

The Northwest Report

Issue 68 July 2020

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

HOUSING IS STILL A PRIORITY

Managing and Succeeding Amid COVID-19

These are unprecedented times. As we stated in the headline from our Spring 2020 edition of The Northwest Report:

“Manage what is unavoidable so you can avoid what is unmanageable”.

There is so much going on right now in our daily lives that is unavoidable, it is easy to get bogged down digesting the influx of information and statistics dominating the airwaves. While monitoring all of this new information that greatly impacts our personal lives and those of our families and employees, we can't ignore business. Often, our time and energy can be well spent managing the many opportunities that still exist in the manufactured housing industry, and there are MANY, even now.

While sales and production are down slightly (just 0.8% year-to-date), interest in purchasing a manufactured home – new or pre-owned remains very strong. And as rising unemployment and the concern over a slower economy loom large on many American's minds it emphasizes the need for more affordable, energy efficient housing, especially for young families and empty nesters alike. Today's manufactured home fills their needs perfectly, with affordability and quality all wrapped up in one easy purchase.

How do you reach these potential consumers? Social media and online marketing are the fastest and most affordable way to get the word out. If your manufactured home community doesn't have a Facebook page and Twitter or Instagram account, you should start one. Train your onsite managers on the use of social media to promote the community and connect with the residents at the same time.

Also, consider offering incentives to current, happy residents who reside in your manufactured housing community, who recommend the community to their friends and co-workers. Grass roots marketing has always worked for political campaigns, why can't it work to attract new residents to your community? Give it a try, it's an easy, affordable way to get the word out about the quality and affordability of your manufactured home community.

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"EVIDENCE MATTERS" PUTS MANUFACTURED HOMES IN THE SPOTLIGHT

The US Department of Housing and Urban Development (HUD) dedicated its' Spring 2020 edition of "Evidence Matters" magazine to factory-built housing. The issue supports and promotes the quality, energy efficiency and affordability of manufactured homes.

In the issue, HUD's own research team also validates that "a variety of demand, regulatory, zoning and other barriers, however, have limited the reach of this promising affordability solution," serving as a call-to-action for policymakers and Congress to move forward in making changes to help the manufactured housing industry overcome such hurdles. The magazine affirms industry advocates and trade associations long standing message that: "There is a continued need for factory-built housing to become an even greater source of affordable housing."

Addressing state and local barriers to the siting of manufactured housing was discussed during a recent virtual hearing before the House Financial Services Subcommittee on Housing, Community Development and Insurance. The purpose of the hearing was to discuss the challenges that have impacted tenants and landlords in the wake of COVID-19 and steps Congress is taking to address these concerns.

Members of the Subcommittee focused on the shortage of affordable housing in the nation, which has been exacerbated by the COVID-19 pandemic, and potential solutions for addressing this shortage as the economy begins to recover. During an exchange with Representative John Rose (R-TN) about supporting housing affordability in rural communities, witness Jenny Schuetz, Fellow at The Brookings Institution, emphasized that manufactured housing is a particularly effective approach to providing more affordable housing, but noted that state and local regulations have hindered this affordable homeownership option. A top priority industry advocates is working with Congress and the Administration to help alleviate state and local impediments to manufactured housing.

More than ever before, families are looking for safe, affordable housing that provides them their own space, free of shared-walls and cramped quarters. Guaranteeing American's access to affordable manufactured housing has never been more important than it is today. Congress and other policymakers have to ensure that "manufactured housing can help the nation overcome it's affordable housing shortage."

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FHA EXTENDS EVICTION AND FORECLOSURE MORATORIUMS

The Federal Housing Administration (FHA) and the Federal Housing Finance Agency (FHFA) announced they are extending their respective foreclosure and eviction moratoriums to August 31, 2020. The current moratoriums, which were initiated to help borrowers and renters who were financially impacted by the coronavirus national emergency, were originally set to expire June 30, 2020.

Fannie Mae and Freddie Mac's (Enterprises) single-family moratorium on foreclosures and evictions applies to Enterprise-backed, single-family mortgages only. FHA's extension continues to apply to all FHA Title II single family forward mortgage and Home Equity Conversion Mortgage (reverse) programs, except for those secured by vacant and/or abandoned properties. The extension does not apply to Enterprise-backed multi-family loans.

HUD TO HOST VIRTUAL SEXUAL HARASSMENT IN HOUSING TRAINING FORUMS

In a recent press release, U.S. Department of Housing and Urban Development (HUD) announced it will host a virtual training forum for the HUD Fair Housing Initiatives Program and Fair Housing Assistance Program agencies. This forum will focus on effective strategies to address sexual harassment in housing and will be conducted through HUD's National Fair Housing Training Academy (NFHTA).

The forum, titled "Investigating Complaints of Sexual Harassment in Housing Situations," will be held July 9, from 2 p.m. to 3:30 p.m., and cover topics related to the Fair Housing Act, including case highlights and outcomes, investigative techniques, resources for education and outreach activities, relevant case law, prompt judicial relief, and the emotional support and care of victims of sexual harassment. Also highlighted will be sexual harassment cases in which HUD, the U.S. Department of Justice, and the National Fair Housing Alliance have collaborated their efforts on.

For up-to-date information about the upcoming training forums go to:
www.hudexchange.info/programs/fair-housing/nfhta/

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HELP FOR THE MANUFACTURED HOUSING INDUSTRY

The U.S. House of Representatives passed H.R. 2, the "Moving Forward Act," a \$1.5 trillion plan to rebuild America's infrastructure, which included two key manufactured housing provisions due to MHI's advocacy efforts – the establishment of a program at HUD to fund the preservation of manufactured home communities and an expansion and extension of the 45L Energy Efficient Home Tax Credit (45L Tax Credit). President Trump has issued a veto threat against the House's infrastructure package and the Senate leadership has indicated that any infrastructure package it considers will be dramatically different than what has passed in the House. As the negotiations continue, MHI will work with its bipartisan champions in both chambers to support inclusion of these two provisions in any final infrastructure bill that is signed into law.

