# The Northwest Report

***Issue 44 – October 2014***

**For Owners, Operators and Investors in Manufactured Housing Communities Nationwide**

## *OREGON COALITION TACKLES CHALLENGES*

Oregon's Manufactured Housing Landlord / Tenant Coalition meets monthly in Salem to address the tough issues affecting manufactured home community owners and residents. The result is ultimately compromise legislation in the form of a landlord-tenant Bill introduced to the Oregon Legislature each session. This year the Coalition is addressing the following issues, among others:

***1). UNPAID BACK TAXES ON ABANDONED MANUFACTURED HOMES***. Some park residents don't pay their personal property taxes. This could harm counties (if not reimbursed by the state), which lose tax revenue for themselves and for other public entities like schools and waste time and resources trying to collect the taxes. It can also harm landlords if a manufactured home is abandoned by the tenant since the landlord will have to destroy the home (at a cost of several thousand dollars) or pay the back taxes. It could also harm prospective tenants, who buy the manufactured home and don't know about the back taxes owed on the home. Current Oregon law allows the park owner to make the county tax collector cancel any unpaid back taxes on an abandoned home if the home is disposed of and its market value is less than $8,000, or if it's value is less than $8,000 and the proceeds of the sale are not enough to pay the back taxes after paying the storage, cost of the sale, and back rent. Washington state law is comparable, using the $8,000 figure to qualify for cancelled taxes. The landlord must also submit an affidavit in which the landlord commits to sell or re-rent the home. Problems with the current law:

a. If the abandoned home is worth more than $8,000 and the back taxes are as much as or more than the value of the home the landlord has no incentive to preserve the home.
b. It is unclear whether the law requires the landlord to pay the back taxes (to get a permit to move the home) just to dispose of or give away the home.

***2). $6 ASSESSMENT***. Counties in Oregon would prefer not to be responsible for collecting the $6 assessment on manufactured homes which supports the Manufactured Communities Resource Center (MCRC) and dispute resolution for park disputes. Multnomah County (Portland area) and some other counties want to get out of the business of collecting the $6 assessment at all. Multnomah apparently is drafting a bill for the 2015 session exempting it from having to collect the $6 assessment. County tax collectors feel that, as a matter of principle, they should only collect taxes for their costs and for other local governments. This assessment is not a tax.

Some park residents don't pay property taxes, either because of the senior tax deferral program or because of the cancellation of taxes on low-value manufactured homes. That means the county bills those residents only for the $6. And, with the early payment 3 percent discount, the actual amount owed is only $5.82. The counties' cost to collect this amount exceeds the amount collected.

**POSSIBLE SOLUTIONS,** combined for both issues:

1). Require counties to waive the first $8,000 in back taxes (not including interest, though waiving the back taxes also waives the accrued interest), not the total of back taxes owed. Plus the park owner must pay any recording fees. Park owner would have to file an affidavit swearing to sell or rent the home, as is done in Washington State.

2). Allow cancellation for an unlimited amount of back taxes if the park owner sells the home in a good faith, arms-length sale for any amount to a buyer who will live in the home in the park so long as the sale proceeds, minus the park owners costs (cost of sale, unpaid back rent, storage, etc.), go to the county for the back taxes (or to the state for deferred taxes). This approach seems most likely to generate tax revenue and keep the home rented in the park as affordable housing.

***3). CONFLICTS BETWEEN LANDLORDS AND RESIDENTS OVER THE SALE OF MANUFACTURED HOMES IN THE COMMUNITY.***

Some residents who are seeking to sell their home think that landlords unreasonably reject their proposed buyers in order to compel the resident to sell the home to the landlord for a reduced price and the landlord then turns around and sells the home for a higher price, sometimes to the very buyer the landlord just rejected or on easier terms (lower rent, worse credit history).

Other residents think that landlords who are selling homes in the park compete unfairly with residents who are selling their homes by discouraging buyers from the resident, or by requiring unreasonable repairs by the resident prior to approving the sale, or by offering better terms or lower standards to the landlord's buyer than to the resident's buyer. Other residents are concerned that some landlords sell a home on consignment for a resident to a buyer who pays double or more what the landlord pays to the resident.

**Current law:**

ORS 90.510 requires that all rental agreements include "Any conditions the landlord applies in approving a purchaser of a manufactured dwelling or floating home as a tenant in the event the tenant elects to sell the home. Those conditions must be in conformance with state and federal law and may include, but are not limited to, conditions as to pets, number of occupants and screening or admission criteria."

The law had a sunset of 2008. In 2007 the coalition's bill extended that sunset to 2012. In 2011 the coalition's bill intended to extend that sunset to 2018, but it was recently discovered that the Coalition bill did not do that correctly, so the law is no longer in effect.

**POSSIBLE SOLUTIONS** Include:

a). Require park owners who sell homes for residents to enter written listing agreements,

b). Specifying the park owner's commission and the agreed-upon price and requiring the park owner to pay anything (or a certain portion) received over that amount to the home seller,

c). Limit park owner's commissions to a certain percentage of the sale price, like 6 or 7 percent,

d). Prohibit park owners from offering better terms (lower credit standards, lower space rents) to buyers who buy park owned homes vs. tenant owned homes,

e). Prohibit park owners from requiring repairs prior to sale unless the park has either/both given the home owner a non-waiver for some period prior to the sale or hired at the park's expense a certified home inspector to identify repair needs.

