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## Moving Beyond the Mobile Myth: Preserving Manufactured Housing Communities

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Homeownership is an American dream. Houses become both homes and assets for most homeowners, leading to greater housing security and to greater wealth. Millions of homeowners face a different situation. Owners of manufactured homes in investor-owned communities build little wealth and they have less housing security than other homeowners. It does not have to be this way! Community land trusts—nonprofit organizations committed to community control of land—can help owners of manufactured homes both preserve and enhance their communities.

Manufactured housing communities—also called mobile home parks—are clusters of manufactured homes located on a single parcel. They range in size from fewer than 10 homes to hundreds. Manufactured homes comprise the largest share of unsubsidized affordable home ownership in the U.S., and communities occur in both rural and urban areas.<sup>1</sup> Like community land trust homeowners, manufactured homeowners own their houses and rent their land.

**Even though 80% of manufactured home residents own their homes, they have a very insecure housing situation.** Most residents in manufactured housing communities rent the land from people who see the property as an investment.<sup>2</sup> These can be mom-and-pop enterprises or larger corporations that own multiple communities. In either case, when land values increase or when infrastructure maintenance becomes too costly, investors might choose to close the community and sell the property for another use. Because manufactured homes are hard to move and alternative sites are limited, residents can be forced to abandon their houses when a community closes.<sup>3</sup> Many communities also become less affordable over time due to rent increases. California's Paradise Cove and Point Dume Club are extreme examples as beach communities that have increased in value. In June 2016, the least expensive home in Paradise Cove for sale, a 750 square foot one bedroom, was \$575,000 with space rent listed at \$1,164 monthly. In other cases, space rent will increase but the home value will be too low for the homeowners to sell and purchase another home.

### Fact:

Almost 3 million households live in an estimated 45,000 - 50,000 manufactured housing communities in the United States.

### Fact:

Most manufactured housing communities are investment properties for the land owners. Fewer than 10% of communities are resident-owned cooperatives or owned by CLTs or nonprofit organizations.

### Fact:

Thousands of households are losing their homes when manufactured housing communities close.



This is a big issue. The 8.5 million manufactured homes in the U.S. provide housing for more than 20 million people.<sup>4</sup> Almost three million of these households live in an estimated 45,000 to 50,000 manufactured home communities (mobile home parks).<sup>5</sup> In 2000, almost a quarter of all new housing starts were manufactured housing. In 2013, approximately a third of new manufactured houses (about 17,000) were located in manufactured housing communities.<sup>6</sup>

Manufactured homeowners who live in resident-owned communities or communities owned by a nonprofit organization or community land trust are in a better situation. In these communities, residents do not fear being displaced by rising rents or evicted by a closure. They also have more opportunity to help govern their community, influencing the quality of infrastructure and community spaces. Partnerships with land trusts can help preserve manufactured housing communities in order to retain and enhance this homeownership opportunity for low- and moderate-income households.

## What's the Difference?

*Is there a difference between manufactured housing and mobile homes? In short, no. Manufactured housing is built offsite in manufacturing facilities to standards established in the 1976 HUD code (amended in 1994). The homes are built on a chassis, transported on wheels, and designed so that they can travel on highways.<sup>7</sup>*

*In everyday language, mobile homes refer to manufactured housing in land-lease communities. The rectangular houses are often called single-wides or double-wides, referring to their size. Manufactured homes on individually owned lots are often called manufactured housing and are indistinguishable from site-built housing. While camping trailers were the first mobile homes, contemporary mobile homes are no longer so mobile. After being sited, few are moved from one place to another but the name lives on.*

*When homes are grouped on a parcel owned by one property owner—whether an investor, cooperative, nonprofit organization or CLT—residents refer to their communities as “mobile home communities,” “mobile home parks,” “manufactured home communities,” or “manufactured housing communities.”*





# The Truths About Manufactured Housing Communities

*For many people, the image of a mobile home park invokes dilapidated trailers in a transitory, crime ridden community. Nothing could be further from the truth.*

## **Manufactured housing communities are neighborhoods.**

Residents living in manufactured home communities are no more transitory than other homeowners. Manufactured homeowners report being satisfied with their living situations and anticipate staying at comparable rates as other homeowners. When compared with rental property, the common alternative for low- and moderate-income households, researchers have found that manufactured housing was more affordable and residents ranked both housing and neighborhood quality better.<sup>8</sup>

