

Promoting Resident Ownership of Communities

Overview

Manufactured homes are a vital source of affordable housing for low- and moderate-income and elderly Americans. Manufactured homes, factory-built in accordance with federal standards, house 17 million Americans nationwide. Relative to other forms of housing, manufactured homes are more affordable due to a lower purchase price and monthly costs of homeownership.

Manufactured homes are either placed on land owned by the homeowner or in manufactured home communities. Currently, more than a third of homes are located in manufactured home communities, also called “parks” or land-lease communities, rather than on privately-owned land. There are between 50,000 and 60,000 such communities nationwide.

Despite the importance of manufactured home communities to landless homeowners, over 100 communities have closed in the last three years, and experts estimate that at least 1,500 are at risk of closure nationwide. In rapidly developing suburban areas, landowners are selling community land for commercial and residential development. In the last few years, 18 states witnessed the closure of at least one park, displacing thousands of homeowners, many of whom were forced to abandon their homes and primary asset. A substantial portion of displaced homeowners are low-income families with limited financial means and elders on fixed incomes, for whom replacement housing may be hard to find. The loss of these communities exacerbates the shortage of affordable housing in many states. As states respond to protect homeowners against foreclosures, they should equally take action to protect owners of manufactured housing from losing their assets.

What States Can Do to Preserve Manufactured Home Communities

States can take deliberate measures to protect owners of manufactured homes in land-lease communities by enacting policies that give homeowners an opportunity to purchase the land on which their home sits. If homeowners can match the sales price, terms and conditions of an offer, they should have the right to buy. Giving homeowners whose homes are in jeopardy a purchase opportunity preserves the community as affordable housing, encourages civic engagement, and creates the strongest protection for homeowners in manufactured housing communities.

Moreover, long term control over the land on which the home sits can have a significant impact on its financing and appreciation as an asset. In order for low-income homeowners to benefit from lower cost financing and build wealth through asset appreciation, they must have long-term control over the land. Affording owners of manufactured homes in land-lease communities the opportunity to purchase their communities benefits the public at large. It preserves affordable housing, avoids community disruption and reduces a host of public health and safety problems that come with increased homelessness and abandonment of homes.

Elements of a Strong Policy

A law that seeks to protect homeowners and preserve manufactured home communities should include:

A strong notice provision. To create the broadest opportunity for homeowners to purchase and preserve their community, advance notice should be sent automatically to all homeowners whenever a community is put up for sale. Automatic notice should be mandated regardless of whether the land will change in use or remain as a manufactured housing community. Resident or homeowners’ associations, state agencies and local government agencies should also receive notice. Notice should be sent at least 60 days prior to the landowner entering into a final agreement with a third party to sell the community. The notice should include information customarily given to commercial buyers so that homeowners can realistically assess whether they should purchase the land.

An opportunity for homeowners to purchase their community. If a community is put up for sale, and homeowners can meet the essential terms of an offer, they should have the opportunity to purchase their community. Homeowners, through their homeowners association, should be able to compete effectively with commercial buyers for purchase of the land.

An obligation for community owner to negotiate with homeowners in good faith. The law should require landowners to consider any offer made by homeowners and negotiate in good faith. This includes providing homeowners with the same access to information that commercial buyers have.

A strong penalty for not complying with the law. An effective penalty provision is essential to deter non-compliance and afford homeowners a real opportunity to purchase their community. In addition, if homeowners learn of a violation of the law, they need clear authority to get an injunction to stop the sale.

Other helpful features of a resident purchase opportunity policy include:

A tax incentive. States can create an incentive for community owners to sell to residents by making any gains from these types of sales tax exempt.

Protections for homeowners and other residents in manufactured home communities. Policies must be in place to encourage the formation of resident associations and protecting homeowners against excessive rent increases, no cause or retaliatory eviction and other abuses.

What States Have Done

Fourteen states have policies in place that encourage or require landowners to give owners of manufactured homes an opportunity to purchase the land on which their homes sit. In states like Florida (for some sales), Massachusetts and Rhode Island, homeowners have a right of first refusal upon receiving notice of an impending sale of the community. A right of first refusal means that, if the homeowners can match the existing offer by meeting its price, terms and conditions, they have the right to purchase the community.

Other states have laws that require the landowner to consider any offer made by the residents and homeowners and negotiate in good faith. Requiring notice and good-faith-negotiations has been effective in states like Vermont and New Hampshire, where homeowners or nonprofit organizations have successfully bought many communities. A law that requires notice to residents and places a duty of good faith negotiation upon landowners is a workable alternative in states that do not provide homeowners with a right of first refusal.

The weakest type of law however, imposes no obligation on the landowner. These laws simply require notice when the community is put up for sale. Many landowners refuse to negotiate in good faith with homeowners, believing wrongly that homeowners may not have the resources to purchase the community nor the capacity to manage the community.

Strong policies that enable homeowners to purchase their community have removed many communities from the speculative real estate market, eliminating the risk of community closure. Homeowners in New Hampshire, California and Florida, for example, have collectively purchased many communities by forming nonprofit or for-profit cooperative corporations. Other states have employed a variety of strategies, including third-party ownership of the manufactured home community, either through a nonprofit or a land trust. One state, Vermont, has directly purchased a community, as have several local housing authorities. States and municipalities have also responded by enacting moratoriums on closure or zoning changes. There is growing recognition that manufactured housing communities represent a significant share of the nation's affordable housing stock and policies that protect these homeowners also benefit the broader community.

About I'M HOME

I'M HOME, or Innovations in Manufactured Homes, is an initiative of CFED, a national nonprofit organization dedicated to expanding economic opportunities for all Americans. The I'M HOME network includes nonprofit and for-profit, national and local partners who together work toward ensuring that all homeowners, regardless of whether their home is manufactured or site-built, enjoy the same rights and privileges of homeownership, including asset building opportunities. For more information about I'M HOME, please visit www.cfed.org/go/imhome.

About the National Consumer Law Center

The National Consumer Law Center (NCLC) is the nation's consumer law expert, helping consumers, their advocates and public policymakers use powerful and complex consumer laws on behalf of low-income and vulnerable Americans seeking economic justice. NCLC is the leading consumer legal advocate promoting legal protections for owners of manufactured homes. For more information about NCLC please visit www.consumerlaw.org.