

Obama's Politics: Reveille for Organizers

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THE JOURNAL OF AFFORDABLE HOUSING AND COMMUNITY BUILDING

## Going from Strength to Strength

Can shared-equity  
homeownership  
deliver on its  
promise?

**PLUS:** Polikoff's  
Housing Crusade  
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*V. Polikoff*

# Gaining Ground

*Manufactured-home communities, long vulnerable to displacement at the whim of park owners, are working with nonprofit partners to increase resident ownership of the land.*

By Paul Bradley

**J**ust weeks before Christmas in 2005, 49 homeowners in the upscale Minneapolis suburb of Bloomington got a court order to move their manufactured homes from the Shady Lane Court manufactured-housing park. The park had a new owner who wanted to build condominiums on the five-acre parcel.

"I was in absolute shock," says Beverly Adrian, on learning about the park closure. She had downsized from her four-bedroom site-built home to a new three-bedroom, double-wide home in the park. "I was getting ready to retire."

The residents tried to match the developer's offer. They were unsuccessful. On April 1, 2006, Shady Lane Court was closed. In an Associated Press article published a few weeks later, Bloomington's city attorney was quoted as saying, "This park owner [of Shady Lane Court] doubled his money in, I think, just seven short years or less. It's the economics of the situation that may determine the fate of mobile-home parks or manufactured-home parks in the metro area."

Shady Lane's closure and the displacement of more than 100 residents is not an isolated event. Moreover, the threat of park closure and dislocation is not new to the 3.5 million families who live in an estimated 50,000 manufactured-home communities across the country. Most—75 percent—are considered low-income and rent the land underneath their homes, leaving them vulnerable to the whims of the investor-owners of their communities.

What is new is the pace and scale of closures, which have sent thousands of mostly low- and moderate-income people scrambling to relocate. In Florida recently, a Circuit Court judge did not stop sale of an East Naples park, leaving 300 homeowners stranded. In the last

12 months, an estimated 20 manufactured-home communities were projected to close in Washington State, affecting nearly 900 homeowners. In Minnesota, where Shady Lane was located, at least 12 communities have closed since 2000.

Several factors are driving the closures. Owners have the opportunity to make large profits because of rising land values and deteriorating community infrastructure. Investor-owners see the higher values, evaluate "higher and better uses" for the land and sell the land at a tidy profit. Often, the sales go through in the absence of regulations that might give residents the option of buying their communities.

Today, as closures become more common, creating a ripple effect of personal and community loss, the issues faced by these homeowners are finding their way onto the agendas of practitioners, lenders, agencies and policymakers in numerous states. (See sidebar, page 11.) "Manufactured-home communities [had] been somewhat invisible until they actually started disappearing," notes Cheryl Sessions of ROC USA, a new nonprofit program that supports resident ownership. "These communities represent the largest source of unsubsidized affordable housing in the country."

## **A Shift in Viewpoint and Building a Response**

The Ford Foundation, led by the research of Senior Program Officer George McCarthy, has helped bring attention to manufactured-home communities. McCarthy's efforts have identified promising examples of nonprofit practitioners around the country who are preserving and creating economically secure manufactured housing for low- and moderate-income families.

For example, Homesight, a nonprofit devel-

oper in Seattle, Wash., created Noji Gardens, using new manufactured-homes to lower construction costs and deliver a decent product in a high-cost market. The New Hampshire Community Loan Fund's Manufactured Housing Park Program created a comprehensive strategy of resident-owned communities in their state.

These and other innovative local efforts brought the Ford Foundation to CFED, a nonprofit based in Washington, D.C. CFED seeks out promising ideas and policies that can enhance economic opportunities in communities. CFED, which invests in affordable communities where manufactured-home buyers have control of the land and access to conventional mortgages, initiated the "I'M HOME" program (Innovations in Manufactured Homes), which ensures that families who choose manufactured homes receive the same treatment as traditional homeowners.

