

The Northwest Report

Issue 67 April 2020

For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

Another Kind of “Normal”

Manage what is unavoidable so you can avoid what is unmanageable

In our January 2020 Northwest Report newsletter, the opening paragraph stating something like this:

"Everybody is wondering what type of year 2020 will shape up to be. Elections, international unrest, political infighting, tariffs, taxes and a laundry list of other issues has kept everyone guessing. None of us know what the future will bring, but in the housing industry two things will help us stay healthy and grow steadily – low interest rates and a strong economy."

Well, we have LOW interest rates – as in, record low interest rates. Unfortunately, what we no longer have is a robust economy. In six short weeks, our once booming national economy has ground to a halt through no fault of our own and we have no idea when it will recover or how long it will take to recover. Optimistically, we are in better shape than most industries. Our homeowners are just that, homeowners, and their cost of living in our communities is affordable. But at this point one can only guess what the next six months might be like.

Help for Small Businesses

Most businesses in our industry fall under the category of a small business (500 employees or less) by the Small Business Association – SBA. The Paycheck Protection Program (“PPP”) as part of the government’s new stimulus package authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis. All loan terms are the same for everyone. The loan amounts will be forgiven if: 1). The proceeds are used to cover payroll costs and most mortgage interest, rent, and utility costs over the 8-week period after the loan is made, and 2). Employee and compensation levels are maintained.

Small business owners and sole proprietorships can apply now through existing SBA lenders. Starting on April 10, 2020 independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders. Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program. Just go to www.sba.gov for a list of lenders.

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FULLY FORGIVEN. Funds are provided in the form of loans that will be fully forgiven when used for payroll costs, interests on mortgages, rent and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. No fees will be charged.

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines or if salaries and wages decrease. Small businesses with 500 or fewer employees are eligible.

Help for Individuals

While residential evictions have been put on a hold for 90-days in most jurisdictions it's not a rent holiday – rents are still due every month. Also, most of our residents will be receiving both the one-time Recovery Rebate payments (\$1200 for individuals and \$2400 for couples who file a joint tax return) and for those who have a qualifying child they will receive an additional \$500 for each child. Should they lose their job due to the COVID pandemic, enhanced unemployment insurance payments are immediately available through state unemployment offices.

These and other stimulus benefits have been made available through the Coronavirus Aid, Relief and Economic Security Act, or CARES Act, which has set aside money for individuals and small businesses. If people had a tax refund in 2018 or 2019 and they received the refund with direct deposit the rebate payments will automatically appear in the same account number. If not, individuals will likely get a paper check from the IRS and it will be mailed to the last address on file with the IRS.

If you have a resident who has been laid-off or furloughed as a direct result of the COVID-19 pandemic they must demonstrate they have had a substantial loss of income due to the virus. If so, we can ask for a letter from their employer confirming that information and (if necessary) work with them on a payment plan until they receive their stimulus check (s) and/or get back on their feet. State courts are not hearing FED evictions for nonpayment of rent at this time, so your options are limited. Reaching a repayment program is better than not getting any rent money and not being able to do anything about it. Consider entering into an agreement for partial payments for a period of time. It may be your best bet.

Residents are required to continue to pay for utilities and other charges and fees if they pay them directly to a third-party provider, such as electricity, cable, garbage. However, utilities payable directly to the landlord as defined as "rent" in this case and therefore may be deferred (but not forgiven).

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Help for the Manufactured Housing Industry

The manufactured housing industry clearly provides essential functions for the nation's housing supply. The **Manufactured Housing Association for Regulatory Reform ("MHARR")** recently wrote to HUD Secretary Dr. Ben Carson and the Director of the U.S. Cybersecurity and Infrastructure Security Agency ("CISA"), Christopher Krebs.

The communication expands upon a previous MHARR communication to Secretary Carson calling, among other things, for all segments of the manufactured housing industry to be deemed "essential" by the federal government in relation to the current COVID-19 emergency. And while the updated guidance reflects this request by specifically listing housing construction as an "essential" function, MHARR has sent a follow-up communication to urge CISA and HUD to make it absolutely clear that in the context of the manufactured housing industry, these "essential" functions must include manufactured home community operations and manufactured home retailing as a necessary link in the production and distribution chain between manufacturers and consumers.

Thousands of small businesses constitute the traditional core of the manufactured housing industry and it is important that, as stated by MHARR, "the federal government take all steps necessary and proper to ensure that the production, sale, transportation and installation of federally-regulated HUD code manufactured homes are treated as 'essential' economic activity for all purposes and at all levels of government."

The Manufactured Housing Institute ("MHI") which represents manufactured home land developers, lenders, retailers, manufacturers and insurers has asked the Department of Homeland Security ("DHS") to update its guidance to states and localities about the "essential" workforce that can remain in operation during the COVID-19 outbreak. The updated guidance clarifies that housing construction operations and property management are considered "essential", which means they are critical to public health, public safety, economic security or national security. The clarification encompasses manufactured housing operations, including leasing, property management, housing construction related activities (which is interpreted to include sales), suppliers and contractors. While it is not mandatory for state and local governments to follow this federal guidance, the list has been utilized across the country as governors respond to COVID-19.

MHI worked with the White House, DHS, Congress and a coalition of real estate and construction associations to secure this important clarification that clears another hurdle to ensuring the manufactured housing industry can remain operation during the COVID-19 emergency.

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Financing a Manufactured Home Community

INTEREST RATES AND LENDING.

Due to social distancing guidelines and other urgent changes affecting banking and lending, the latest interest information is not readily available at press time.

Most lenders are only doing business electronically during these unprecedented times. Lenders have established electronic portals for both uploading documents and obtaining signatures safely and securely. Generally, lenders are currently making loans from \$1,000,000 minimum to \$30,000,000 maximum with capped costs for as low as \$2,000 and relationship pricing for strong buyers.

Loans are available as fully amortization programs for 15 to 20-years, or full 30-year amortization with a 30-year term. 90-day rate locks are available, some with a one-time float down option. These loans typically have short term step-down prepayment penalties, and most are assumable loans.

Production Increases in February 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 production increased in February 2020 according to the latest reports. Just released statistics indicate that HUD Code manufacturers produced 8,240 homes in February, up a strong 14.2% from the 7,213 new HUD Code manufactured homes produced during February 2019.

On a cumulative basis industry production for 2020 now totals 16,973 HUD Code homes, an 14.9% increase when compared to the 14,769 homes produced over the same period in 2019. 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.

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Upcoming Events

2020 MHI CONGRESS & EXPO

According to today's announcement from MHI, the Congress & Expo for 2020 is fully cancelled. The Congress & Expo will take place next year at MGM Resort on April 6-8, 2021

MHI ANNUAL MEETING

October 4-6, 2020
Grand Hyatt Hotel
Denver, CO

www.manufacturedhousing.org/conferences-meetings

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

~JUST SOLD~

Rosewood Park Place located in Winston, Oregon



Rosewood Park Place

101 Space Quality Family Community
Located in Winston, Oregon
(Hour South of Eugene, Douglas County)

Property was built in 2000 with 100% Doublewide homes. Serviced by City Services with Tenants responsible for Garbage. Rosewood features 101 total pads with 19 open sites (81% occupancy)

~SOLD at \$6,500,000 - 4.31% Cap Rate~

E-mail or Call for More Information

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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