

The Northwest Report

Issue 55 Spring 2017

For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

RENT CONTROL & OTHER ONEROUS LEGISLATION LOOMS OVER LANDLORDS AND INVESTORS

The Oregon Legislature is hearing from angry apartment dwellers and radical, recently elected government officials who want Oregon's statewide pre-emption prohibiting local governments from enacting rent control abolished, effectively sending decisions regarding rent control back to cities and counties. Particularly in the Portland metro market there has been a lot of media attention placed on no-cause evictions and apartment rent increases, forcing government to take some sort of action. What that action looks like is not clear at this point but one thing is for sure – unlike other legislative sessions where rent control threats didn't amount to much more than a way to raise PAC funds, this threat is serious. How it affects manufactured home community owners is unclear but state associations and trade groups are working toward a solution.

In Washington trade associations are opposing a number of legislative attempts to apply more restrictions to manufactured home communities. SB 5407/HB 1633 would prevent discrimination in housing decisions based on a prospective tenant's source of income, making Section 8 voucher holders potentially a protected class. SB 5627/HB 1798 addresses the sale of manufactured home communities and extends the real estate excise tax exemption for qualified sales of those communities.

Renewed interest by legislative and land use officials regarding the threat of community closures has surprised many in the industry. It's no secret the housing economy in the U.S. is healthy and the appetite for new homes would put pressure on developers to find new sources of land, but the overall threat of selling and closing a manufactured home community is not as great as the government would have us believe. Yes, an old "trailer park" on a busy commercial thoroughfare may be attractive to developers but not newer manufactured home communities in largely suburban, rural or residential settings. Nevertheless, some legislatures feel this issue needs more discussion, mystifying many.

The following was taken directly from a March 31st Manufactured Housing Communities of Oregon urgent email alert and is being shared for your benefit. Please read, especially if you an Oregon community owner.

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URGENT ALERT - IMMEDIATE ACTION NEEDED - RENT CONTROL VOTE TUESDAY OREGON HOUSE

Yesterday a House Committee in the Oregon Legislature passed on a party line vote HB 2004 - a hideous bill eliminating state preemption of rent control at the local level and "no cause" evictions. The vote on the Oregon House floor comes down to a handful of legislators. Their email addresses are below. MHCO needs you to send an email BEFORE TUESDAY! The vote is scheduled for Tuesday morning April 4th.

Talking Points:

1. Be sure to include the bill number (HB 2004) in the subject line of the email.
2. Tell a bit about yourself or your community - such as long time community owner; second or third generation community owner; the challenges you face PROVIDING AFFORDABLE HOUSING; make it personal.
3. State your opposition to HB 2004 and rent control and how it will impact your ability to remain in the housing business.

HERE ARE THE LEGISLATORS YOU NEED TO CONTACT:

Rep.JeffBarker@oregonlegislature.gov
Rep.DeborahBoone@oregonlegislature.gov
Rep.BrianClem@oregonlegislature.gov
Rep.PaulEvans@oregonlegislature.gov
Rep.AnnLininger@oregonlegislature.gov
Rep.JohnLively@oregonlegislature.gov
Rep.BradWitt@oregonlegislature.gov

MANUFACTURED HOME LOANS DISCUSSED IN CONGRESSIONAL HEARING

Representative Andy Barr (R-KY) delivered a speech in early March before the U.S. House of Representatives about federal regulations that have impeded consumers from obtaining financing for manufactured homes. Representative Barr referenced a hospital worker from Kentucky who recently applied for a loan to purchase a manufactured home, but was unable to get financing due to the federal regulations.

He stated: "...This hospital worker from Kentucky can't get financing because of the very entity created to protect consumers - the Consumer Financial Protection Bureau. That's right - the federal government is protecting people right out of homeownership. Consumers are

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protected so much that they can't purchase a manufactured home. Lenders have stopped making manufactured housing loans because of the CFPB regulations."

Citing 2014 Home Mortgage Disclosure Act data (HMDA), Representative Barr argued that manufactured home loan volume for loans under \$75,000 decreased in the first year the regulations went into effect - evidence that many lenders that had been willing to make manufactured home loans are no longer willing to do so. He encouraged his colleagues to "work together to make these changes to CFPB regulations as soon as possible so that the federal government stops prohibiting consumers from achieving the American dream of homeownership."

Solid Production and Shipment Growth

According to official statistics compiled on behalf of the U.S. Department of Housing and Urban Development (HUD), year over year manufactured housing production increased substantially during the past several months. The latest statistics available track home production through January of 2017 and they indicate that HUD Code manufacturers produced 7,827 homes in that month, a 33.5% increase over the same period in 2016. There were healthy increases in home shipments across the board, with shipments of single section and multi-section homes up by 26.5 percent and 8.0 percent respectively.

