

# The Northwest Report

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

## *Washington State Legislation*

The 2023 legislative session in the State of Washington was memorable from many fronts, not the least of which the long list of legislation aimed at landlords and more specifically, managers and owners of manufactured home communities. Overall, industry advocates and representatives report several successes as a result of their proactive stance and strong efforts to stop needless legislation from becoming law.

Industry members and lobbyists opposed and defeated a number of House and Senate Bills that threatened the very future of manufactured home communities in Washington state. The success was a combination of strong lobbying efforts by Manufactured Housing Communities of Washington (MHCW) and engaged members who wrote or called their elected officials and explained their positions on a wide variety of legislative proposals. Here are a few of those Bills:

**SB 5697 – MOBILE HOME PARK RENT CONTROL.** This Bill included language that only applied to Manufactured Housing and passage would have forced investors to flee the industry and disincentivized existing owners from investing in infrastructure or amenities. MHCW opposed SB 5697 and it was **defeated**.

**HB 1388 – RENT CONTROL.** This Bill applied to both residential housing and manufactured home communities, and it included specific language that would prohibit a landlord from increasing rent more than the rate of inflation or 3%, whichever is greater, up to a max of 7% (depending on certain provisions). MHCW opposed HB 1388 and it was **defeated**.

**HB 1389 / SB 5435 – RENT CONTROL.** This Bill was aimed at residential rent increases in the residential landlord-tenant act and the manufactured/mobile home landlord-tenant act. The original Bill applied to both types of rental housing. It also had a 3% / max. 7% component and some very complicated language and processes. MHCW opposed these Bills, and they were **defeated**.

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**HB 1625 / SB 5615 LOCAL RENT CONTROL.** This Bill would have allowed every local government to create a different local rent control policy, which could mean more than 450 different local rent control policies across Washington state. MHCW opposed these Bills, and they were **defeated**.

**HB 1124. RENT CONTROL.** Would protect tenants from excessive rent and related fees by providing at least 6 months' notice for rent increases over a certain amount and limiting late fees. Specifically, this Bill said a landlord may not increase rent by more than 5 percent without providing written notice between 180 and 220 days before the increase would take effect. MHCW opposed this Bill, and the **Bill was defeated**.

**HB 1589 / SB 5562 BANNING NATURAL GAS.** This Bill would prohibit gas companies serving more than 500,000 retail gas customers in Washington from extending gas service after June 30, 2023. Had this Bill passed the impact to new housing would have increased costs by up to \$13,000 for electrification of all homes and increased homeowners ongoing expenses, as the annual operating costs of using natural gas is about one third the cost of electricity. MHCW opposed this Bill, and the **Bill was defeated**.

**SB 5198 MOBILE HOME COMMUNITY SALE-BILL PASSED.** This Bill passed and has been signed by the Governor. The Bill requires a landlord to provide written notice of opportunity to purchase when selling or leasing a manufactured / mobile home community before the Community is marketed for Sale. It allows "eligible organizations" a fixed period of time to provide written notice of intent to consider purchasing or leasing a community and to make an offer, during which time the landlord may not make a final unconditional acceptance of another offer. Also, it requires, with limited exceptions Subject to financial penalties/tenant relocation costs, that a landlord provide two years' notice of a community's closure or conversion. And it requires (2) separately delivered certified mail notices with common and a few different requirements based on a landlord publicly announced the community is for sale.

An Owner is required to provide written notice of opportunity to compete to purchase within **70 Days after receipt of the Notice**, the tenants must form or identify a qualified tenant organization and notify the Park Owner of interest in competing to purchase. Tenants may request the Park to provide financial information necessary to Park operating expense.

The Bill includes a \$10,000 fine for a landlord not doing the opportunity to purchase process correctly or at all. Affected tenants are still eligible for state relocation fund assistance in the event of a closure.

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Industry trade association Manufactured Housing Communities of Washington is hosting their Annual Convention June 6-8, 2023, in Tacoma and at the convention MHCW will provide additional information and training on the Bills that affect manufactured home community managers and owners.

## **Oregon Rent Control Bill**

A bill introduced in the Oregon Legislature seeks to make it more difficult for landlords to “price out” their tenants. It would cap the allowable annual rent increase across the State of Oregon and require a larger payout to renters evicted without cause. It’s proving to be one of the more contentious bills of the legislative session.

The bill is the latest battleground between tenants’ rights groups and landlord’s, who for decades blocked anything hinting of rent control. Advocates argue that capping rent increases would help to prevent low-income renters from becoming homeless. Landlords argue that rent control disincentivizes building more housing and slows Oregon’s ability to meet aggressive new housing goals.

It would cap allowable annual rent increases at 10%, or 5% plus the previous year’s consumer price index, whichever is less; the current statewide cap is 7% plus CPI. This year, that equates to an allowable rent increase of 14.6%. The Bill as initially drafted sought to cap the allowable rent hike at 8% or 3% plus CPI, whichever was less. Facing hesitancy from legislators on both sides of the aisle, the chairman of the Senate Committee on Housing and Development amended SB 611 last week to raise the cap slightly.