## **Manufactured housing is built to high standards.**

The Manufactured Home Construction and Safety Standards Act of 1974 (in effect in 1976) directed HUD to develop quality and safety standards for manufactured housing. The 1976 HUD code, amended and strengthened in 1994, set standards that ensure the quality of manufactured housing. The Manufactured Housing Improvement ACT of 2000 created new mandates for installation and dispute resolution.<sup>9</sup> In one examination of manufactured homes, the Consumers Union found that manufactured housing was lasting as long as site built housing and 82 percent of manufactured homeowners were satisfied with their homes.<sup>10</sup>

## **Manufactured homeowners can build equity.**

Homeownership is the primary way that most families build wealth. There is a misconception that manufactured homes have no asset building potential. In truth, manufactured housing on individual parcels can appreciate and evidence suggests that manufactured homes in resident owned communities also can gain value.<sup>11</sup> Manufactured homes also support financial stability in other ways because homeowners have lower monthly housing expenses, freeing resources for other expenses and savings.

## **Manufactured homes are affordable.**

Manufactured housing can cost half or less of a site built house of comparable size. Because of its affordability, manufactured housing is the largest source of unsubsidized affordable housing in the United States. It offers homeownership to low- and moderate-income people including those who have incomes at or below 50% AMI (area median income). A substantial number of residents are seniors living on fixed incomes.<sup>12</sup> Nevertheless, in some cases, such as in Paradise Cove, manufactured homes are no longer affordable because the houses gain value and the ground rent is too high.

## **Manufactured homes are stationary.**

It costs at least \$5,000-10,000—and often more—to move a manufactured home. The move can be damaging to the structure and contents. Homeowners also must find space in another community if they want to move. Few new manufactured housing communities are opening however and many landowners will not allow an older unit to be relocated into an existing community. For these reasons, moving manufactured homes is rarely a viable option for homeowners. Estimates indicate that as few as 1% to as many as 7% of manufactured homes are moved.<sup>13</sup>

## **Collective ownership has benefits.**

Collectively owned communities are better off than their investor-owned counterparts. They have lower lot fees, higher resale values, and access to more favorable home financing such as fixed rate loans. One New Hampshire survey found that homeowners in resident-owned communities obtained more loans to purchase their homes than homeowners in investor-owned communities. Resident ownership also gave residents more control over their neighborhoods and reduced fear of displacement.<sup>14</sup> Nineteen states have adopted legislation to help make it possible for residents to purchase their community when it is sold.<sup>15</sup>



## The Need For Change

*Many manufactured housing communities and households are at risk. Residents are seeking opportunities to preserve their communities.*

### **Manufactured homeowners can be subject to confiscatory rent increases.**

Few states have legislation that prevents confiscatory rent increases. Few manufactured home communities have rent control or any mechanisms that ensure rents stay stable. As a result, homeowners can be subject to extreme rent increases that render their homes unaffordable.<sup>16</sup>

### **Residents face legal eviction when manufactured housing communities close.**

Manufactured housing communities were opened in the outskirts of cities or areas with relatively low land value. Many communities are now located in desirable places with high land value and development pressure. Property owners who consider the community an investment have reason to sell when the land value increases. When property owners sell the property, residents can be legally evicted. In many states, this can occur with little notice and relocation assistance.<sup>17</sup>

### **Few new manufactured housing communities are opening.**

Manufactured housing communities face byzantine zoning and development standards, making it expensive and difficult to establish new sites. Few new communities are being developed.

### **When forced to move, manufactured homeowners lose equity.**

It can cost the equivalent of five to seven years of equity to relocate a manufactured home.<sup>18</sup> Relocating a house can also damage it, further reducing its value. If the owner cannot afford the move, they must abandon the house, losing equity and possibly defaulting on a loan and damaging their credit.

### **Manufactured homeowners have fewer rights than other homeowners.**

In some land-lease communities, the landowners exercise significant control over homeowners. The landowners can force residents to buy homes through them, deny residents the right to sell their property to another purchaser, increase rent arbitrarily, or control services such as cable and utilities.<sup>19</sup>

### **Manufactured homeowners have less access to conventional mortgages.**

Manufactured homes can be classified as real or personal property. When classified as personal property, homeowners rarely receive favorable home financing and they may obtain personal property or “chattel” loans with higher interest rates and shorter repayment periods.<sup>20</sup> In these circumstances, they are financed like an automobile rather than real estate. Obtaining a conventional mortgage is better for the homeowners, but often they are unavailable to manufactured homeowners.

