



All Parks Alliance for Change ■ APAC

An Organization of Manufactured Home Park Residents

September 19, 2009

Jennifer Ho, Commissioner
Minnesota Housing
400 Wabasha Street North, Suite 400
Saint Paul, MN 55102
mn.housing@state.mn.us

Re: 2020-23 Strategic Plan and 2020-21 Affordable Housing Plan

Dear Commissioner Ho:

I write on behalf of All Parks Alliance for Change (APAC) to provide public comments on Minnesota Housing's 2020-23 Strategic Plan and 2020-21 Affordable Housing Plan. APAC is the statewide organization for Minnesota's 180,000 manufactured home park residents. Founded in 1980, residents through APAC have built up a special section of state law dealing with manufactured home parks (Minnesota Statute 327C), which started with establishing storm shelter standards and eliminating "no cause" eviction in 1982 and continued right through 2019 with significant changes to the park closure process, right of first refusal, and Manufactured Home Relocation Trust Fund.

2020-23 Strategic Plan

To begin with, I want to thank you on behalf of APAC and its members for the significant attention your draft strategic plan pays to manufactured housing. It is appropriate to recognize that supporting and preserving manufactured housing is important to ensuring the availability of housing that is affordable. Manufactured housing is a uniquely powerful strategy not only for affordable housing, as you noted, but also sustainable home ownership. The homes are more affordable than site-built homes. As of 2015, the average cost per square foot for a manufactured home was \$47.55, compared to a cost of \$100.65 for a site-built home. In 2016, this translated to an average sales price for a new manufactured home of \$74,200 compared to an average of \$296,400 for a newly constructed single-family home. For existing homes, the median value for a manufactured home was \$28,900 and the median sales prices for non-foreclosed single-family home was \$183,300 in 2015. In addition, manufactured housing is not only the largest source of affordable housing (more households than HUD subsidized units and USDA's Rural Development units, combined) but it is also a naturally-occurring source of affordable housing.

• Create a Team and Structure within Minnesota Housing to Support and Preserve Manufactured Housing

Bringing together expertise from different parts of the Agency is very important because manufactured home parks function in a unique way that is equal parts single family and multifamily housing. The homes and communities in many ways operate independently of one another. In a very fundamental way though, they must operate in a way that is highly coordinated. Much like a community land trust, what makes park communities an effective method to provide both affordable housing as well as access to home ownership is separating the cost of the land from the cost of the home. However, when you separate not just the cost of the land, but the control of it from the home owners, it empowers the land owner to set the tone for how both the community as well as homes will be maintained. Either by modeling a virtuous cycle of reinvestment in the park that encourages residents to do the same with their own homes. Or a vicious cycle of disinvestment that makes residents reluctant to put money into their homes because the future of the park appears uncertain. Whether it is

preserving an existing park community or creating a new one, both single family and multifamily resources must be deployed in order to be successful.

- **Enhance External Partnerships and Collaborate**

As one of the organizations named, APAC is very interested in increasing our level of partnership and collaboration with Minnesota Housing. We see the development and implementation of cross-sector strategies as essential to supporting and preserving manufactured housing. We are currently working on the development of a tool that dovetails well with the idea of cross-sector collaboration.

APAC is analyzing past park closures with the assumption that certain factors place park communities at greater or lesser risk of closing. For the seven county metro area, we identified 80 operating parks, developed 17 data sets, and evaluated these communities based on 11 risk factors. We are formalizing this into a Manufactured Home Parks Risk Assessment Tool, which provides a park-by-park evaluation of the level of risk and the source(s) of that risk. The risk to a park might arise at the park operational level (e.g. health code violations, high vacancy rates, etc.), the policy-making level (e.g. zoning, public redevelopment, etc.), or the broader systemic level (e.g. rising property values, competing or conflicting land uses, etc.).

In order to support or preserve a park community, multiple, coordinated interventions may be required and it is likely that no one organization, agency, or level of government will have all the required resources or capacities. It may also be the case that each organization or agency will be reluctant to act where they do have capacity, if they don't have confidence that other parties will also act to deal with other issues. From our perspective, it is vitally important to form a broad range of durable partnerships that can act in close collaboration, and Minnesota Housing is best positioned to support that collaboration.