Landlord groups argue that Portland’s strong renter protections and increasingly the state’s similar rules, already deter developers from building more affordable housing – what most would agree is the core issue at the heart of the state’s homelessness crisis. At this time the Bill is stalled due to a key senator being out sick, with no timetable released for his return to the senate.

## ***Oregon Governor Under-Appreciates Manufactured Housing***

Oregon Governor Tina Kotek recently toured the Port of Portland’s Terminal 2 to assess the speed and effectiveness of Hacienda’s Mass Casitas modular housing pilot program. The program will build 10 to 20 factory built “modular homes” this year, a drop in the bucket when it comes to meeting the states’ goal of building 36,000 new homes annually. Nevertheless, she completely overlooked existing manufactured home builders in Oregon as potential partners in increasing Oregon’s housing supply. Oregon’s manufactured home builders are currently building up to 600 homes per year and they can turn that into 700 or 800 homes a year by implementing their existing “scale up” capabilities.

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The Oregon Manufactured Housing Association, which represents Oregon's five manufactured home building companies, applied to be part of the governor's Housing Production Advisory Council, which began accepting applications for membership in February. Unfortunately, none were selected.

### ***Manufactured Home Factory Backlogs Evaporate***

In Oregon, Washington and Idaho, manufactured home builders have seen a backlog of new home orders that was reportedly 12-months long in 2022, completely evaporate. Currently, these factories admit they have almost no backlog of sold homes left to build and their production schedules are now "week to week". The effects of rising interest rates have contributed to this change in prosperity for factory home builders, but a variety of other factors have certainly played a part.

It was previously disclosed that most factories held "slots" in their production line backlog and schedule for their largest retailers who may or may not have had a home order pending, but might have an urgent buyer materialize with a short timetable for delivery and the retailer could use that production slot to get a home built quickly. Unfortunately, as interest in new homes has diminished, they no longer have orders to fill those slots. This creates unique opportunities for community owners who want to buy new homes to fill vacant spaces. There will definitely be some deals to be had.

### **Industry New Home Production Declines in Q1 2023**

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 declined again in March 2023.

Current data indicates that HUD Code manufacturers produced 7,646 homes in March 2023, a 32.2% decline from the 11,279 new HUD Code homes produced in March 2022. Cumulative new home production for 2023 is now 21,174 homes, a 28.6% decrease from the 29,670 homes produced over the same three-month period during 2022. This unwelcome news has been expected by industry insiders, as the effects of higher interest rates and inflation continue to hamper home sales.

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A further analysis of the official industry statistics shows that the top ten manufactured home shipment states from January 2023 – with monthly, cumulative, current year (2023) and prior year (2022) shipments per category as indicated – are:

1). Texas 2). Florida 3). North Carolina 4). Alabama 5). Michigan 6). California 7). South Carolina, 8). Georgia, 9). Louisiana and 10). Arizona. Mississippi, Kentucky and Tennessee fell out of the top-ten list for the first time in several years, replaced by South Carolina, Georgia and Arizona.

The March 2023 statistics now show two consecutive quarters of industry production declines, beginning in October 2022. These production declines have become steeper every month as the longer-term decline has continued, now reaching a monthly year-over-year decrease in excess of 30%.

As industry leaders have stressed, all of this is occurring at a time of unprecedented demand for affordable housing, thus illustrating once again, not only the long-term destructive impacts of discriminatory zoning and consumer financing on the HUD Code manufactured housing market, but also the failure of federal affordable housing aid and assistance to “reach the ground” for manufactured housing consumers. Decisive industry action to address and resolve these postproduction issues – (zoning, placement, consumer financing discrimination and baseless constraints of energy efficiency) in the nation’s capital is long overdue.

## **Upcoming Events**

### **Annual Convention**

#### ***Manufactured Housing Communities of Washington***

Greater Tacoma Convention Center

June 6 to June 8, 2023

MHCW - 360.753.8730.

Hotel Accommodations: Courtyard by Marriott 1500 Commerce St., Tacoma WA

<https://www.mhcnw.org/events/2023-mhcnw-annual-convention>

### ***2023 Homes on the Hill***

June 6-7, 2023

On The National Mall at The Salamander – Washington D.C.

[www.manufacturedhousing.org](http://www.manufacturedhousing.org)

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***2023 Manufactured Housing Institute's Annual Meeting***

October 2-4, 2023

The Miramonte Resort & Spa

Palm Springs, CA

[www.manufacturedhousing.org](http://www.manufacturedhousing.org)

**Annual Conference 2023**

***Manufactured Housing Communities of Oregon***

October 22 & 24, 2023

Location and details TBD

[www.mhco.org](http://www.mhco.org)

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