Resident Ownership of Manufactured Home Parks

What It Delivers, Our Experience, What Next

Presentation for CURA Housing Forum

November 21, 2008
Overview

1. Background
   - Terminology
   - History
   - Sector overview

2. Resident ownership
   - Investor-owned vs. resident-owned communities
   - Track record and experience

3. Sector change agenda
   - Overview of phases
   - Status

4. What next
   - Production plans
   - Critical ingredients
   - Candidates for mortgage financing
Background

Terminology

- “Trailer.” Recreational vehicles not conforming to local building or HUD code standards
- *Mobile home.* Factory-built housing units built before 1976 HUD code
- *Manufactured home.* Factory-built housing unit built after 1976 HUD code. Has a chassis that supports structural integrity of unit and designed for transport to building site
- *Modular home.* Factory-built housing units meeting state, local, or regional codes where it will be located. Modules are assembled in three dimensions in factory.
- *Investor-owned community.* Manufactured housing communities bought, owned, and sold as real estate investment
- *Resident-owned community (ROC).* Manufactured housing communities owned by residents, typically through cooperative model
- *Non-profit owned community.* Communities owned by nonprofits, HRA’s, municipalities.
- *Cooperative.* A corporation incorporated under state law. Residents purchase shares in the cooperative, and in exchange for their membership, own and are responsible for real estate
Background
Brief history of the industry

- Travel trailers towed behind cars
- Trailers became larger
- “Parks” were developed as temporary and seasonal locations for trailers
- Many trailers stopped being moved and became permanent fixtures in the parks
Background
Manufactured housing units nationally

- 8.7 million units
  - 5.6 million are owner-occupied
  - 1.4 million are rented
  - 1.7 million units are vacant / in transition
- Six percent of all US housing units

US Census- American Fact Finder 2006
Minnesota Housing Partnership, May 2008
Background
Manufactured housing in Minnesota

- 50,000 units in investor-owned communities
- Over 950 investor-owned communities
- Largest single source of unsubsidized affordable housing in state
- Houses 1 of 4 households at 50% AMI

Statewide:
- 74,000 total units
- 65,000 are owner-occupied
- Ownership rate: 87%

Minnesota Housing Partnership 2008
Why Resident Ownership
Structure of typical investor-owned community

- Park owner
  - Land owned by park owner
  - Park is composed of individual lots
  - Residents pay lot rent to park owner

- Home lender
  - Home financing at 9% to 14% interest
Why Resident Ownership
Outcomes in an investor-owned community

Park owner

- Regular lot rent increases
- No direct voice in park policies
- Little incentive to invest in park
- Home depreciation due to lack of security, control, deferred maintenance
- Minimal access to home financing
- Chronic risk of displacement
Why Resident Ownership
Structure of manufactured home park cooperative

- Lot rent increase only with operating costs
- Direct voice in park policies and operations
- Strong incentive to invest in park due to dramatically reduced risk of displacement
- Cooperative land ownership for residents changes attitudes (social benefit)
- Better position for access to competitive home financing (financial benefit)
- Potential for growth in home equity
Development of Resident Ownership
Elements of successful conversion

- Real estate development and financing
- Governance and organizational support
- Asset and property management
NCF Track record
Projects to date

- **Bennett Park Cooperative**
  - MOORHEAD, 79 UNITS

- **Countryside Villa Cooperative**
  - CUMBERLAND, 20 UNITS

- **Sunrise Villa Cooperative**
  - CANNON FALLS, 47 UNITS

- **Paul Revere Cooperative**
  - LEXINGTON, 149 UNITS
Images of resident ownership
Why Resident Ownership
Experience of Sunrise Villa Cooperative

- Capital improvements, equipment
  - Resurfaced streets and roads
  - Rebuilt playground
  - New bus stop
  - Modern, safe mailboxes
- Fully funded reserve accounts
- No lot rent increases since 2004
- One-month rent holiday for February 2007
- Extremely financially stable project
- Qualified for refinancing at better rates and terms
  - Plans to use Minnesota Housing LMIR program
  - Strengthens cash flow and capacity for improvements
National experience

