyer the landlord just rejected or on easier terms. Other residents think that landlords who are selling homes in the community 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. The question becomes; is there an inherent conflict when a park manager gets a commission on homes that the park is selling, so that the manager has a financial incentive to disapprove the resident's sale?

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

Because of these allegations, which are clearly a rarity and not indicative of the vast majority of manufactured home community owners, the coalition bill requires Oregon law to be amended to read:

(1) A landlord may not deny any manufactured dwelling or floating home space tenant the right to sell a manufactured dwelling or floating home 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 the tenant's dwelling or home for sale to the landlord as a condition of occupancy.

(3) A landlord may sell a dwelling or home on consignment for a tenant only if:

(A) If the sale involves a dwelling in a park, the landlord has a license authorizing the landlord to sell dwellings issued by the appropriate state agency. The license may be held by an entity which differs from the entity that owns the park and acts as the landlord, so long as the two entities have significant common ownership.

(B) The landlord and tenant first enter into a written consignment contract covering at least the following.

- (i) The term of the contract, not to exceed 180 days unless the parties extend the contract in a writing;
 - (ii) The estimated square footage of the dwelling or home, and the make, model, year, VIN, and license plate number, if known;
 - (iii) The offering price of the dwelling or home, whether lender financing will be permitted, and the amount of any earnest money deposit;
 - (iv) Whether the transaction will be closed through a state-licensed escrow;
 - (v) All known liens, taxes, and other charges existing against the dwelling or home that must be removed in order to convey marketable title to the prospective buyer;
 - (vi) A general description of how the dwelling or home will be marketed to the public;
 - (vii) How the landlord will be compensated for the consignment, such as a flat fee, a percentage of the gross sale price, or other similar arrangement;
 - (viii) How the gross sale proceeds will be applied first to liens, taxes, actual costs of sale, the landlord's compensation, and other closing costs, to arrive at the net sale proceeds payable to the tenant; and
 - (ix) If the transaction is not closed in escrow, whether the landlord or tenant will apply for an ownership document on behalf of the purchaser within 25 days of the date of sale.
- (C) The facility landlord accounts in writing to the tenant for the sale proceeds and pays the tenant within 10 days after a sale for a tenant or if the landlord is responsible under the consignment contract for applying for the ownership document on behalf of the purchaser within 10 days after transfer of title; and
- (i) A landlord may not make knowingly false statements about the quality of a tenant's dwelling or home to a prospective purchaser.

(4) Nothing in this section prevents a landlord from selling dwellings or homes owned by the landlord to a prospective purchaser at a price or on terms, including space rent, that are more favorable than for dwellings or homes offered for sale by tenants.

(5) When considering an application for tenancy by a prospective purchaser who intends to reside in the facility in a dwelling or home sold by a tenant, the landlord shall apply substantially similar credit and conduct screening criteria as when the landlord sells a substantially similar dwelling or home owned by the landlord or on consignment with the landlord to a prospective purchaser who intends to reside in the dwelling or home in the facility.

2. UNPAID BACK TAXES ON ABANDONED MANUFACTURED HOMES.

FIRST ISSUE: UNPAID BACK TAXES ON ABANDONED MANUFACTURED HOMES: Some community residents don't pay their personal property taxes. This could harm counties (if not reimbursed by the state), which lose tax revenue for themselves and for other public entities like schools and waste time and resources trying to collect the taxes. And it may harm landlords, if a manufactured home is abandoned by the tenant, since the community owner will have to sell or destroy the home (and there typically is a cost of several thousand dollars to the community owner to destroy or throw away the home) or pay the back taxes. In addition, it could harm prospective tenants, who buy the home and don't know about the back taxes owed on the home.

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PROBLEMS WITH CURRENT LAW: If the abandoned home is worth more than \$8,000 and the back taxes are as much as or more than the value of the home, the community owner has no incentive to preserve the home.