Further examination of official industry statistics shows that the top ten shipment starts from the beginning of the industry production rebound in August 2011 through January 2017 are: Texas, Louisiana, Florida, Alabama, North Carolina, Mississippi, California, Kentucky, Michigan and Tennessee.

The steady increase in HUD Code home production since 2011 is clear and undisputable evidence that manufactured homes not only continue to serve a vital role in our nation's housing market, but that today's high-quality manufactured homes are attracting ever-larger numbers of homebuyers.

These gains could and should be much larger if securitization and secondary market support were available for the manufactured home chattel loan business. Fannie Mae and Freddie Mac should be held to their Duty To Serve mandate by fully embracing manufactured housing chattel lending on a non-discriminatory basis, something they are required to do as part of the Housing and Economic Recovery Act of 2008, yet enforcement has been futile to this point.

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The Industry Remains on Solid Ground

Every segment of the manufactured housing business, is overall doing well despite some frustration with the government's continued failure to act on HUD regulations largely ignored that would make financing for manufactured homes more plentiful.

The manufacturers are doing well, backlogs are long and production is steady. There were so many plant closures between 2008 and 2011 the remaining facilities find themselves struggling to provide enough manufacturing capacity to meet current demand. Longer than expected delivery dates frustrate retailers and consumers but so far that hasn't slowed sales, as increases are reported across the board.

There are a few manufactured home community expansions reported here and there but no new ground-up communities are being proposed in the western region, at least not yet. Land prices, along with the high cost of land development does not lend itself well to building a land-lease manufactured home community, except perhaps in lower cost, smaller rural markets. Nevertheless, those markets are largely served by manufactured home sales placed on individual real property lots, not land-lease communities. That could change, and probably will change at some point but we aren't seeing signs of it yet.

Oregon Landlord / Tenant Coalition

The Oregon Manufactured Housing Landlord & Tenant Coalition, which has met and introduced compromise legislation for over 15 years and has successfully improved the relationship between manufactured home community owners, their residents and the Oregon Legislature is back in business. Co-chaired by longtime chairman John VanLandingham and new member, co-chair John Dilorenzo, the Coalition has met twice and is working hard to produce some type of Bill for the Oregon Legislature to act upon during this session. The first Coalition meeting was February 28th and it has been reported that this meeting drew a packed house and at times became raucous and adversarial. The second Coalition meeting was held March 21st and was more calm.

Nevertheless, the Coalition is somewhat fractured and has little time left in the Oregon Legislative session to find its way through the process and produce a Bill that everyone can support. Dilorenzo is a landlord's attorney and a landlord himself, so his interest in defeating any time of rental control legislation is transparent and clear.

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Financing a Manufactured Home Community

The Feds have made it very clear they intend to slowly raise interest rates over the next 1-2 years. That move is reflected at all levels of real estate lending, including manufactured home communities.

The latest interest rates for manufactured housing community financing or refinancing on the West Coast are hovering around this range: Three year fixed, 4.095%, five year fixed, 4.325%, seven year fixed, 4.455%, ten year fixed, 4.585% and fifteen year fixed at 4.495%. This represents a slight increase over previously advertised rates but historically they remain very competitive. Rates can vary depending on the quality and location of the asset and other determining factors. Annual renewable mortgages (ARM) are as low as 2.450% for highly qualified borrowers.

Considering a Purchase or Sale?

No brokerage firm in the Pacific Northwest or on the entire West Coast has a better grasp of market conditions than **Northwest Park Brokerage**. We intimately understand the business and have relationships with buyers and sellers who are serious, qualified and motivated. Additionally, with inventory levels at an all-time low and market sales higher than ever, now might be the perfect time to consider a market evaluation of your community. There is a big demand for large and small communities in both metro and rural locations. **Give us a call at 206.652.4100.**

Upcoming Events

2017 MHI National Congress & Expo

May 2-4, 2017

Caesars Palace, Las Vegas NV

MHI 703-558-0400

2017 MHI Summer Legislative Fly-In

June 26-27, 2017

Hyatt Regency Washington on Capitol Hill

Washington, DC

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WWW.NWPARKS.COM

COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

2017 MHI Annual Meeting

September 17-19, 2017
Disney's Grand Floridian Resort
Orlando, FL

2017 NCC Fall Leadership Conference

November 1-3, 2017
Westin Michigan Avenue
Chicago, IL

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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