### **Infrastructure maintenance is often deferred in manufactured housing communities.**

Investors have little incentive to provide anything other than minimal maintenance and often have low reserves. This results in communities with declining infrastructure and few community amenities.





## Opportunities to Take Action

*Many actions can make manufactured housing communities more secure. Alternative land ownership is a key strategy to help low- and moderate-income households also build wealth.*

### **Eviction protection.**

Numerous states have adopted legislation to reduce adverse impact on residents when manufactured housing communities are sold. The policies and their effectiveness vary widely. While there are no mechanisms to stop landowners from selling the property, legislation can ensure residents receive adequate notice when a community will close. Washington for example requires 12 months notice and relocation assistance of \$7,500 for a single and \$12,000 for a multi section home. Florida requires six-month notice and relocation assistance.<sup>21</sup> In numerous states, including Rhode Island, Connecticut, Florida, Massachusetts, Minnesota, and New Jersey, residents have the right to first refusal when their community is going to be sold. Tax incentives can give property owners a reason to sell to residents. As of 2014, 19 states adopted legislation to facilitate resident ownership.<sup>22</sup>

### **Fair zoning.**

Because manufactured housing is perceived of as temporary and poor quality, many municipal codes prohibit its placement. Zoning codes often have lot size and density restrictions that can be impediments to siting new manufactured home communities. Municipalities can also be proactive and designate sites as manufactured housing to help prevent landowners from selling for speculative development.<sup>23</sup> In 2012, the United States Court of Appeals for the Ninth Circuit upheld a city's authority to zone an existing manufactured housing community as manufactured housing.

## Alternative Ownership Models

### **Resident owned communities.**

ROC USA® (<http://www.rocusa.org>) is a nonprofit organization that assists manufactured homeowners develop cooperatives and raise capital to purchase their communities from investor land owners. Much like a co-op apartment building, the homeowners continue to own their home and have an ownership stake in the property, contributing fees for property maintenance and management. ROC USA® has assisted over 150 properties, and 10,000 homes, transition to resident ownership.<sup>24</sup>

### **Nonprofit organizations.**

Nonprofit organizations can acquire manufactured housing communities that are being sold. A nonprofit organization may manage multiple communities and have particular objectives such as to retain permanent affordability or provide housing for seniors. The Caritas Corporation (<http://caritascorp.org/home.html>), based in Irvine California, manages 20 communities with the intent to retain affordability and quality.

### **Community land trusts (CLTs).**

CLTs are nonprofit organizations that are committed to community control of land. The CLT maintains control of the land and leases to tenants. They often offer long term leases that are renewable and inheritable. CLTs are committed to retaining affordability and providing community assets. Champlain Housing Trust (<http://www.getahome.org>), based in Vermont, has three manufactured housing communities.



## Opportunities to Take Action (*Continued*)

### **Fair financing.**

Manufactured housing that is classified as real property instead of personal property has more asset building potential. Real estate has higher resale value than personal property. Conventional mortgages also make this already affordable housing type even more affordable. States can establish legislation to ensure that homeowners can have their homes titled as real property as well as convert personal property to real property.<sup>25</sup> Long-term ground leases, which are rarely offered in investor-owned communities, are an important component of real property.

### **Tenant rights.**

Community residents both need basic tenants and homeowner rights. These include freedom of association and free speech (including establishing neighborhood associations), freedom from retaliation if they speak out or organize to improve conditions, freedom from eviction without just cause, and the right to sell their home to another homeowner.<sup>26</sup> Property owners also must be required to maintain infrastructure to acceptable standards. Many homeowners live with no explicit or weak protections of basic rights. Some states have enacted legislation to protect the rights of homeowners in land-lease communities. California's Mobile Home Residency Law, for example, guarantees homeowners the right to form associations, obligates land owners to meet with residents when requested, provides guidance for rental agreement terms and guarantees that lease requirements are not onerous, guides fees that can be collected, and ensures residents receive notices about service changes, rent increases and maintenance.<sup>27</sup> To be effective, legislation requires enforcement mechanisms. Washington State has established a Manufactured Housing Dispute Resolution Program to ensure both property owners and landowners fulfill their responsibilities and can exercise their rights.<sup>28</sup>

### **Alternative land tenure.**

There are promising strategies to secure land tenure and improve manufactured housing communities. Some homeowners have opted to collectively purchase their communities. Most manufactured housing communities that have become resident owned have followed the ROC USA model. States can help facilitate resident ownership by enacting purchase opportunity laws or offering tax incentives to owners that sell to residents.<sup>29</sup> In other cases, non profit organizations have purchased the land and became the landlords. In states including Vermont and Colorado, community land trusts have purchased manufactured home communities, combining resident engagement and professional management. Public housing authorities have also acquired manufactured communities, either acting as the landlord or later selling them to a community land trust or another nonprofit organization.