"Since 2005, we have made more than 25 investments—worth nearly \$2.5 million—in new developments, community conversion programs, development of mortgage products

## **Resources**

CFED

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

Manufactured Homeowners' Association of America  
[www.mhoaa.us](http://www.mhoaa.us)

NeighborWorks America  
[www.nw.org](http://www.nw.org)

ROC USA/The Meredith Institute  
[www.rocusa.org](http://www.rocusa.org)



*Florence Quast was the first president of the Souhegan Valley Manufactured Housing Cooperative in New Hampshire, which bought its 59-unit manufactured-home community for \$1.5 million in 1985.*

and advocacy,” says Kathryn Gwatkin Goulding, director of I’M HOME. “The results so far are promising. It’s amazing how a little support can unleash a chain reaction among practitioners in this sector.” These relatively small investments are getting traction, as evidenced by a recent NeighborWorks America Symposium on Manufactured Housing, which attracted over 175 participants.

### **A Case Study in Preserving Parks**

Since helping to create the first resident-owned manufactured-home community in New Hampshire in 1984, the New Hampshire Community Loan Fund has demonstrated a clear preservation and asset- and community-building strategy. Today, New Hampshire has 85 resident-owned communities (known as ROCs). That represents 17 percent of the market and 4,300 homeowners.

The New Hampshire model of resident-ownership is a cooperative one. To acquire a community, homeowners first form a non-profit co-op in which each household has one share and one vote. The co-op finances the purchase by borrowing money from local banks and the loan fund. This means that homeowners do not have to take out individual loans to buy in. Public subsidies are used for

fixing unhealthy and unsafe water and septic systems and deteriorating roads.

The services offered through the loan fund include conversion training, technical assistance, network leadership development, project planning and support, financing and home loans. The economic benefits of this strategy were documented in a 2005 study by the Carsey Institute at the University of New Hampshire. Comparing homes in eight towns, the study documented that sales prices for homes in ROCs were 12 percent higher per square foot than in comparable investor-owned communities. Further, homes sold faster, and rents, after 10 years, were lower in ROCs.

Florence Quast, a retired obstetrical nurse, is a passionate advocate for the power of resident-ownership. The 69-year-old mother of three was the first president of the Souhegan Valley Manufactured Housing Cooperative, which bought its 59-home community for \$1.5 million in 1985. “I think the owner was shocked that we’d come up with the money.”

The New Hampshire Community Loan Fund helped facilitate the financing of the park in the growing southern New Hampshire city of Milford, advised the residents on running a cooperative and continues to offer assistance and new products such as home improvement

loans and mortgages that are not available through traditional financing channels.

“My proudest accomplishment is in helping us become a co-op and buying the park because it’s something people said we couldn’t do,” says Quast, who travels nationally to speak about resident-owned communities. “Twenty years later, the co-op is still working. We are united, so that anything that might affect this community, we make sure we have a say in it.”

### **Balancing Interests: Appreciation, Preservation, Access**

Increasing home values, preserving the community and supporting access for low-income homebuyers may seem like competing goals. But the structure of these resident-ownership initiatives helps to minimize potential conflicts.

Communities work best when people are invested in their homes and neighborhoods. Homeowners invest in homes that hold some promise of return on investment. It is reasonable to promote asset-building as an objective for this housing segment, especially since the starting point is with homeowners, not renters. With 17 percent of communities now resident-owned and with a complementary single-family loan program in place, home values in ROCs are higher than those in similar investor-

owned communities, as documented by the Carsey Institute study.

However, an individual homeowner's desire for appreciation in his or her home doesn't have to lead to an unstable neighborhood structure or windfall profits that result in the loss of the entire community. Many resident-ownership entities are nonprofit member organizations that have restrictions against any individual gaining from the sale of a home within the community. These resale limitations can be rooted in state law or effected through deed restriction. Such limits are a reasonable prerequisite for public agencies that grant or lend vital rehabilitation funds.

In fact, most homeowners are not interested in selling out. Generally, their primary objective is to have control over their communities. "We bought this community to preserve it for working families," says Bob Cook, chairman of the Souhegan Valley Cooperative.

