

# The Northwest Report

*Issue 70 January 2021*

For Owners, Operator's, and Investors in Manufactured Housing Communities Nationwide

## ***GOOD-BYE AND GOOD RIDDANCE 2020***

As we are sure everyone will agree, saying goodbye and good riddance to 2020 was something we had been looking forward to for months. The challenges everyone faced were unprecedented and the economic uncertainty still looms large for the first part of 2021. While the full impact of the COVID-19 pandemic continues to surface, government "bail-out" measures and stimulus packages have helped to soften the blow to many families and businesses. However, those measures are only temporary, and the long-term lasting effects of this pandemic remain to be fully recognized.

Nevertheless, the economic outlook for 2021 remains strong. Businesses have invested heavily to adapt to the COVID-19 pandemic and thus growth is predicted to remain well into positive territory in the beginning of 2021. Forecasters believe annual US GDP growth for 2021 will be 4.7 to 5.1 percent. Said one economist, "while reflecting widely disparate performance in various segments of the economy, everything indicates that the worst of the economic downturn appears to be in the rearview mirror, although that does not mean the road ahead is clear". Prospects of widely distributed vaccines in 2021 should provide a boost to the economy, with healthcare, transportation and housing focused industries expected to do the best.

However, the short-term could still be painful. On main street, the fragile equilibrium of late summer and early fall faces another serious threat this winter, and record COVID-19 cases and deaths have forced several major cities to impose new lockdowns, and the effects are beginning to show. Small business revenues are falling while main street awaits the vaccine and another federal relief effort.

**The Federal Reserve** remains committed to keeping interest rates at or near zero for several years. The Fed also intends to continue its liquidity-boosting measures, though its officials have stated that monetary policy alone is likely insufficient to prop up the US economy. If the gross domestic product is the broadest indicator of the economy, employment is the one most personally felt. These are people's jobs we are talking about. The most important metric is the payroll report from the Department of Labor. To simply keep up with population growth, the economy needs to add more than 100,000 jobs every month; otherwise, the unemployment rate will rise. That is why the employment numbers must show several hundred thousand jobs created monthly for real economic recovery and growth.

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## ***Washington State Proposes 9% Capital Gains Tax***

As part of Washington Governor Jay Inslee's just-released 2021-2023 operating budget, the State of Washington is proposing to tax individuals on the sale or exchange of "capital assets" they have held for more than one year, unless an exemption applies. Capital assets are defined as assets owned for investment or personal reasons (such as investment or income real estate) that are not usually sold in the course of business. This new revenue would be used primarily to fund schools, prisons, and social services. The tax would equal 9-percent of your Washington capital gains and you would be required to pay capital gains tax if your taxable capital gains exceed:

- **\$25,000 for individuals who are not joint filers.**
- **\$50,000 for individuals filing a joint return.**

The capital gains tax would apply to the sales of stocks, bonds, collectibles, art, and other assets including gains on income producing real estate investment properties. Under current law, ***no capital gains tax exists*** in Washington at the state or local level. The tax would go into effect on January 1, 2022 with the first tax payments would be due April 15, 2023. The state expects it to generate \$1.12 billion in new revenue in the next biennium and a total of \$3.6 billion over the next four years.

The governor has proposed a capital gains tax before, unsuccessfully. A capital gains tax would presumably be challenged in the courts as an income tax that violates the state constitution. The ranking Republican on the House Appropriations Committee said it was "unconscionable" to raise living costs during an international pandemic. "It does virtually nothing to help Washington families exhausted by 2020 and anxious about the new year" Representative Drew Stokesbary said in a statement.

Exemptions include sole proprietor business income, earned income, residential real estate sales, retirement accounts, assets the government seizes under eminent domain, livestock, farms, and forestry.

Other tax increases proposed by Governor Inslee include a new tax on health insurers that would net the state \$205 million in the first year. The Governor also wants to narrow the tax law that allows businesses to write off bad debts. It would transfer \$36.2 million to the state over two years, according to another proposal by the Governor.

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## ***Financing a Manufactured Home Community***

Even during a period of unprecedented challenging market conditions, financing for a manufactured home community is still readily available to qualified investors. Lenders will always require current rent rolls and operating statements, information on local market conditions (including a rent survey and vacancy report), and the borrowers most current personal and business financial statements. Loan amounts are readily available from \$1 Million to \$30 Million and many lenders are still offering capped cost options for as low as \$3000 for multi-family loans. Full 30-year amortization / 30-year terms are available, and most loans remain assumable to a qualified purchaser.