A. Changes regarding unpaid back taxes:

1. If the total assessed value of all taxable personal property required to be reported under ORS 308.290 in any county of any taxpayer is less than \$12,500 in any assessment year, the county assessor shall cancel the ad valorem tax assessment for property required to be reported under ORS 308.290 for that year.
2. If, in a county with a population of more than 340,000, the total assessed value of all manufactured structures taxable as personal property under ORS 308.875 of any taxpayer is less than \$12,500 in any assessment year, the county assessor shall cancel the ad valorem tax assessment for the manufactured structures for that year and any special assessment provided for those structures under ORS 446.525.

SECOND ISSUE: \$6 ASSESSMENT: Counties would prefer not to be responsible for collecting the \$6 assessment on manufactured homes which supports the Manufactured Communities Resource Center (MCRC) and the dispute resolution program for park disputes.

A. Changes regarding the \$6 assessment:

1. Amend current law to provide that the four large counties (by population; could reach 5 with Marion County), are not required to collect the \$6 special assessment for MCRC/dispute resolution for those low value homes whose taxes are cancelled.
2. Increase the annual special assessment on manufactured home community residents from \$6 to \$10 on the non-threshold accounts, those not cancelled under current law. Dedicate \$1.50 for each account collected to the county tax collector, to offset its costs to collect the special assessment. This would leave an increase of \$2.50 for MCRC and dispute resolution, to offset the anticipated loss of income from #1, and to allow MCRC to provide more services. A \$4 increase, based on the last two years of assessment revenue, would generate an additional approximate \$260,000, not counting the homes which would not pay under #1 and not counting the homes not in rental space communities. The increase of \$2.50 for MCRC – with the balance going to the counties – would yield about \$160,000.
3. Also raise the annual landlord registration fee for manufactured home communities with more than 20 spaces (occupied or not) (estimated to be one-quarter of the 1,000 parks) from \$25 to \$50 to add to the fund for this, adding an additional \$18,750 in revenue for MCRC/dispute resolution. Smaller communities stay at \$25.

3. HABITABILITY – THE GROUND UNDER THE MANUFACTURED HOME.

ISSUE: The current provision regarding a landlord's habitability duty to maintain a MH park space (as well as the common areas) is set out in ORS 90.730. We negotiated it, in 1999 (and, contrary to concerns raised by some, the sky has not fallen). It mimics to some extent the habitability statute for apartment tenancies, in ORS 90.320. Both require landlords generally to maintain the space or apartment in a habitable condition. For MH tenancies, that means the space, not the home, since the resident owns the home. Many of the habitability duties have to do with

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providing, consistent with current law at the time of installation, and then thereafter maintaining “in good working order” the connection to utilities like water, sewer, electricity.

A landlord who rents a space for a manufactured dwelling or floating home shall at all times during the tenancy maintain the rented space, vacant spaces in the facility and the facility common areas in a habitable condition. The landlord does not have a duty to maintain a dwelling or home.

A rented space is considered inhabitable if it substantially lacks:

1. A sewage disposal system and a connection to the space approved under applicable law at the time of installation and maintained in good working order to the extent that the sewage disposal system can be controlled by the landlord;
2. If required by applicable law, a drainage system reasonably capable of disposing of storm water, ground water and subsurface water, approved under applicable law at the time of installation and maintained in good working order;
3. A water supply and a connection to the space approved under applicable law at the time of installation and maintained so as to provide safe drinking water and to be in good working order to the extent that the water supply system can be controlled by the landlord;
4. An electrical supply and a connection to the space approved under applicable law at the time of installation and maintained in good working order to the extent that the electrical supply system can be controlled by the landlord;

Many residents have complained to regulators that the current law omits language addressing the community owners duty to maintain natural gas lines and duty to provide garbage cans. To correct this the following language will be added to the description of a rental space deemed inhabitable if it substantially lacks:

1. A natural gas or propane gas supply and a connection to the space approved under applicable law at the time of installation and maintained in good working order to the extent that the gas supply system can be controlled by the landlord, if that utility service is provided within the park pursuant to the rental agreement;
2. Except as otherwise provided by local ordinance or by written agreement between the landlord and the tenant, an adequate number of appropriate receptacles for garbage and rubbish in clean condition and good repair at the time of commencement of the rental agreement, and for which the landlord shall provide and maintain appropriate serviceable receptacles thereafter and arrange for their removal.

