Manufactured Housing in Minnesota

Manufactured housing—housing built entirely within a factory setting—is a significant source of affordable, unsubsidized housing in Minnesota. This past December, the CURA Housing Forum offered various perspectives on the issue of manufactured housing, which are briefly summarized in this article by the three organizations that were represented at the forum.

Minnesota Housing Partnership Perspective, by Leigh Rosenberg

Minnesota Housing Partnership (MHP) provides a comprehensive array of resources that help local organizations, businesses, communities, and elected officials in Minnesota ensure that all Minnesotans have safe and affordable housing. MHP’s recent study, Manufactured Housing in Minnesota: Overview and Policy Challenges, provides basic demographic information about manufactured homes and residents; compares manufactured and site-built homes; and examines sales, titling, financing, and taxation policies as they apply to manufactured housing.

About 68,000 Minnesota households live in manufactured homes, with 86% of these homes being owner-occupied. The median home value was about $29,000 in 2006. The median monthly housing cost for owner-occupied manufactured housing is about half the cost of owner-occupied site-built housing. Manufactured housing tends to be more affordable because per-foot construction costs are less than half the cost of site-built housing, and because many manufactured homes are placed on leased land rather than owned land. In 2001, more than half (54%) of manufactured homes in the Midwest were located on rented land.

However, leasing land for a manufactured home has serious drawbacks. Residents of manufactured home parks not only have little control over rent and tenant policies, but they also run the risk of losing their homes when parks close. In addition, lack of land ownership limits home value appreciation. Many of these drawbacks can be mitigated through cooperative park ownership by residents or through nonprofit management of parks.

Manufactured housing is frequently subject to policies that are less favorable to owners than the policies that apply to site-built homes. For example, sales and financing for homes are linked (and sometimes vertically integrated), which leaves buyers vulnerable to deceptive or predatory lending practices. Most manufactured housing is titled as personal property (chattel) rather than real estate, which creates many legal disadvantages. The majority of manufactured homes are financed through high-cost personal property loans, even when credit scores would likely qualify borrowers for real estate mortgages. When manufactured-home owners do qualify for mortgages, financing often involves higher interest rates, fees, and down payments than for site-built homes. In cases of loan default, the rights of borrowers are significantly more limited if they have a personal property loan rather than a mortgage.

Tax policies also tend to place manufactured-home owners at a disadvantage. Manufactured-home buyers often pay a double sales tax—one to the manufacturer and one to the construction company that assembles the home. In addition, property taxes for manufactured homes on rented land must be paid on a shorter schedule than for homes on owned land. The one advantage that accrues to manufactured housing on leased land is that the sale of homes is not subject to deed or mortgage registry taxes.

The MHP study suggests that manufactured homes are an important source of affordable housing in Minnesota. However, policy reform is required to ensure that manufactured-home owners are not subjected to poorer treatment than owners of site-built homes. The full report can be found at www.mhponline.org/?q=node/105.

Northcountry Cooperative Foundation Perspective, by Warren Kramer

Northcountry Cooperative Foundation (NCF, ncdf.coop/northcountrycooa_new.html) develops affordable housing by converting manufactured-home communities into resident-owned communities. NCF’s work involves promoting and developing cooperatives for low-income residents of manufactured-home communities as a means for those residents to gain fundamental ownership and control over their housing situation. Co-op conversion is also a strategy to preserve the existing stock of manufactured homes from loss due to park closure and redevelopment. Northcountry Cooperative Foundation provides a full range of services to housing cooperative projects, including technical assistance, real estate development services, and
training for residents that supports practical leadership development and encourages sound self-governance practices. NCF is part of a national conversion effort called ROC USA Network (www.rocusa.org).

In addition to the economic benefits the business model delivers to members, resident cooperatives provide unique opportunities for building capacity and facilitating the development of social capital among the people involved. Cooperative homeownership provides all of the following:

- **Security**—Once a park is cooperatively owned, the park can no longer be closed and sold for redevelopment without resident consent.
- **Resident governance**—Through their elected board of directors, park residents oversee park management and operations, decide which park improvements to make, determine park rules, and screen applicants for cooperative membership.
- **Incentives toward investment**—In a cooperative, park residents have an incentive to improve and invest in their manufactured homes and in the park itself.
- **Operation at cost**—A cooperatively owned park charges its residents only what is necessary to pay for actual maintenance and operating expenses, fund reserve accounts, and finance park improvements. With the profit motivation of investor ownership gone from the equation, over time, homeowners in cooperatively owned parks tend to pay less for a better-maintained park than their counterparts in investor-owned parks.

NCF has facilitated three conversions in Minnesota to date, and had a supporting role in a fourth conversion in Wisconsin. Minnesota’s fourth manufactured home park co-op, Madelia Mobile Village, is currently in the process of being created. This project, located in the city of Madelia, is a 57-lot community being purchased by its residents from the regional Housing and Redevelopment Authority, which has owned the park for the last 15 years.

**All Parks Alliance for Change Perspective, by Margaret Kaplan**

All Parks Alliance for Change (APAC, www.allparksallianceforchange.org) is a tenants union for manufactured-home residents in Minnesota. The organization is led by manufactured-home owners. APAC has been the driving force behind the protections that currently exist for manufactured-home owners in Minnesota, and continues to build powerful leaders who fight to preserve and protect their neighborhoods.

One of the primary concerns of manufactured-home owners is the risk of park closures. Minnesota has seen more than 20 manufactured-home communities close since 2000, and this number is growing. Park closures are financially and emotionally devastating to the families who lose their homes. Communities of color are particularly hard hit. Although people of color make up just 10% of manufactured home park residents, 54% of those displaced by park closings are people of color.

Changes in financing and ownership structure may address some long-term issues with manufactured-home parks, but for people losing their homes today, these solutions will not have an impact. The only recourse is organizing to stop park owners and governments from closing manufactured-home communities. The state must adopt policies and invest resources to preserve communities that are currently closing, in addition to looking at long-term solutions.

Manufactured-home owners must have a strong voice in decisions about their communities because they are the people who have to live with the decisions. The primary barriers to their participation are persistent stereotypes of manufactured-home residents as “trailer trash” and the idea that affordable housing experts are the only ones qualified to speak about these issues. In addition, unless research is followed up with action, park closures will persist, and what will be lost is more than units of housing in the abstract, but real families, real homes, and real communities.

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The CURA Housing Forum is a monthly brown-bag discussion of Twin Cities housing issues and research, sponsored by CURA. CURA Housing Forums are free of charge and open to the public. For more information, visit www.cura.umn.edu/forum.php.