- Over 1,000 ROC’s across the nation
- New Hampshire
  - 90 manufactured housing cooperatives organized in last 25 years
  - Over 25% of manufactured housing communities are resident-owned
  - Community asset
    - Higher level of civic engagement
    - Lower crime
    - Better maintained
  - Resident owned communities vs. investor-owned communities
    - Preferred by homeowners
    - Appraises for more
  - Homes in ROC’s vs. in investor-owned communities
    - Financed at better rates and terms
    - Stable value and/or appreciate
    - Sell faster
  - A transformed financing environment
    - NH HFA doing home financing
    - Fannie Mae carrying out pilot project for home financing in ROCs
    - Commercial lender competition for MHC purchases
- Most others in California, Florida, Oregon
Effecting sectoral change in Minnesota

1. Initial market entry and development
   - Demonstration projects
   - Building expertise
   - Aligning stakeholders
   - Public education and acceptance
   - Research and development
   - Early policy changes

2. Going to scale
   - Building on proven ROC model
   - Leveraging NCF track record and expertise
   - Build local infrastructure
     - Affordable home financing
     - Affordable ROC financing
     - Governance and organizational development support
     - Specialized property management
   - Draw upon national funding, financing, and networks

3. Consolidate gains
   - Complementary policy change
     - Change manufactured homes from chattel to real estate
     - Opportunity to purchase
   - Emergence of regional ROC financing sector
Timeline
Evolution of manufactured housing sector understanding

2000
NCF visits NH

2001
MHP Summit

2002
MH Working Group

2003
MHFA Paper
Recommendations for involvement

2004
MHP Report
(Skobba)

2005
Funders Learning Tour

2006
CFED I’M HOME Launch
Corporation for Enterprise Development

2007
ROC USA Launch
NCBDC, NHCLF, Ford, OFN, Fannie Mae, NeighborWorks America

2008

2009

2011
Initiative goes national

- **ROC USA™ - Paul Bradley**
  - An organization working to bring resident ownership to every manufactured home community in the U.S.

- **ROC USA™ Capital – Michael Sloss**
  - 110% LTV financing
  - Market rates or better
  - NCB Capital Impact, Ford Foundation, NH CLF, OFN, CFED, Fannie Mae

- **ROC USA™ Network – Mary O’Hara**
  - Certified Technical Assistance Providers (CTAP)
  - NCF is one of nine CTAPs across the U.S.A. (38 states)
  - Peer-to-peer learning
NCF Role – Pre-Purchase Assistance

- **Overview of conversion process.** Introduction to concept, guidance throughout conversion process
- **Negotiations with seller.** Preparation for negotiations
- **Legal.** Referrals to legal counsel, provision of legal documents
- **Business Planning.** Facilitate business planning process
- **Financing Proposal.** Help in preparing proposal and referral to lenders
- **Infrastructure analysis.** Help with contracting for physical capital needs assessment, resident surveys for capital improvements planning
- **Organizational development.** Board and committee organization and leadership, meeting management, decision-making, record-keeping, ethics, core Board responsibilities
Common Properties Management Cooperative

- **Innovation for management companies**
- **Owned by its clients**
  - Contracts are with members who use the services
  - At-cost delivery of management services
  - Targeted toward resident owned communities
  - Any profits go back to the members
- **Governance by experts**
  - Board composed of industry experts and MHC member-owners
- **Organizational development enhanced**
  - Management takes active role in coaching board to build self-sufficiency of the cooperative
Governance and Capacity Building

- Robust training curricula: pre- and post-closing
- Development staff experienced in training delivery
- Access to national expertise
- Cadre of governance consultants
- Built into project financing
- Monitored and delivered in accord with ROC USA™ Network Agreement
## Proposed Production Schedule 2009

<table>
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<tr>
<th>Park Location</th>
<th>Unit Count</th>
<th>Proposed Closing</th>
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<tbody>
<tr>
<td>Central MN</td>
<td>114 units</td>
<td>July 2009</td>
</tr>
<tr>
<td>Central MN</td>
<td>52 units</td>
<td>July 2009</td>
</tr>
<tr>
<td>Central MN</td>
<td>94 units</td>
<td>November 2009</td>
</tr>
<tr>
<td></td>
<td><strong>260 units</strong></td>
<td></td>
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Key ingredients

- Pre-development money $200,000
- Mortgage financing $5.6 million
Northcountry Cooperative Foundation

Manufactured Home Community Cooperatives