COMMUNITY FINANCING AND SALES

Financing for manufactured home communities remains available and at low interest rates. A trend toward refinancing communities continues as many communities have mortgages that are 10-15 years old and the time to refinance has come. A number of community owners are reporting haven taken cash-out refinances in order to free up equity and put it to work by purchasing another manufactured home community or other real estate investment. Others are putting the cash back into the community funding infrastructure upgrades, new amenities,

homes for resale and even expansion. Several established communities in the Pacific Northwest have announced preliminary plans to add additional home sites as they are full and resale's are brisk.

CAP rates remain all over the board. In smaller markets CAP rates can be 7.0 – 7.5 while in larger metropolitan markets CAP rates remain around 6.0. The demand for communities, especially larger communities with low vacancy rates in high population areas is very strong. Northwest Park Brokerage gets inquiries daily from buyers looking to enter those markets or expand their presence in the market. Any interested sellers should contact our firm for a market analysis and marketing evaluation.

PRODUCTION AND SHIPMENTS

Latest Available Data. In December 2014, 4,730 new manufactured homes were shipped, an increase of 18.1 percent from December 2013. The trend reflected gains across the board, with shipments of single section homes up by 26.3 percent compared with the same month last year, and shipments of multi-section homes up 11.5 percent. A total of 7,264 floors were shipped, an increase of 15.5 percent over December 2013.

Compared with the prior year, 2014 has recorded shipment increases in every month. For all twelve months, shipments totaled 64,344 homes compared with 60,210 homes in 2013, a net increase of 6.9 percent.

The seasonally adjusted annual rate (SAAR) of shipments was 71,798 in December 2014, up 16.8 percent from the adjusted rate of 61,460 in November 2014. The SAAR corrects for normal seasonal variations and projects annual shipments based on the current monthly total.

The number of plants reporting production in December 2014 was 125 and the number of active corporations was 46, both unchanged from the numbers in the previous month.

Upcoming Events

National Manufactured Housing Congress & Expo

National Communities Council Spring Forum

April 14-16, 2015

Paris Hotel

Las Vegas, Nevada

www.manufacturedhousing.org

MHI Legislative Conference & Summer Meeting

June 14-16, 2015

Capitol Hilton, Washington DC

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**Manufactured Housing Communities of Washington
Annual Convention and Seminars
May 18-19-20**

**Double Tree Suites at Southcenter
Contact MHCW (360) 753-8730**

Go to: www.mhcw.org

Just Listed

**RARE SNOHOMISH PARK OPPORTUNITY
15 Space Family Community
Located in Snohomish, Washington
On Site Septic – City Water
Sub-Metered – Owner Pays Garbage
\$780,000**

Featured Properties

**Mead Royale Mobile Home Park
216 Space Family Community
with Vacancy Upside located in Spokane County
28% Vacant Spaces
Features Clubhouse & Pool
Asking Price \$5,250,000**

**Park Plaza Mobile Home Community
63 Space Family Park
Located in Longview, WA
~City Utilities, Metered; Tenants Pay Water/Sewer~
Asking Price \$3,000,000**

Just Sold

**40 Space Senior Manufactured Home Community
Located in Lewiston, Idaho
City Utilities – Owner Pays Water/Sewer/Garbage
Sold for \$1,030,000
7.65 CAP Rate**

Over \$550,000,000 in park sales. Visit our website at 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**

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