- **Create a Comprehensive Strategy**

We support the examples provided in the draft of what should be part of a comprehensive strategy for supporting and preserving manufactured housing, including increased financing for both homes and communities, policy change at both the state and local levels, and cooperatively-owned communities. In addition, the following four other areas should also be included:

- **Manufactured Home Park Vacancies** – APAC believes policies that promote filling the vacancies in existing park communities should be part of this strategy. Even in the Twin Cities metro area, home pad rental is still highly affordable. In 2017, APAC published the second edition of “Before You Sign: A Consumer’s Guide to Mobile Home Parks in the Twin Cities,” which included a survey of rent amounts. We found that rental costs ranged from a \$260 to \$666 per month, with the average rent for the seven-county metro area of \$440.59. This compares very favorably to the average cost of a two-bedroom in Minnesota, which was \$967 that year. In 2019, the annual Metropolitan Council survey identified 82 parks that range in size from 16 to 568 home pads. There are 15,592 total home pads, of which 14,088 are occupied. 1,504 are unoccupied, and 345 of the unoccupied pads have sited homes. Half of these communities are operating at or near full capacity. However, about 30 of them have vacancy rates of 10% or higher; sometimes much higher.
- **Expand Existing Park Communities** – While few new communities have been developed in recent decades and no new communities have opened in the metro area since 1990, there are at least 15 parks in the Twin Cities that underwent significant expansions. This set of 15 parks went from 2,383 home pads to 3,592, which is an increase of 1,209 or 34%. Four of these communities increased by about 100 or more pads, and

five communities saw an increase of roughly 50% or more. The most recent example was Valley Green in Jordan, which increased 18% from 290 home pads to 352 in 2011.

- **Develop New Park Communities** – A variety of factors explain the lack of new community development, but not a lack of need for affordable housing or access to sustainable home ownership opportunities. Undoubtedly, one barrier has been stigmas, stereotypes, and misconceptions associated with manufactured housing. The documents prepared by Minnesota Housing are an important sign this is a diminishing factor. In population centers, such as the Twin Cities, available, affordable land is a hurdle, but perhaps there are lands being held by the Twin City Community Land Bank that could be used to meet the urgent community need for affordable housing. Local government preferences can also block or encourage community development based on the application of their zoning authority; either to establish “manufactured housing only” zones or allow communities as a conforming use in multi-family zoning districts. Finally, it can be a hurdle to finance community development. There are precedents for establishing public park development funds. The federal government provided nearly \$164 million dollars in loans to parks owners during the all-time park development high point from 1970 to 1972. The idea of creating a development fund was also studied by the Metropolitan Council in 1987.
- **Respond to Purchases by National Chains** – Over time, there has been consolidation of park community ownership from mon-and-pop owners, to local and regional chain, to national chains. In recent years, the acquisition of communities has increased significantly among existing and new national chains; that now include private equity firms, real estate investment firms, and institutional investors based in the United States and other countries. The Manufactured Housing Institute, the national industry trade association, has annually published the number of home pads controlled by the 50 largest operators over the last four years. Their numbers show an increase in the number of home pads from 521,836 to 713,169. In recent years, we have seen several of these operators acquire parks in Minnesota, including Cal-Am Properties, Equity LifeStyle Properties, Havenpark Capital, and Riverstone Communities. Either because these chains are ignorant of state law or because they choose to ignore it, we have had to repeatedly confront these operators over illegal practices, including pressuring residents to sign new leases when doing so is not required; instituting rent increases that Minnesota courts have found to be unreasonable in other cases; and violating existing leases with residents to install water sub-meters to charge over and above lot rent for water and sewer. The state of Minnesota should deliver a strong response to this repeated conduct.
- **Reduce the Homeownership Disparity for Households of Color** – Minnesota’s manufactured housing has a higher proportion of non-white residents than the Midwest average, with about 9% of households being non-white. In Minnesota, 3% of all households are in manufactured housing, however about 12% of all Native American households and 9% of Latino households live in manufactured housing. For Latinos, the figures are even more significant in the Twin Cities. Nearly a quarter (24%) of manufactured home residents are Latino, compared to only 6% in the region. The over-representation is significant because, for instance, while 67% of Twin Cities residents own their homes, 86% of park residents do, and white and Latino residents own their homes at equivalent rates. In manufactured housing, there is no homeownership gap.

2020-21 Affordable Housing Plan

We appreciate the focus Minnesota Housing is placing on manufactured home communities in the 2020-21 Affordable Housing Plan. The Agency’s commitment to create a team, structure, and strategy to support and preserve manufactured housing will make it possible to deploy state resources proactively as issues arise. We look forward to the development a comprehensive strategy, and, as one of the organizations named, increasing our level of partnership and collaboration with Minnesota Housing. We support the examples provided in the draft for

possible actions, including increased financing for both homes and communities, policy change at both the state and local levels, and cooperatively-owned communities. We also hope to see action on the additional activities suggested earlier in our comments, such as filling community vacancies, expanding existing communities, and developing new communities.