## ***Housing Coalition Partners Provide Recommendation to Treasury for Allocation of Rental Assistance Funds***

The Manufactured Housing Institute (MHI) and its coalition of national housing industry partners are working with the Treasury Department, including current officials from President-Elect Biden's transition team, to ensure the \$25 Billion in rental assistance funding in the COVID bill is used effectively. The program is intended to help families and individuals pay their rent and utility bills, while also helping rental property owners of all sizes continue to cover their costs, including the costs necessary to ensure residents' health and safety.

MHI is urging Treasury to allocate the funding as quickly as possible and to provide a framework for implementation that will maximize states and localities ability to get the much-needed assistance into the hands of the eligible recipients. As part of this outreach, the coalition has made five recommendations to Treasury to assist with the implementation process.

## ***Oregon Spotlight – New Landlord Tenant Laws for 2021***

In mid-2020 the Oregon Legislature quickly passed HB 4312 in response to COVID-19 related financial hardships. The Bill prohibited evictions for nonpayment of rents, charges and fees and no cause evictions throughout a defined "emergency period" which originally ran from April 1, 2020 to September 30, 2020.

HB 4312 established an additional six-month grace period during which the tenant could arrange to pay back their delinquent rent. The tenant was required to pay back their outstanding rents, charges, and fees at the end of the Emergency Period unless they notified their landlord that they intended to use the additional six months. The grace period originally began at the end of the emergency period. Landlords were prohibited from filing nonpayment and no-cause evictions based on unpaid rent accrued during the emergency period.

In December 2020, the Oregon Legislature passed, in special session, significant changes to the moratorium on non-payment of rent evictions, as part of House Bill 4401. These are major changes, including an extension of the moratorium to July 1, 2021. There are changes community owners and managers need to understand and comply with during the first half of 2021 until COVID restrictions are lifted (or loosened).

Unfortunately, what occurs sometimes when the drafters of legislation are rushed is their drafts are not subject to any review or amendment, as was the case with HB 4401, so the Bill has created as many questions as it has answers. While it says it will provide funding for landlords who have suffered because of the many Executive Orders and makeshift legislation such as HB 4312, the Bill still requires the Oregon Legislature to put some money up for funding the program and HB 4401 did nothing to address the need for that funding.

HB 4401 did accomplish two things when signed by Governor Kate Brown on December 23, 2020 – 1). It directs the Oregon Housing and Community Services Department to implement a program for direct aid to landlords reimbursing them a percentage of outstanding rents, and: 2). It modifies the Emergency Period and Grace Period created under HB 4312 for tenants who claim financial hardship.

HB 4401 authorizes the Oregon Housing and Community Services Department (OHCS) to pay residential landlords 80% of unpaid rents due after April 1, 2020 and up to the date of the applications, for certain qualified tenants. Landlords must apply to OHCS to qualify for distributions for tenants who: 1). Have NOT paid rent, and 2). Have submitted a signed Hardship Declaration Form. OHCS is developing an online application system to handle reimbursement requests. OHCS may coordinate with a local housing authority to administer the rules and distribute the reimbursement funds.

### ***Oregon Rent Control – Rent Increases***

Oregon's rent control law limits rent increase to 7% plus the September-to-September average change in the CPI for All Urban Consumers, West Region as published by the Bureau of Labor and Statistics of the United States Department of Labor in September of the prior calendar year (the "CAP"). For rent increases for a month-to-month tenancy the landlord must: A. Give 90 days advance notice; B. Ensure increases will not exceed the CAP; C. State the exact amount of the increase; D. State the amount of the new rent; E. State the date the increase becomes effective.

## ***Washington Extends Eviction Moratorium***

On December 31, 2020 Washington's Governor Jay Inslee officially extended the Eviction Moratorium proclamation until March 31, 2021. No substantial changes were made for small housing providers. The previous moratorium was set to expire on December 31<sup>st</sup>.

The extension extends all existing provisions and makes adjustments to provide additional support for landlords and property owners. Provision 20-19.5 extends state rental assistance programs to incorporate the newly approved federal funding for rental assistance. The stated goal of these rental assistance programs is modified to provide a path for landlords, property owners and property managers to initiate an application for rental assistance. The proclamation also clarifies that landlords and property owners may communicate with tenants in support of their applications for rental assistance.

## ***Regional Outlook***

Washington, Oregon, Idaho, Montana, and California, despite all the recent market interruptions and challenges are positioned to come out of this winter in over-all good shape. Unemployment remains relatively low, new employment opportunities are everywhere as the quick transition to home delivery has fueled the growth Amazon and other direct to consumer on-line retail are enjoying, and many companies have adapted to "working remotely".