## Insights from CLT-Manufactured Housing Community Partnerships

*While many homeowners are choosing to buy their communities, this is not always possible or the best option for a community. A third party partner such as a community land trust (or another nonprofit) can offer technical and financial assistance, resulting in a community being both preserved and enhanced. This approach can provide housing security and preserve affordability, and homeowners benefit either from having a partner permanently or temporarily, if they later transition into a resident owned community.*

*It is important to realize that manufactured housing communities are different from one another. A good partnership or stewardship arrangement for one might not work in another. Some communities have active homeowner associations that are self-governing, while others do not have any association and rely on the CLT for management. Eight interviews with people who are experienced with CLT manufactured housing communities including representatives from Diamond State Community Land Trust, Champlain Housing Trust and Mapleton Mobile Home Park (Thistle Communities) offer the following lessons.*

### **Community size and organization matters.**

When a community is for sale and homeowners are discussing options, the size of the community, residents' level of formal organization and access to capital all influence possible opportunities. While some will choose to pursue a resident owned cooperative structure, others will find that working with an established CLT better suits their needs. Smaller communities have less access to capital and have fewer people to take leadership roles which may limit their preservation options.

### **Experience matters.**

Smaller communities or homeowner associations with no established track record of acquiring grants or financing might have difficulty obtaining loans and grants. An established CLT might have more access to acquisition capital and provide technical assistance to obtain grants to upgrade infrastructure. CLTs also have experience in collaborative stewardship and governance.

### **Acquiring manufactured housing communities requires professional real estate expertise.**

Purchasing a manufactured housing community is a complex real estate transaction that resembles purchasing an apartment complex or other multifamily property. It requires layered sources of financing and professional expertise in similar real estate transactions.

### **Rents rarely cover the cost of infrastructure upgrading.**

Manufactured housing communities often defer infrastructure upgrades. Landowners might decide to sell when infrastructure needs a substantial upgrade, and the rents will not be high enough to cover upgrade cost. Lenders may require that infrastructure improvements be included in the financing and the CLT will need to secure funds upfront to tackle deferred infrastructure. This can add millions of dollars to a deal.

### **Manufactured housing communities are both owner-occupied and rental property.**

Manufactured housing communities are similar to but different from owner-occupied housing and rental property. Infrastructure and community spaces can be managed like a rental property but homeowners maintain their own properties and have homeowner expectations. Unless a community has an active homeowner association, grievances among neighbors might come to the CLT or management company.





## Insights from CLT-Manufactured Housing Community Partnerships (Continued)

### **Leadership takes work.**

Some manufactured housing communities have active homeowner associations while others do not. Some residents want to be involved while others prefer to leave management decisions to someone else, as long as it is done responsibly. Alternative ownership can take a significant amount of resident organizing, and this should be taken into consideration when deciding the best way to steward and manage a community.

### **Permanent affordability is necessary.**

Because manufactured housing communities are naturally occurring affordable housing, it is easy to assume they will continue to be affordable. When community land trusts or nonprofit organizations preserve affordable homeownership opportunities, they institute income, asset and resale restrictions. Manufactured housing communities can use similar tools. Although in some cases it is difficult to imagine the need for these tools, retirees purchasing manufactured homes or communities located in desirable locations increased demand for both the land and the homes. Improving manufactured housing communities could also lead to more demand. Establishing mechanisms for permanent affordability is necessary.

### **Grants and financing can have restrictions.**

Obtaining grants for infrastructure upgrades can come with requirements. Fortunately, these can be consistent with the goals of the community such as keeping the community affordable by establishing income eligibility requirements.







## Conclusion

*Community land trusts are a natural preservation partner for at-risk manufactured housing communities. Already committed to ground leasing, community land trusts can help manufactured homeowners transition out of a precarious situation into one that ensures long-term security and wealth creation opportunities. This is a real “pro” for households and communities.*

*Community land trusts still must understand the challenges with stewarding and managing a manufactured housing community. Purchasing, renovating and stewarding manufactured housing communities require unique skill sets and the ability to access significant resources. While this should not be undertaken lightly, the opportunity to retain this critical form of affordable housing is too important to pass up.*





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