Supporting Preservation of Manufactured Home Communities

Introduced as an amendment by Representative Cynthia Axne (D-IA), the House infrastructure package provides federal grant money to entities purchasing or rehabilitating manufactured home communities for the purpose of creating affordable housing opportunities – including for-profit manufactured home community owners and operators.

Modeled after H.R.5547, the "Manufactured Housing Community Preservation Act of 2020" which was introduced in January, Manufactured Housing industry advocates have worked with Representative Axne and Mo Khanna (D-CA) as the legislation was drafted to ensure that for-profit land-lease community owner-operators would be among the entities eligible to apply for funding under the program. Money granted through the program would be disbursed in the amount of \$1 million or \$20,000 per lot in the community, whichever is less.

Land-lease communities that meet affordability requirements will be eligible for 40% of the funds, with the remainder of funds being available for non-profits, public housing agencies, local governments, Indian tribes, and resident-owned communities. The funds can be used for:

- Acquisition and preservation of manufactured housing communities.
- Costs for making improvements to common areas and community property for acquired manufactured housing communities; and/or
- The demolition, removal, and replacement of dilapidated homes from a manufactured housing community.

Under the program, any entities who receive grants are required to keep, manage and maintain the property for at least 20 years. Further, the amendment limits rent increases to no more than 10 percent annually. The recipient of funds is also required to match the amount granted with non-federal funds.



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Extension and Expansion of the 45L Energy Efficient Home Tax Credit (45L Tax Credit)

The House infrastructure package extends the 45L Tax Credit through 2025. The Manufactured Housing Institute (MHI) has been a consistent voice on Capitol Hill advocating strongly for the extension of this tax credit. MHI works with the House and Senate tax committees each year to secure the annual extension of this credit. The bill expands the maximum credit for eligible new energy efficient homes from \$2,000 to \$2,500 and makes eligible units with energy expenditures at least 15% below the expenditures of a comparable unit based on the 2018 International Energy Conservation Code standards. It also replaces the eligibility requirements for units eligible for the \$1,000 credit to correspond with the Energy Star Labeled Homes program.

THE PACIFIC NORTHWEST OUTLOOK

Washington, Oregon, and Idaho are positioned to weather the consequences of the COVID-19 pandemic "storm" and related events better than many states. While Washington has suffered from high numbers of infections, which clearly influences the state's economy, Washington is also a strong and robust state with a solid economic foundation that will strongly rebound when the pandemic passes. Pent-up demand for housing and all other types of construction related activity is bound to take-off once things get better and Washington's underlying strong business base is well positioned to ramp-up operations quickly.

Oregon and Idaho have relatively low numbers of COVID-19 infections when compared to Washington and they are also states with strong economic foundations that could be poised to recover from the negative financial impact of the pandemic fairly quickly.

The Pacific Northwest's overall financial strength, coupled with the state and federal incentives being offered to workers temporarily furloughed due to the pandemic, offer signs of hope that we will make it through these historic times stronger, smarter, and better positioned to thrive in the years ahead.

FINANCING A MANUFACTURED HOME COMMUNITY

INTEREST RATES AND LENDING.

According to official due to social distancing guidelines and other urgent changes affecting banking and lending, the latest interest rate information remains difficult to obtain with most lending representatives working remotely from home, processing purchases and sales electronically.

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Generally speaking, lenders are currently making loans from \$1 Million to \$30 Million with capped costs options for as low as \$2,000 and relationship pricing for strong buyers. Tier one locations are strongly desired and Loan-to-Value ratios do appear to be tightening, as marketing conditions and long-term outlooks remain uncertain.

INDUSTRY PRODUCTIONS STUMBLES AMID COVID-19 CLOSURES

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 fell in May 2020 according to the latest available statistics. Just released data indicates that HUD Code manufacturers produced 6,647 homes in May, a 22% decrease from the 8,569 new HUD Code manufactured homes produced during May 2019.

This May 2020 decrease comes amidst the Coronavirus pandemic and related disruptions created by various stay at home orders.

On a cumulative basis, industry production for 2020 now totals 38,597 HUD Code homes, as compared to the 38,921 homes produced over the same period in 2019, a year to date decrease of just 0.8%.

The top ten states for manufactured home shipments are: 1). Texas, 2). Florida, 3). Louisiana, 4). Alabama, 5). North Carolina, 6). California, 7). Mississippi, 8). Michigan, 9). Kentucky and 10). Tennessee. This "top ten" list has remained unchanged in recent times.

Upcoming Events

2020 MHI Webinar's

- July 21st – Revisiting the Retailer "Do's & Don'ts" list, RE: Financing
- July 29th – "Outside the Box" – A solution to the Affordable Housing Crisis
 - August 5th – Managing your Online Reputation
- August 18th – Not your Grandmother's Manufactured Home and Why it Shouldn't Be!

Visit: info@mfgghome.org for more information, or
www.manufacturedhousingeducation.com

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NCC Fall Leadership Forum 2020

The National Communities Council present's the Fall Leadership Forum
November 4 – 6, 2020
The Westin Michigan Avenue
Chicago, IL

Always Engage the Best

Regardless of the current circumstances, **Northwest Park Brokerage** is still predicting a **record year in 2020** because 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 have our pulse on the industry, we intimately understand the business, and we have relationships with buyers and sellers who are serious, qualified and motivated. Let us help you evaluate your community. **Give us a call at 206.652.4100.**

Over \$1 Billion 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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