As this incredible cultural shift continues to take shape, thanks to the unanticipated effects of COVID-19 turning our world upside down, opportunities are everywhere. Fewer people than normal are opting to sell their existing homes and move during the pandemic but gives us every indication that when the pandemic restrictions are relaxed later this spring the pent-up demand for almost everything will create a surge in buying, selling, moving, traveling, and getting back to enjoying a more "normal" lifestyle. Virtually every major economist believes the second half of 2021 is going to be a time of significant growth and employment and our position in the housing industry leaves us well positioned for a return to financial stability.

## ***Legislator Martha Fudge to replace Dr. Ben Carson at HUD***

President-elect Joe Biden has been lining up his cabinet, and will look to Representative Martha Fudge of Ohio, to lead the U.S. Department of Housing and Urban Development, replacing Dr. Ben Carson, a Trump appointee. The congresswoman represents the 11th Congressional District of Ohio. Fudge serves on the Committee on House Administration, House Committee on Agriculture and House Committee on Education and Labor. She is the Chair of the Committee on House Administration Subcommittee on Elections and Chair of the Committee on Agriculture Subcommittee on Nutrition, Oversight and Department Operations.





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She serves on the Subcommittees on Conservation and Forestry (Agriculture), Civil Rights and Human Services (Education & Labor) and Health, Employment, Labor and Pensions (Education & Labor).

"Representative Fudge is a talented lawyer, successful mayor, and effective legislator. She has shown time and time again, that there is nothing she can't accomplish," U.S Senator Sherrod Brown said. "I am confident that as Secretary of the U.S. Department of Housing and Urban Development she will work to address this public health crisis and our affordable housing crisis and make our housing system more equitable". He said is a statement that Fudge is the right choice for the moment, will make Ohio proud and "take on systemic racism in our housing system so that the dream of homeownership is available to everyone, no matter who they are, where they live, or what kind of work they do."

## **INDUSTRY PRODUCTION AS OF January 4, 2020**

According to official statistics compiled on behalf of the U.S. Department of Housing and Urban Development (HUD) and verified by the Manufactured Housing Association for Regulatory Reform (MHARR), HUD Code manufactured home year-over year production rose slightly in November 2020 according to the latest available statistics. Just released data indicates that HUD Code manufacturers produced 7,996 homes in November, a mere 0.3% increase from the 7,972 new HUD Code manufactured homes produced during November 2020.

On a cumulative basis, industry production for 2020 now totals 86,757 HUD Code homes, as compared to the 87,884 homes produced over the same period in 2019, a year to date decrease of just 1.2%.

With 2020 cumulative industry production heading into the fourth quarter currently down 1.2% from 2019 – which itself was down from 2018 – it is evident that unlike other segments of the housing industry, which have experienced a strong rebound from lower sales tied to COVID-19 lockdowns and other factors, manufactured housing production and shipments continue to be plagued by persistent post production issues which the industry has failed to resolve, including parity with financing and baseless constraints on zoning and placement.

Unless and until these continuing post-production failures are confronted and resolved, the industry's recovery as an unparalleled affordable housing resource for lower and moderate-income American families will continue to needlessly lag.

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## **Upcoming Events**

### **2021 MHI Winter Meeting**

February 22-24, 2021 Virtual Program

An opportunity for members to network, exchange information, hear about the latest housing trends, and learn about industry issues.

### **2021 MHI Annual Meeting – Location and Format TBD**

Visit: [info@mfgghome.org](mailto:info@mfgghome.org) for more information, or  
[www.manufacturedhousingeducation.com](http://www.manufacturedhousingeducation.com) ,.

### **2021 National Communities Council Fall Leadership Forum**

Hopefully Covid-19 restrictions will be lifted by Fall 2021 and this important community owners & managers event can resume its normal format and schedule. Easily the most important meeting of the year for the Council, this meeting is geared exclusively toward those involved with manufactured home communities as an owner/manager, manufacturer, service provider, broker, lender, or consultant. The meeting offers strategic content to explore new ideas, examine new trends, and offers a unique perspective with programming not found at any other industry meeting. With 2 nights/1.5 days of programs, this event's low "out of office" time provides for high-impact ideas for your business.

## **Always Engage the Best**

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For more information on manufactured home communities for sale or an assessment of your community call Bill Jackson & Saundra Price of Northwest Park Brokerage at (206) 652-4100 or email Bill at: [billj@nwparks.com](mailto:billj@nwparks.com)

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