- **Rehabilitation Loan Program** – In 1976, the Manufactured Home Construction and Safety Standards or “HUD Code” established uniform construction standards. The differences in construction quality, safety, life expectancy, and deterioration rates between manufactured and site-built homes have been virtually eliminated. However, like a site-built home, a manufactured home is still going to need some periodic reinvestment. In addition, 37% of the manufactured homes in Minnesota are pre-1980, which means they may require either major repairs or replacement. As research at the University of Virginia documented, some residents of these homes even experience a housing cost burden from utilities alone, with average monthly utilities costs requiring more than 30% of their household income. In the past, rehab loan programs exclude manufactured homes that are not on a permanent foundation and not taxed and financed as real property. We appreciate Minnesota Housing’s commitment to also supporting manufactured home owners.
- **Manufactured Home Replacement** – The reason so many pre-HUD Code homes remain in use is the difficulty in obtaining decent purchase financing. Manufactured home owners are more likely than single-family home owners to purchase their homes for cash, 33% to 12% respectively. When financing is used, 86% of the time it is likely to be a personal property (“chattel”) loan. In 2008, while the average mortgage interest rate was 6.4%, personal property loans averaged 9.2%, with a range from 7.5% to 14%. In addition, chattel loans generally have shorter loan terms, fewer rights when in default, and a smaller lender pool. This lending market saw a collapse nearly a decade before the general housing crisis. This may help to explain the steady decline from the peak 2000 park community occupancy rate in the Twin Cities of 15,668 with a 2% vacancy to a 9.65% vacancy rate in 2019. There are a number of communities that have experimented with home replacement and disposal, including Hilltop, Northfield, and North Mankato. We appreciate Minnesota Housing’s commitment to assess incorporating this approach into the rehabilitation loan program. We are willing to support statutory changes, if they are necessary.
- **Support for Manufactured Home Buyers** – We encourage Minnesota Housing to provide attention to education and counseling for manufactured home buyers and owners. There are some good manufactured home buyer guides. However, there are generally no lender requirements for home buyer education and very few specific programs. The existing process for appraising manufactured housing involves challenges that do not arise in appraisals of site-built homes and it does not always result in fair valuation of manufactured housing. In addition, Minnesota law guarantees the right to an in-park home sale by prohibiting the arbitrary rejection of a buyer’s application for residency. However, the practice still occurs and it has been difficult to mount effective legal challenges. We encourage Minnesota Housing to assess possible actions to address these problems, such as outreach and funding for home buyer education; tools for appraising manufactured homes; and a reporting process for manufactured home sellers who feel their right to an in-park home sale is being unlawfully blocked.
- **Local Zoning Ordinances** – Zoning laws and ordinances are important for manufactured homes placed on land owned by the homeowner (“fee simple” land). The concern is that in some communities, manufactured homes are not allowed in zoning districts that are open to other single-family homes. Such policies have the effect of concentrating the overwhelming majority of manufactured homes in a limited number of park communities. These policies may impose apply size, architectural and aesthetic requirements that have the effect of discriminating against manufactured homes such as minimum width, minimum square footage, siding materials, roof lines, and type of foundation. They may also limit the number of manufactured homes allowed at a given location. APAC believes local jurisdictions should adopt ordinances that allow manufactured homes on fee-

simple land in all residential districts, including all single-family districts, subject only to the same restrictions and requirements that apply to other residences. We support the Agency's plan to create a comprehensive strategy to support and preserve manufactured housing, including model ordinances that address zoning and the rights of residents.

- **Manufactured Home Park Redevelopment Grants** – We are glad the Minnesota Legislature has finally funded the program and we support Minnesota Housing's decision to make storm shelters one of the focus areas. Minnesota is the only state in the country with comprehensive statewide standards that require park communities to offer storm shelters or evacuation plans to residents. Unfortunately, enforcement of the standard has been extremely limited and at least 50 parks are in violation of those standards. Since 2010, the Minnesota Department of Health (MDH) has sent only 17 warning letters and has fined only seven parks. Both MDH, which inspects, and the local municipality, which approves storm shelter or evacuation plans, argue they take a light touch with enforcement for fear of making rents unaffordable or prompting the park owner to close the community. In these cases, the Agency's program can serve a vital role.
- **Manufactured Home Relocation Trust Fund** – We appreciate the opportunity to work closing with Minnesota Housing to make a number of important changes to the Relocation Trust Fund during the 2019 Legislative Session. We also found our collaboration with Minnesota Housing and Minnesota Management and Budget on updating the materials for this year's collection of the \$15 annual fee to be very productive. I noted a couple of updates and additions that can be made to your discussion of the Relocation Trust Fund. As you know, the cap on the fund's balance was raised from \$1 million to \$2 million. In addition, it may be worth noting in the paragraph that describes the program that park owners are also responsible for paying up to \$3,250 for each single-section home and up to \$6,000 for each multi-section home, and that these funds also support the benefits paid to homeowners. Finally, there are important changes in reporting for the collection and disbursement of funds that will provide important data about park communities, park occupancy rates, and park closure statistics. It may be worth discussing these changes as well.

We are grateful for the opportunity to provide Minnesota Housing with comments on the proposed 2020-23 Strategic Plan and 2020-21 Affordable Housing Plan. We look forward to seeing how the plans evolve with consideration of feedback from the public and stakeholders. Please contact me with any questions you may have about our comments.

Sincerely,

Dave Anderson
Executive Director, MPA, Ed.D (ABD)