The result is a model of conversion where the land *and* community are preserved and that supports affordable homes that perform in the marketplace free of limitations (other than residency restrictions.) So, then, how do we counter the risk that house-price appreciation decreases access by low-income buyers?

As a general rule, in many markets, homes in manufactured-home communities will tend to remain affordable, compared to homes on fee-simple land. For example, new manufactured homes generally sell for about a quarter of the price of new single-family units. According to the 2005 U.S. Census, median sales prices for new manufactured homes were \$51,000, compared to \$220,000 for new single-family units.

Moreover, preserved resident-owned communities can remain accessible to low-income families as homes in these communities gain acceptance as a homeownership asset from low-income mortgage programs like the American Downpayment Dream Initiative and the dozens of other demand-side programs.

### **Taking Resident Ownership to Scale**

Access to financial resources is essential to stemming the tide of mobile-home park closures, preserving the communities and building healthy neighborhoods with engaged citizen leaders. The resources needed to achieve community sustainability include policy advocacy, 105-percent community mortgage financing and local training, organizing and technical assistance. The park in East Naples, Fla., might have been saved if residents had been provided such resources. It was reported

in the *Naples News* on December 9, 2006, that the judge's decision to deny the injunction was based on the homeowners' failure to show proof that they "had access to \$8 million dollars needed to co-op the property."

With the help of the Ford Foundation and spurred by the New Hampshire experience, leaders have begun to emerge to support the development of resident-ownership infrastructure in other states. In 2005, the Meredith Institute—taking its name from the first ROC in New Hampshire—was launched to educate trainers and organizers in resident ownership. In its first two events, 67 practitioners from 21 states have been trained. Contracts with USDA and NeighborWorks America Training Institute will bring training events to Georgia and Oregon in 2007. The national Manufactured Homeowners' Association of America conven-

tion in Minnesota in September 2007 will include training by Meredith Institute trainers.

Spurred by the success of the Meredith Institute, the New Hampshire Community Loan Fund developed ROC USA to carry its methods of community preservation and asset-building program development to other states. "Despite its small size, New Hampshire has acquired an almost mythical status among tenant-rights activists and affordable-housing advocates," said Thomas P. Kerr of *Mobilehome Parks Report*, a newsletter by and for investor-owners. With numerous national partners already engaged, 2007 promises to be ROC solid. ♦

*Paul Bradley is vice president of the New Hampshire Community Loan Fund and director of ROC USA.*

## State Laws that Foster Resident Ownership

To secure the benefits of resident ownership for mobile-home park residents, it is important for states to enact laws giving residents the opportunity to buy their communities. A handful of pioneering states have already developed effective statutory guarantees, yet most states have not. Without such policies, residents are vulnerable to rent increases, park closures and arbitrary park policies and are usually locked out of the benefits of ownership.

There are three types of state laws that promote resident ownership.

**Right of first refusal laws** require park owners to give residents notice before selling the park and the right to buy the park if they can match the terms of the proposed sale. Connecticut, Florida, Massachusetts, Minnesota, New Jersey and Rhode Island have such laws. However, all of these states' statutes have significant loopholes that can undercut the laws' effectiveness.

**Notice-only laws** require park owners to give notice to residents before selling the

park, but do not give residents a right of first refusal. Some require the park owner not just to give notice, but also to negotiate with the residents in good faith if the residents make an offer to buy the park. These laws, which are in place in California, Maine, New Hampshire, Nevada, Oregon and Vermont, can be highly effective if they are coupled with a vigorous infrastructure that helps residents arrange funding. Most of the states' statutes (with the exception of New Hampshire and Vermont) have significant loopholes, however.

**Tax incentives** are provided in Oregon and Vermont, if the park owner sells the park to the residents.

The National Consumer Law Center has launched a new project to help advocates develop policies that foster resident ownership. For more information, contact Odette Williamson or Carolyn Carter at 617-542-8010 or Jon Van Alst at 202-452-6252.

—Carolyn Carter  
*National Consumer Law Center*