***4). CURE OF ONGOING VIOLATIONS***

Manufactured Home park residents – those who own and occupy their homes and rent the space under the home in a park can only have their tenancies terminated for cause. Those causes are defined in ORS 90.630. The statute allows the tenant to cure the cause, within the 30 day notice period, and thereby avoid the termination. In some cases the result of this cure means that a tenant may continue the conduct which is the cause up until the 30th day.

**The problem:** The landlord's termination notice must describe, in some detail, the conduct which violates the law or rental agreement, and must then give the homeowner at least 30 days to cure the violation or noncompliance. In some cases, that conduct is something which could be cured immediately, but the law essentially allows the homeowner to continue with the violation or noncompliance for another 30 days. Examples: Loud parties, driving fast in the park. And, the law requires that the park owners notice must advise the homeowner that the homeowner has 30 days to cure the cause and avoid termination, which to some people feels like saying to the homeowner that he/she can keep it up until the 30th day. Possible solutions have yet to be drafted but members of the Coalition are determined to find a fix for this "loophole".

## *CONSUMER PROTECTION BUREAU*

**WASHINGTON, D.C. -** The Consumer Financial Protection Bureau (CFPB) released a report which found that manufactured-home owners typically pay higher interest rates for their loans than borrowers whose homes were built onsite. The report also found that manufactured-home owners are more likely to be older, live in a rural area, or have lower net worth.

"Manufactured housing is a critical source of affordable housing for some consumers, particularly those who are older, live in a rural area, or have less income and wealth," said CFPB Director Richard Cordray. "These consumers may be more financially vulnerable and benefit from strong consumer protections. The Bureau is committed to ensuring that consumers have access to responsible credit in the manufactured housing market."

In addition to providing a more comprehensive understanding of manufactured housing financing, the report also examines the consumers in this market. The report found that the manufactured-housing sector plays a critical role in the affordable housing market. Other key findings of this report include:

- **One out of seven homes outside of a metropolitan area is a manufactured home:** Manufactured homes account for only about 6 percent of all occupied U.S. housing. Outside metropolitan areas, however, one out of every seven homes is a manufactured home. These homes are more prevalent in the southeastern and western states.
- **Manufactured-home owners are more likely to be older:** Nearly one out of five families that live in manufactured homes do not have children in the home and are headed by someone aged 55 or older.
- **Manufactured-home owners are more likely to have lower net worth:** The 2004–2010 Surveys of Consumer Finances indicate that the median net worth among households that lived in manufactured housing was just about one-quarter the median net worth of families living in all other types of housing.

## *FINANCING FOR COMMUNITIES*

UnionBank recently announced that after a thorough analysis of their funding's during the past three years, including the impact on their yield and the additional administrative expense associated with originations and loan management, they are no longer offering manufactured home community loans in "Non-Core Markets".

A list of Core Markets includes ten counties in Oregon and ten counties in Washington. In California sixteen counties are listed as Core Markets. In Oregon none of the counties listed are east of the Cascade mountain range. In Washington only Spokane, Benton and Franklin (Tri-Cities) counties are rated as Core Markets east of the Cascade mountain range.

Interest rates remain at or near record lows, with rates ranging from 3.125% fixed for 3 years for a premium property up to 5.125% for a standard loan on a 15-year fixed rate.

## *PRODUCTION AND SHIPMENTS*

The latest statistics available show that in August of 2014 a total of 5,937 new manufactured homes were shipped, an increase of 1.6 percent over August of 2013. The trend varied by housing type, with shipments of single-section homes up by 6.8 percent compared with the same month last year while multi-section homes showed a 2.7 percent decrease when compared with the same period a year ago. In 2014 manufactured homes have showed a shipment increase in every month and 2014's pace is a year-to-date increase of 6.4 percent over 2013. Production from Oregon plants also showed an increase in single-wide shipments as community owners have purchased more single-section homes to fill home sites limited to the smaller, narrower profile.

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Oregon manufacturing plants make up the bulk of the Pacific Northwest's manufactured home building and they have recorded a 26.1 percent increase so far in 2014. Idaho plants are down 5.9 percent, largely due to a slower demand for workforce housing in the Dakota's, not so much a decrease in consumer demand in the region. California ranks 9th in the nation for manufactured home production, Oregon ranks 11th, Idaho is 13th, Washington has too few plants to report.

Cumulative industry production for 2014 now totals 30,675 homes, a 5.3 percent increase over the 29,133 homes produced through August of 2013. The number of plants reporting production is 123 and the number of corporations is 46, both unchanged from prior months. The top ten states for manufactured home shipments are, in order, Texas, Louisiana, Florida, North Carolina, Alabama, Mississippi, Kentucky, California, Tennessee and Oklahoma.

## *UPCOMING EVENTS*

2014 National Communities Council
Fall Leadership Forum
October 27-29, 2014
Drake Hotel, Chicago IL

MHI Winter Meeting
February 8-10, 2015
The Hyatt French Quarter
New Orleans, LA

## ***Featured Properties***

***216 Space Family Manufactured Community***
with *Vacancy Upside located in Spokane County*
*28% Vacant Spaces*
*Features Clubhouse & Pool*
**Asking Price $5,250,000**

**63 Space Family Manufactured Community**
located in Longview, WA
~City Utilities, Metered; Tenants Pay Water/Sewer~
**Asking Price $3,000,000**

***Over $550,000,000 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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